天津泰達生物醫學工程股份有限公司

Tianjin TEDA Biomedical Engineering Company Limited

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

(Stock Code: 8189)

Annual Report 2019

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

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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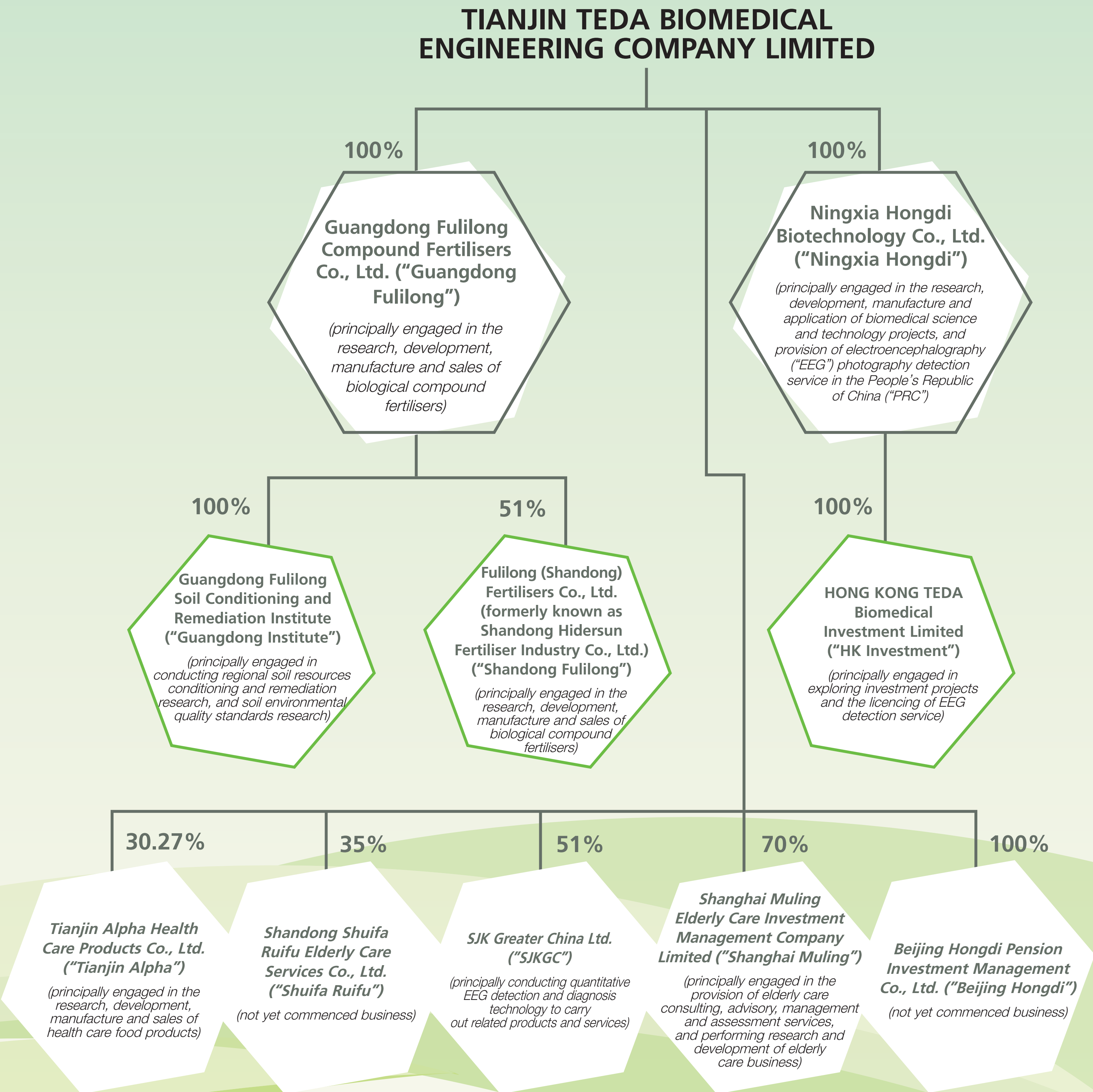
CORPORATE INTRODUCTION

Tianjin TEDA Biomedical Engineering Company Limited ("TEDA Biomedical" or the "Company" and together with its subsidiaries, collectively the "Group") was incorporated on 8 September 2000 and listed on GEM of the Hong Kong Stock Exchange on 18 June 2002 (Stock Code: 8189), with a current registered capital of RMB189,450,000. Currently, the Group is principally engaged in two industry sectors: on one hand, it is the biological compound fertiliser business, which principally includes a series of biological compound fertiliser products that are used for the facilitation of balanced growth of grains, fruit and vegetables. On the other hand, it is the elderly care and health care business, which principally includes the comprehensive layout of elderly care services integrating medical services and elderly care services, and operation and management business, which focus on seniors with complete or partial disability or dementia that have strong demand. Such business mainly includes conducting the operation and management of elderly care institutions (service facilities), integration of elderly care service resources, supervision and consultancy on elderly care service management and other related old-aged service businesses nationwide. By applying the world's unique quantitative EEG detection and analysis technology acquired, it has cooperated with relevant medical institutions and medical examination bodies, both domestic and abroad, to assist it in diagnosing accurately various neuropsychiatric/disorders and quantifying the personality traits of children or adults and talents, and thus provide a scientific basis for the development of children's acquired individualised cultivation and adult's adaptability on job positions.

GROUP STRUCTURE



CORPORATE INFORMATION

Executive Directors
Ms. Sun Li
Mr. Hao Zhihui
Mr. He Xin

Non-executive Directors
Mr. Cao Aixin
Ms. Gai Li
Dr. Li Ximing

Independent non-executive Directors
Mr. Li Xudong
Mr. Wang Yongkang
Ms. Gao Chun

Supervisors
Ms. Yang Chunyan
Ms. Liu Jinyu

Independent Supervisors
Mr. Liang Weitao
Ms. Feng Ling

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

Compliance Officer
Ms. Sun Li

Audit Committee
Mr. Li Xudong
Mr. Wang Yongkang
Ms. Gao Chun

Remuneration Committee
Mr. Wang Yongkang
Ms. Sun Li
Ms. Gao Chun

Nomination Committee
Ms. Sun Li
Mr. Wang Yongkang
Ms. Gao Chun

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

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

Auditor
BDO Limited

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

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

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

Company Website
www.bioteda.com

Stock Code
8189

FINANCIAL HIGHLIGHTS

FINANCIAL SUMMARY

	For the year ended 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019 RMB'000**
Results					
Turnover	501,590	389,278	375,907	351,898	**358,752**
Gross profit	96,721	78,806	53,205	1,707	**34,996**
Gross margin	19.28%	20.24%	14.15%	0.49%	**9.75%**
Profit/(loss) attributable to the shareholders	25,565	5,971	(13,752)	(177,680)	**(84,622)**
Earnings/(loss) per share	1.76 cents	0.37 cents	(0.82) cents	(9.58) cents	**(4.47) cents**

	As at 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019 RMB'000**
Assets & Liabilities					
Total assets	458,505	459,628	707,878	448,980	**361,913**
Total liabilities	114,072	110,244	133,078	157,312	**156,406**
Equity attributable to the shareholders	319,937	325,908	422,954	273,006	**191,034**

Profit/(loss) attributable to the shareholders

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of directors (the "Board") of the Company, I would like to present the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019.

OPERATIONAL REVIEW

The global fertiliser industry entered the adjustment stage of development. Green development, energy conservation, emission reduction, resources recycling and sustainable development for agriculture industry became a common consensus. According to the experience of prosperous countries and regions, the requirements for the quality of major agriculture products including fertiliser would keep rising along with the gradual progression of agriculture modernisation. Currently, the conflicts between the production of agriculture industry in the PRC and resources environment has been increasing as the fertiliser industry faced intensifying rigid limitation in terms of energy, resources and environmental protection. As the life quality increased together with the consumption demand for quality agriculture products, the existing types and structure of fertiliser gradually fell behind the market demand and became difficult to catch up with the development trend of high-quality agriculture products. Meanwhile, the downturn of grain crop price, high fluctuation in price of processed crops and frequent occurrence of nature disasters resulted in a declined enthusiasm of farmers in various regions. The concept of selling products in reliance of agricultural services has become obsolete. Based on the development status of the industry, the Group constantly adjusted its product structure and enhanced product quality in a bid to adapt the ever-changing demands in the market. At the same time, by further enhancing the brand strength of "Fulilong" and optimising and modifying its internal corporate organisation structure, the Group endeavoured to reduce production costs and all expenses in order to maintain a stable and sustainable development of the compound fertiliser business of the Company.

In respect of the elderly health-care business, remarkable results were obtained for the following three aspects: firstly, given the current situation of elderly care industry in the PRC regarding sizable investment, long recovery period and ambiguous profit model, the Group adheres to the strategic concept of "in persistence in asset-light operation model, forging a reputable elderly care brand with integration of medical and healthcare" at the current stage and adequately exploited its core strength of extensive experience in elderly care industry to provide management consultation services to other elderly care institutions and elderly real estate enterprises at development stage for their early stage planning and post-development operation management. The Group will develop its own internationally-leading professional elderly care institutions subsequently when appropriate. Secondly, assistive equipment rental business has been proactively promoted. In recent years, the State Council, Ministry of Civil Affairs and the government of Shanghai City promulgated various policies, especially the subsidy policy for rental of assistive equipment promulgated in Shanghai, which greatly promoted the development of assistive equipment rental business. Shanghai City became the pilot region for the social rental service of rehabilitation assistive equipment for the entire country in 2019 and Shanghai Muling, a subsidiary of the Company, was successfully qualified to be the first-round provider of social rental service for rehabilitation assistive equipment. Lastly, international cooperation has been enhanced and the professional ability of elderly care has been strengthened. On 30 March 2019, the Company entered into a strategic cooperation agreement with Almage Group, the largest Alzheimer nursing homes chain in France for the cooperation on operation and management of Alzheimer nursing and elderly homes, which significantly boosted the Group's professional ability of the elderly care.

With regard to EEG detection business, the Company changed its operating strategy and established an EEG detection system in the PRC due to the limitations on the export of EEG data as provided in the national policy and laws and regulations in the PRC. During the process of research and development, the EEG data cannot be interpreted and used for compiling detection reports, resulting in a delay in market expansion, staff recruitment and business training. In addition, due to a number of unforeseeable difficulties in the process of market expansion and certain amount of time required for the expansion of EEG detection market in the PRC, there was a slowdown in the development of EEG detection business. Currently, the EEG detection system in the PRC is relatively stable, yet constantly upgrading and optimising. The Company is still proactively searching for collaborative partners and expanding the market.

RESULTS PERFORMANCE

For the year ended 31 December 2019, the Group achieved a turnover of RMB358,751,734, representing a year-on-year increase of 1.95% as compared to last year. The consolidated gross profit margin of the Group was 9.75%, representing a year-on-year increase as compared to last year, and resulted a year-on-year increase in consolidated gross profit margin of 1,950.30% to RMB34,995,711 as compared to last year. During the year under review, loss attributable to owners of the Company was RMB84,621,807 with loss per share of RMB4.47 cents, representing a year-on-year decrease of 53.34% as compared to last year of loss per share of RMB9.58 cents.

CORPORATE GOVERNANCE

The corporate governance functions are performed by the Board, the functions of which are to formulate and review the corporate governance policies and practices of the Group to comply with the Corporate Governance Code and other legal or regulatory requirements. During the year under review, the Group strictly regulated the relevant work processes of the Board, professional committees and internal issues of the Group, and monitored the training and continuous professional development of Directors and senior management, and maintained a suitable and effective risk management and internal control system. All works and procedures of the Board are in compliance with the code provisions as set out in the Corporate Governance Code under GEM Listing Rules.

ENVIRONMENT, SOCIETY AND GOVERNANCE

We attach high importance to the financial well-being of the shareholders, while the long-term sustainable and healthy development of the Company shall not be neglected. We have adopted a sustainable development policy which includes principles in respect of employment, labour, business integrity, environment and society. We strive to promote the sustainable development of the society and environment and we will endeavour to incorporate those principles into part of our implementation and governance. I, Sun Li, became a member of Alxa SEE Ecological Association ("Alxa SEE"), a charity organisation, in 2019 and TEDA Biomedical became a member of Alxa SEE. Alxa SEE is the first social organisation in the PRC that shoulders social responsibilities and focuses on entrepreneurs with a goal to protect ecology. TEDA Biomedical and I will make further contribution to the environmental protection in the PRC through this platform. Alxa SEE has established 25 environmental protection project centres. Serving as the deputy secretary of the Bohai Project Centre of Alxa SEE Ecological Association, I will, on behalf of TEDA Biomedical, strive to protect the coastal wetland of Bohai Rim, promote the improvement of corporate pollution and support newly-established environmental protection organisations. In addition, since the outbreak of novel coronavirus, I have, on behalf of TEDA Biomedical, made several donations to Alxa SEE whereas Alxa SEE has proactively coordinated and satisfied the medical demands in Hubei and Wuhan and donated large number of medical supplies including masks and respirators, in order to make contributions to win the epidemic battle.

According to the Environmental, Social and Governance Reporting Guide issued by Hong Kong Stock Exchange, the Group will disclose its strategies and practices in four aspects during the year under review, including environmental protection, employment and labour practices, operating practices and community participation. Such move will enable shareholders, investors and the public to have a better comprehensive and in-depth understanding of the Group's governance and culture, so as to facilitate the continuous improvement of the Group's works in the environmental, social and governance aspects.

FUTURE OUTLOOK

At the beginning of 2020, the novel coronavirus pneumonia pandemic (the "COVID-19" pandemic) spread across the nation. The Group promptly adopted measures and comprehensively planned on the production and operation activities of subsidiaries and the resumption of work and production after the pandemic, so as to fight the pandemic proactively. The COVID-19 pandemic has imposed certain impacts on the market demand and the freight. However, as the pandemic was gradually under control since February 2020, the fertiliser demand for the use in spring and the freight have resumed gradually and the sales volume of compound fertiliser business has increased progressively.

The healthy development of fertiliser industry is a foundation for assurance of food safety in the PRC as well as cornerstone for the development of the entire agricultural industry. However, along with consumption upgrade and the progression of supply-side structural reformation of agriculture industry, the demand on food has shifted from merely production volume increase to a new demand of quality and efficiency enhancement, which has brought new opportunities and challenges to the development of fertiliser industry. Currently, the development trend of agriculture has shifted to increasing cost efficiency and high-quality green development. Green consumption is the direction for the main tasks of fertiliser industry in the future. The industry has to vigorously adjust the industrial structure and the product structure to scale down resources exploitation, reduce the use of inputs in different segments and the generation of pollutants in order to propel the fertiliser industry towards the direction of streamline, highly-efficient, smart and environmentally-friendly sustainable development. In green development, the compound fertiliser companies under the Company will attach significant importance to the development of organic fertilisers. Organic fertilisers have comprehensive nutrition and can foster soil improvement and quality enhancement, which can contribute to the reasonable utilization of resources and environmental improvement. Due to the rise of environmental standard and the introduction of environmental protection tax as well as the change in user structure, small-to-medium enterprises which fell behind have been gradually forced to quit the market. Thus, the industrial concentration will become higher, which will drive the fertiliser industry to develop in a scientific, environmentally-friendly and healthy direction. Outstanding enterprises which have accumulated resources, technology and management experience will have better development environment and opportunities. Thus, fertiliser enterprises should make good use of the anti-driving mechanism formed due to overcapacity, grasp the opportunities brought by the national policy direction, strengthen their own competitiveness, improve their technological innovation capabilities, accelerate the development of product differentiation and increase their added value. Enterprises should strengthen their cooperation on innovation, develop their relationships from competition to the integration of cooperation and competition and work together to stabilise the market in order to overcome the difficult situation of the industry through innovation cooperation.

On 15 July 2019, Healthy China Promotion Committee（健康中國行動推進委員會）published the Healthy China Action (2019–2030) （《健康中國行動（2019–2030年）》）, which was a document focused on the two cores of disease prevention and health promotion and suggested the commencement of 15 significant special actions, among other things, establishing a comprehensive elderly health service system, perfecting the policies of home-based and community-based elderly care, facilitating the integration of medical and caring services, exploring long term nursing insurance system, building liveable environments for the elderly and realising healthy ageing. Under the strategic background of Healthy China, new health industries and new types of business models and patterns have sprung up and expanded extensively, and the grand health industry has entered into a golden age of rapid development. Among the numerous small segments in the field of the grand health industry, the development speed of health care and elderly care business is higher than that of traditional fields such as medicine and pharmacy. Other than the instructions at the national level, the provincial and municipal governments have also focused on the elderly care business. In the aspects of industrial guidance and industrial supports, they introduced policies in respect of pensions, elderly care institutions and industry development in order to promote the establishment of elderly care businesses. In the current stage, the Group mainly operates under the asset-light operation model to provide management and consultation services to other elderly care institutions and elderly care realties and at the same time cooperate with world-leading elderly care institutions and to constantly enhance its own professional ability of elderly nursing. At the subsequent stage, the Group will develop its own international leading mid-to-high end elderly care institutions when appropriate. In addition, the Group will continue to vigorously expand the assistive equipment rental business, and to establish a comprehensive system, quality standard and service procedure. By leveraging on the numerous elderly care institutions entrusted to the Group in Shanghai and the cooperation with the orthopedics and geriatrics departments of various hospitals, the Group aims to forge itself as one of the largest and most professional providers of assistive equipment rental service in Shanghai and across Yangtze River Delta. In the aspect of EEG detection business, quantitative EEG testing technology is a world-leading EEG detection technology, and its application range is extensive that it can widely apply to all age groups (including adolescents, youth and elderly) in aspects including prone to mental illness detection, potential strength and personality detection, and neurodevelopmental maturity testing etc., and thus it still has an extensive development prospect. Currently, due to various reasons, the development of EEG testing services technology is rather slow but the Group will still continue to devote its efforts to turn the EEG detection business into a profit growth point in the development of the Company.

Sun Li
Chairman
22 April 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Fertiliser Business

Fertiliser is an irreplaceable supporting factor to ensure food safety. Fertiliser is crucial to ensure the stable production and high production of food and it is therefore important in the agriculture industry in the PRC. After the rapid development stage in the past few years, compound fertiliser has entered a stage of oversupply and a full restructuring must be done. Currently, the fertiliser industry in the PRC is facing four major problems: firstly, oversupply, homogeneity and weak research and development capability; secondly, excessively long sales chain with high cost and overwhelming credit sales; thirdly, unscientific fertilising resulting in significant waste and threat to the environment; fourthly, the rising of large farming companies and professional farmers, resulting in a mismatch of service and scale. Due to the intensifying downward pressure on international economy in recent years together with the promotion of supply-side restructuring reformation of fertiliser industry in the PRC and the fierce market competition, the survivability of fertiliser companies in the PRC is being crushed continuously. Meanwhile, along with the deepening of structural adjustment of agriculture industry in the PRC, the fertiliser industry is also accelerating its transformation and upgrade. The Ministry of Agriculture explicitly required to actualise zero-growth in the utilisation of fertiliser in 2020. Under the general trend of fertiliser reduction, new type of fertiliser is a solid foothold for future corporate transformation and upgrade and to stand out from peers. It is also a solution for the intensifying competition. Currently, domestic fertiliser is overall in oversupply. The pressure from competition and environmental protection compelled the continuous innovation and upgrade of fertiliser products. New type of fertiliser which can enhance nutrition utilisation rate and possesses good environmental protection feature can gain popularity. During the year under review, along with the acceleration of the turnover of land in the PRC, there was a change in demand of compound fertiliser procurement from the grass-roots level and the price of grains remained low, resulting in an abundant production but little return. The enthusiasm of farming of grassroots was significantly dampened, causing a drop in market demand. On the other hand, due to the downturn of downstream demand and the sluggish industry condition of raw materials, as well as the frequent occurrence of regional natural disaster such as typhoon, has obstructed the normal production of agriculture industry to a certain extent. In the face of numerous adverse market challenges, the compound fertiliser corporations under the Company constantly adjusted their market strategies and product structures and proactively promoted various high-quality new fertilisers in order to bring health back to the soil. In December 2019, Guangdong Fulilong was accredited as the “Top 50 Biological Fertiliser Enterprises in the PRC in 2019” and the “Most Influential Brand in the Organic Fertiliser Industry in the PRC in 2019” by China Chemical Industry Information Association.

MANAGEMENT DISCUSSION AND ANALYSIS

The Elderly Health-care Business

During the year under review, the Group mainly vigorously expanded its elderly care business in the following three aspects:

1. Focus on management and consultation service in the early stage and develop its own professional elderly care institution when appropriate in the subsequent stage. In the elderly care industry in China, there currently exists the issues of massive investment, long investment return period and unclear profit model. In the view of this, the Group follows the strategic vision of "in persistence in asset-light operation model, forging a reputable elderly care brand with integration of medical and healthcare" at the current stage. It fully takes advantage of its core strength of years of experience in elderly care industry to provide other elderly care institutions and elderly care realties with early planning and design service in the developing stage and management consultation services for post-development operation and management. In the subsequent stage, the Company will develop its own world-leading professional elderly care institution when appropriate. On 15 October 2019, the Company executed a framework agreement with 揚州美藍建設管理有限公司(Yangzhou Meinan Construction and Management Co., Ltd.*) ("Yangzhou Meinan", a subsidiary of 藍城房產建設管理集團有限公司 (Bluetown Real Estate Construction Management Group Co., Ltd.*)), pursuant to which, the Company shall provide Yangzhou Meinan with management and consultation service for its bidding of a land parcel in Guangling, Yangzhou, and after obtaining the land ownership certificate, both parties shall jointly manage and operate the nursing homes, rehabilitation hospitals and elderly care apartments in the project.

2. Proactively expand the assistive equipment rental business. In recent years, the State Council, the Ministry of Civil Affairs and the Shanghai Municipal Government and other authorities have successively promogulated policies such as " The Several Opinions of the State Council on Accelerating the Development of Rehabilitation Assistive Equipment Industry"(《國務院關於加快發展康復輔助器具產業的若干意見》), "The Opinions of the Shanghai Municipal People's Government on Realising the Acceleration of the Development of Rehabilitation Assistive Equipment Industry" (《上海市人民政府關於加快發展康復輔助器具產業的實施意見》), "The Notice of the Ministry of Civil Affairs, the Development and Reform Commission, the Ministry of Finance and China Disabled Persons' Federation on Launching Pilot Points of Community Rehabilitation Assistive Equipment Rental Service" (《民政部、發展改革委、財政部、中國殘聯關於開展康復輔助器具社區租賃服務試點的通知》) and "The 2019 Product List of Community Rehabilitation Assistive Equipment Rental (Pilot Points) in Shanghai City" (《2019上海市康復輔具社區租賃(試點)產品目錄》), which promote the accessibility of rehabilitation assistive equipment to families, communities and organisations. On the other hand, the subsidy policy for assistive equipment rental was introduced in Shanghai City. To apply for the subsidy for rental service, one has to rent the products in "The 2019 Product List of Community Rehabilitation Assistive Equipment Rental (Pilot Points) in Shanghai City". The amount of subsidy shall be 50% of the price of the assistive equipment rental service, and each rental term shall be 6 months, and the amount of subsidy shall not exceed RMB1,500 (inclusive). The introduction of the above policies, especially the subsidy policy, has greatly advance the development of assistive equipment rental business. On 28 June 2019, Shanghai City became the first pilot area of the nationwide rehabilitation assistive equipment community rental service. After the selection by the Shanghai Civil Affairs Bureau, it was confirmed that there were 16 district and 70 street and town rehabilitation assistive equipment community rental points in total for the first phase of pilot points. On 10 October 2019, Shanghai Muling, a subsidiary of the Company, was successfully shortlisted as the first batch of the qualified service providers of rehabilitation assistive equipment community rental service in Shanghai City.

* *For identification only.*

3. Strengthening international cooperation and improving professional ability in elderly nursing. On 30 March 2019, the Company and Almage Group, the largest Alzheimer nursing homes chain in France, entered into a strategic cooperation agreement to conduct cooperation in Alzheimer nursing and the operation and management of nursing homes, which significantly improve the professional ability of the Group in elderly nursing;

   For the EEG detection business, the Company changed its operating strategies and established the EEG detection system in China due to the restrictions of EEG data export under the Chinese government policies and regulations. However, market expansion, staff recruitment and business training were impeded due to EEG data not abling to interpret timely for producing detection report during the process of the technological research and development. Moreover, the Company faced certain unpredictable difficulties during the market expansion, and it is needed a certain period of time in expanding the EEG detection market in the PRC, which had led to slower development in the EEG detection business. Currently, the EEG detection system in China has become relatively stable, but it still needs constant upgrading and improvement. The Company is still proactively seeking cooperative partners and expanding its markets.

FINANCIAL REVIEW

Turnover, gross profit and gross margin

For the year ended 31 December 2019, the Group achieved total annual turnover of RMB358,751,734, representing an increase of 1.95% as compared to last year (31 December 2018: RMB351,897,658). The consolidated gross profit was RMB34,995,711 (31 December 2018: RMB1,706,855) and consolidated gross profit margin was 9.75% (31 December 2018: 0.49%). The increase in total annual turnover and consolidated gross profit margin was mainly driven by the combination effect of the decrease in amortisation of intangible assets included in cost of sales from RMB16,738,133 for the year ended 31 December 2018 to RMB1,266,330 for the year ended 31 December 2019, and the increase in gross margin from sales in Guangdong Fulilong for the fourth quarter of 2019 compared to 2018 due to the impact from selling the defected inventories after the direct hit of Super Typhoon Mangkhut to Guangdong Province in September 2018. No such one-off impact from sales in Guangdong Fulilong was noted in 2019.

Impairment loss of intangible assets

During the year ended 31 December 2019, an impairment loss of intangible assets of RMB12,881,908 (31 December 2018: RMB227,361,866) was recognised. The directors of the Company considered that the reason of impairment was the market condition in the PRC is not as expected by the management.

The intangible asset belongs to the health care services cash-generating unit ("CGU"). The Group performed its impairment assessment for intangible assets in the health care services CGU by estimating the recoverable amount of the health care services CGU and comparing its recoverable amount to its carrying amount as at the end of the reporting period. The recoverable amount of the CGU has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% for the licensing income, which does not exceed the long-term growth rate for the industry in the People's Republic of China.

The income generated from the intangible asset mainly arose from two aspects: processing income and licensing income.

As there is no existing expansion plan for the self-operated inspection centre and the management of the Group selected to focus on the business development of the EEG diagnosis detection services licensing business, the processing income is budgeted to maintain at the same level for the future five years.

MANAGEMENT DISCUSSION AND ANALYSIS

The licensing income comprises installation income and licensees' processing income. The installation income is forecasted based on the number of licensing contracts to be arranged and expected to be zero from the financial year of 2021 as the management of the Group expected that future advanced technology would compete with the EEG diagnosis detection technology, while the licensees' processing income is forecasted based on the expected number of EEG diagnosis detection services provided by the licensees.

The intangible asset is included in the health care services CGU and the net operating profit before tax generated from the intangible asset in the health care services CGU would be expected to reduce from 100% of the projected profits of the CGU at the first six years after the end of reporting period gradually to 50% of the projected profits of the CGU at the fifteenth year after the end of reporting period, which is the year of expiry of intellectual property rights, for reflecting the expected technological development and the EEG diagnosis technology which would be less competitive in the future.

For details of the variables and assumptions, please refer to note 19 to the consolidated financial statements.

As at 31 December 2019, the recoverable amount of the intangible asset was RMB3,896,964 (2018: RMB18,045,202), determined based on the value in use of the health care services CGU. The decrease in recoverable amount of the intangible asset was due to the development of EEG diagnosis detection market was not as expected in the previous year.

Other income and losses, net

For the year ended 31 December 2019, other income and losses, net amounted to RMB7,937,281 (31 December 2018: RMB3,680,687). Other income and losses, net for the year ended 31 December 2019 mainly comprised the fair value loss of profit guarantee receivable of RMB9,829,848 from the EEG diagnosis detection intangible assets, which exceeded the other interest income from an associate of RMB442,956 and government grant income of RMB352,329.

Selling and distribution costs

For the year ended 31 December 2019, selling and distribution costs of the Group amounted to RMB18,561,353 (31 December 2018: RMB21,726,586), representing a decrease of 14.57% as compared to the corresponding period last year. The decrease was due to the decrease in promotion and travelling expenses from implementing strict cost control policies by the management to the sales staff during the year.

Administrative expenses

For the year ended 31 December 2019, administrative expenses of the Group were RMB27,606,878 (31 December 2018: RMB28,333,237), representing a decrease of 2.56% as compared to the corresponding period last year.

Research and development expenses

For the year ended 31 December 2019, research and development expenses of the Group were RMB8,298,309 (31 December 2018: RMB11,667,239), representing a decrease of 28.88% as compared to the corresponding period last year. The decrease was due to the completion of 2 research projects during the year 2018 in Guangdong Fulilong and most of the researches were at later stage which consumed less amount of materials.

Finance costs

For the year ended 31 December 2019, finance costs of the Group were RMB4,636,152 (31 December 2018: RMB2,762,567), representing an increase of 67.82% as compared to the corresponding period last year. The increase in finance costs was contributed by the increase in underprovided interest expense from other financial liabilities of RMB931,797 and interest expense from lease liabilities of RMB1,016,800 due to the initial application of HKFRS 16 "Leases" since 1 January 2019.

Loss for the year

For the year ended 31 December 2019, loss attributable to the owners of the Company was RMB84,621,807 (2018: RMB177,679,819). For the year ended 31 December 2019, loss per share of the Company was RMB4.47 cents (2018: RMB9.58 cents).

STRUCTURE OF SHARE CAPITAL

As at 31 December 2019, the structure of the share capital of the Company was as follows:

Name of shareholders	Number of shares held	Percentage of shareholding (%)
Tianjin TEDA International Incubator ("Incubator")	182,500,000	9.64
Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment")	180,000,000	9.50
Shandong Zhinong Fertilisers Company Limited ("Zhinong Fertilisers")	180,000,000	9.50
Dongguan Lvye Fertilisers Company Limited ("Lvye Fertilisers")	120,000,000	6.33
Other domestic shares	35,000,000	1.85
H Shares public shareholders	1,197,000,000	63.18
Total	1,894,500,000	100.00

USE OF PROCEEDS FROM ISSUANCE OF NEW H SHARES

On 14 March 2018, the Company issued an announcement in relation to the completion of subscribing new shares under general mandate, pursuant to which, the conditions set out in the subscription agreement had been fulfilled, and the subscription was completed on 14 March 2018. According to the subscription agreement, the Company had allocated and issued a total of 199,500,000 subscription shares at a subscription price of HK$0.25 per subscription share to the subscribers. The net proceeds from the subscription, net of relevant expenses incurred from the subscription, amounted to HK$49,225,000. On 31 December 2019, the Group has utilised net proceeds of approximately HK$27,429,307 from the subscription and there was a balance of approximately HK$21,795,693 not yet utilised.

MANAGEMENT DISCUSSION AND ANALYSIS

As of 31 December 2019, the Group had utilised the net proceeds from issuance of new H shares in the following manners:

Unit: HK$	Use of proceeds	Actual amount used as of 31 December 2019
About 70% were used to carry out the nationwide operation management of elderly care institutions (service facilities), integration of elderly care service resources, supervision and consultancy on elderly care service management and other related old-aged service businesses. The above services included the fund required for further investing in transforming the trusteeship of elderly care service institutions; establishing operation management platform system of elderly care service institutions chain, and upgrading elderly care management institutions.	34,457,500	21,875,017
About 30% were used to purchase EEG detection equipment for the nursing homes currently operated and managed by the Group, day care centres and related partners, and provide operating capitals that are needed to carry out the EEG detection services in elderly care institutions.	14,767,500	5,554,290
Total	49,225,000	27,429,307

The Company intends to utilise the balance of the net proceeds in the following manners:

Purposes	Descriptions	Intended use of proceeds HK$
To expand the elderly care and health care business	To carry out the nationwide operation management of elderly care institutions (service facilities), integration of elderly care service resources, supervision and consultancy on elderly care service management and other related old-aged service businesses gradually. The above services included the fund required for further investing in transforming the trusteeship of elderly care service institutions; establishing operation management platform system of elderly care service institutions chain, and upgrading elderly care management institutions.	15,256,985
To improve the EEG detection services	To purchase EEG detection equipment for the nursing homes currently operated and managed by the Company, day care centres and related partners, and provide operating capitals that are needed to carry out the EEG detection services in elderly care institutions.	6,538,708
Total		21,795,693

The Company intends to apply the balance of the net proceeds in accordance with the following timeline:

	From 1 January 2020 to 30 June 2020 HK$	From 1 July 2020 to 31 December 2020 HK$	Total
Elderly care and health care business	6,102,794	9,154,191	15,256,985
EEG detection services	2,615,483	3,923,225	6,538,708
Total	8,718,277	13,077,416	21,795,693

Depending on the market situation, business development and the operational needs of the Company, the expected timeline and the intended usage of the unutilised proceeds shall be subject to review and change as and when appropriate.

BACKGROUND AND CURRENT STATUS OF THE PROFIT GUARANTEE FROM SJKGC

On 16 April 2016, the Company, Shu Ju Ku Inc. (referred to as the "Vendor") and SJK Greater China Ltd. (referred to as "SJKGC") entered into an agreement (referred to as the "Agreement"), pursuant to which the Company agreed to purchase, and the Vendor agreed to sell 51% of the entire issued shares of SJKGC (referred to as the "Sale Shares") to the Company. All conditions precedent under the Agreement had been fulfilled and the completion of acquisition took place on 17 March 2017. The Company had nominated Hong Kong Teda Biomedical Investment Limited, an indirect wholly owned subsidiary of the Company, as its nominee to hold the Sale Shares on its behalf.

According to the Agreement, the Vendor warrants to the Company that SJKGC in each of the three financial years of 2017, 2018 and 2019 will have an audited after tax profit of not less than US$5,390,000. If the above guarantee is not met, the Vendor irrevocably agrees and guarantees that whilst SJKGC's audited after tax profit is less than US$5,390,000, the Vendor shall pay, in an appropriate manner, to SJKGC in the amount equal to US$5,390,000 minus SJKGC's actual audited after tax profit of that year.

In respect of the completion of the 2017 Profit Guarantee, the audited net profit after tax of SJKGC for the year ended 31 December 2017 was approximately US$2,922,000, the above profit guarantee for the year ended 31 December 2017 had not been fulfilled. In order to comply with the terms of the Agreement, the Company and SJK entered into a memorandum on 16 January 2018, pursuant to which SJK confirmed that the Company will have the right of priority and entitlement of cash dividend in the amount of US$2,750,000 for the year ended 31 December 2017 and that the said dividend will be settled to the Company by 30 November 2018. The vendor has agreed that the dividend distribution would be made by SJKGC based on the audited net profit in 2017 through signing the shareholder's resolution on 26 April 2018, at the same time, the purchaser confirmed the vendor has fulfilled the profit guarantee commitment in 2017. For details, please refer to the supplemental announcement of the Company published on the GEM website dated 26 April 2018.

In respect of the completion of the 2018 and 2019 Profit Guarantees, the audited net profit after tax of SJKGC for the year ended 31 December 2018 was US$305,000, and the audited net profit after tax for the year ended 31 December 2019 was US$411,000, the above profit guarantees for the year ended 31 December 2018 and the year ended 31 December 2019 had not been fulfilled. Since the Company published the 2018 annual report on 29 March 2019, the Company has been conducting negotiations with SJK requesting SJK to fulfill its obligations pursuant to the Agreement. On 1 August 2019, the Company has instructed its legal representative to issue an attorney letter to SJK requesting SJK to, pay the Company (i) the shortfall or (ii) the unpaid guaranteed cash dividends on or before 15 August 2019, failure of which the Company may institute an arbitration proceeding against SJK pursuant to the Agreement. As the Company has not received any reply of the attorney letter from SJK by 15 August 2019, it has subsequently commenced the arbitration proceeding, and has issued an application for arbitration to the Hong Kong International Arbitration Centre and SJK on 3 September 2019. For further details, please refer to the voluntary announcement of the Company dated on 4 September 2019. On 3 December 2019, the Company and SJK confirmed to engage an arbitrator recommended by the Hong Kong International Arbitration Centre. Thereafter, the three parties have determined issues such as the arbitration proceeding and the arbitration schedule. The Company filed an arbitration claim to the arbitrator and SJK on 9 March 2020, and received a defense filed by SJK on 13 April 2020. Currently, the arbitration proceeding is still in progress.

On 17 May 2019, the Company issued an announcement of results of annual general meeting, according to which a special resolution was duly passed at the annual general meeting of the Company on 17 May 2019 granting the Board a general mandate to issue, allot and deal with additional domestic shares/H shares not exceeding 20% of the domestic shares in issue and 20% of the H shares in issue of the Company, and authorising the Board to make such amendments to the articles of association of the Company as it thinks fit to reflect the new share capital structure subsequent to the allotment and issue of additional shares. For details, please refer to the notice of the annual general meeting and circular of the Company both dated 29 March 2019 published on the GEM website, and the announcement of results of the annual general meeting dated 17 May 2019 published on the GEM website.

CHANGE OF CHIEF EXECUTIVE OFFICER

On 1 February 2019, the Company issued an announcement that Ms. Sun Li ("Ms. Sun") resigned as the Chief Executive Officer ("CEO") of the Company with effect from 1 February 2019, in order to dedicate more efforts and spend more time in deciding on and dealing with the Company's corporate policies and major matters. Ms. Sun would remain as the Chairman of the Board, executive director, chairman of the nomination committee and member of the remuneration committee of the Company. At the same time, the Board announced that Mr. Yang Junmin was appointed as the CEO of the Company replacing Ms. Sun with effect from 1 February 2019. The Board believed that with his extensive working experience in the internationally advanced elderly care industry, Mr. Yang, as the CEO of the Company, could lead the Company to achieve a rapid and healthy development in our elderly care business. For details, please refer to the announcement of the Company dated 1 February 2019 published on the GEM website.

Mr. Yang has tendered his resignation as CEO of the Company with effect from 30 December 2019 due to personal family reasons. Mr. Yang has confirmed that he had no any disagreement with the Board in relation to his resignation, and there was no other matter in relation to above resignation that needed to be brought to the attention of the shareholders of the Company and the Stock Exchange. At the same time, the Board appointed Ms. Sun as CEO of the Company replacing Mr. Yang with effect from 30 December 2019. In addition, Mr. Sun has acted as the Chairman of the Board, an Executive Director, chairman of the Nomination Committee, and a member of the Remuneration Committee of the Company since 20 August 2015. The Board is of the view that it is the most suitable arrangement at this stage for Ms. Sun to hold the two positions at the same time as it is in the best interest of the Company and will help to maintain the policy continuity and operating stability of the Company. The Company has been actively selecting candidates for the position of CEO through various channels so as to comply with the requirement under provision A.2.1 of the Code.

SEGMENTAL INFORMATION

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

The details of the analysis of the Group's segment results for the years ended 31 December 2019 and 31 December 2018 are disclosed in note 6 to the consolidated financial statements.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the year ended 31 December 2019, the Group financed its operations mainly by internally generated cash and banking facilities.

As at 31 December 2019, the Group's current assets and net current assets were RMB254,137,762 (31 December 2018: RMB293,901,494) and RMB97,731,861 (31 December 2018: RMB136,589,621) respectively. The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was 1.62 (31 December 2018: 1.87). The Group's current assets as at 31 December 2019 comprised mainly cash and bank balances of RMB24,247,304 (31 December 2018: RMB43,129,493), trade and bills receivables of RMB59,706,282 (31 December 2018: RMB76,699,301), prepayments and other receivables of RMB66,218,178 (31 December 2018: RMB66,745,283) and inventories of RMB88,933,060 (31 December 2018: RMB85,618,751).

As at 31 December 2019, total bank borrowings of the Group amounted to RMB31,200,000 (31 December 2018: RMB49,500,000). The bank borrowings are denominated in Renminbi and provided by various licensed banks in China with fixed and floating interest rates ranging from 4.35% to 6.50% (31 December 2018: 4.35% to 6.50%) per annum. Out of all the bank borrowings, a total amount of RMB24,000,000 will mature in the first half of 2020, a total amount of RMB7,200,000 will mature in the second half of 2020.

As at 31 December 2019, the Group's consolidated total assets and net assets were RMB361,912,836 (31 December 2018: RMB448,979,504) and RMB205,506,935 (31 December 2018: RMB291,667,631) respectively. The Group's consolidated gearing ratio, represented by the ratio of total liabilities to total assets, was 0.43 (31 December 2018: 0.35). As at 31 December 2019, the Group's consolidated gearing ratio, represented by the ratio of total bank borrowings to total assets, was 0.09 (31 December 2018: 0.11).

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2019, banking facilities of approximately RMB54,000,000 (2018: RMB62,900,000) were granted to the Group and the Group utilised approximately RMB31,200,000 (2018: RMB49,500,000) during the year ended 31 December 2019.

As at 31 December 2019, the Group did not have any material contingent liabilities (2018: RMB Nil).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 351 employees (2018: 531 employees). The remunerations of the Group's employees are determined in accordance with the terms of government policies and by reference to market standard and the performance, qualifications and experience of employees. Discretionary bonuses are paid to a few employees as a recognition of and reward for their contributions to the corporate development. Other employee benefits include contributions to retirement schemes, medical schemes, unemployment insurance schemes and housing allowances.

EXPOSURE TO FOREIGN CURRENCY RISK

During the year under review, the Group had a relatively low foreign currency risk since the principal business of the Group were mainly domestic sales in China denominated in Renminbi and payables to suppliers were also mainly denominated in Renminbi.

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

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

At the beginning of 2020, the novel coronavirus pneumonia pandemic (the "COVID-19" pandemic) spread across the nation. The Group promptly adopted measures and comprehensively planned on the production and operation activities of subsidiaries and the resumption of work and production after the pandemic, so as to fight the pandemic proactively. The COVID-19 pandemic has imposed certain impacts on the market demand and the freight. However, as the pandemic was gradually under control since February 2020, the fertiliser demand for the use in spring and the freight have resumed gradually and the sales volume of compound fertiliser business has increased progressively.

The healthy development of fertiliser industry is a foundation for assurance of food safety in the PRC as well as cornerstone for the development of the entire agricultural industry. However, along with consumption upgrade and the progression of supply-side structural reformation of agriculture industry, the demand on food has shifted from merely production volume increase to a new demand of quality and efficiency enhancement, which has brought new opportunities and challenges to the development of fertiliser industry. Currently, the development trend of agriculture has shifted to increasing cost efficiency and high-quality green development. Green consumption is the direction for the main tasks of fertiliser industry in the future. The industry has to vigorously adjust the industrial structure and the product structure to scale down resources exploitation, reduce the use of inputs in different segments and the generation of pollutants in order to propel the fertiliser industry towards the direction of streamline, highly-efficient, smart and environmentally-friendly sustainable development. In green development, the compound fertiliser companies under the Company will attach significant importance to the development of organic fertilisers. Organic fertilisers have comprehensive nutrition and can foster soil improvement and quality enhancement, which can contribute to the reasonable utilization of resources and environmental improvement. Due to the rise of environmental standard and the introduction of environmental protection tax as well as the change in user structure, small-to-medium enterprises which fell behind have been gradually forced to quit the market. Thus, the industrial concentration will become higher, which will drive the fertiliser industry to develop in a scientific, environmentally-friendly and healthy direction. Outstanding enterprises existing in the industry which have accumulated resources, technology and management experience will have better development environment and opportunities. Thus, fertiliser enterprises should make good use of the anti-driving mechanism formed due to overcapacity, grasp the opportunities brought by the national policy direction, strengthen their own competitiveness, improve their technological innovation capabilities, accelerate the development of product differentiation and increase their added value. Enterprises should strengthen their cooperation on innovation, develop their relationships from competition to the integration of cooperation and competition and work together to stabilise the market in order to overcome the difficult situation of the industry through innovation cooperation.

MANAGEMENT DISCUSSION AND ANALYSIS

On 15 July 2019, Healthy China Promotion Committee（健康中國行動推進委員會）published the Healthy China Action (2019–2030) （《健康中國行動（2019–2030年）》）, which was a document focused on the two cores of disease prevention and health promotion and suggested the commencement of 15 significant special actions, among other things, establishing a comprehensive elderly health service system, perfecting the policies of home-based and community-based elderly care, facilitating the integration of medical and caring services, exploring long term nursing insurance system, building liveable environments for the elderly and realising healthy ageing. Under the strategic background of Healthy China, new health industries and new types of business models and patterns have sprung up and expanded extensively, and the grand health industry has entered into a golden age of rapid development. Among the numerous small segments in the field of the grand health industry, the development speed of health care and elderly care business is higher than that of traditional fields such as medicine and pharmacy. Other than the instructions at the national level, the provincial and municipal governments have also focused on the elderly care business. In the aspects of industrial guidance and industrial supports, they introduced policies in respect of pensions, elderly care institutions and industry development in order to promote the establishment of elderly care businesses. In the current stage, the Group mainly operates under the asset-light operation model to provide management and consultation services to other elderly care institutions and elderly care realties and at the same time cooperate with world-leading elderly care institutions and to constantly enhance its own professional ability of elderly nursing. At the subsequent stage, the Group will develop its own international leading mid-to-high end elderly care institutions when appropriate. In addition, the Group will continue to vigorously expand the assistive equipment rental business, and to establish a comprehensive system, quality standard and service procedure. By leveraging on the numerous elderly care institutions entrusted to the Group in Shanghai and the cooperation with the orthopedics and geriatrics departments of various hospitals, the Group aims to forge itself as one of the largest and most professional providers of assistive equipment rental service in Shanghai and across Yangtze River Delta. In the aspect of EEG detection business, quantitative EEG testing technology is a world-leading EEG detection technology, and its application range is extensive that it can widely apply to all age groups (including adolescents, youth and elderly) in aspects including prone to mental illness detection, potential strength and personality detection, and neurodevelopmental maturity testing etc., and thus it still has an extensive development prospect. Currently, due to various reasons, the development of quantitative EEG detection business is rather slow but the Group will still continue to devote its efforts to turn the EEG detection business into a profit growth point in the development of the Company.

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the reporting period, all members of the Supervisory Committee (the "Supervisory Committee") of the Company have faithfully carried out their duties and obligations in accordance with the requirements of the Company Law of the People's Republic of China and the Articles of Association of the Company, executed the functions of monitoring the operation and management of the Company and supervised the directors and senior management officers so as to protect the legal rights and interests of the shareholders, the Company and our staff.

1. MEETING OF THE SUPERVISORY COMMITTEE

During the reporting period, the Supervisory Committee of the Company has convened five meetings in total:

1. On 25 March 2019, the Supervisory Committee convened the first meeting in 2019, at which the consolidated financial report of the Group for the year 2018 audited by BDO Limited was reviewed and approved;

2. On 8 May 2019, the Supervisory Committee convened the second meeting in 2019, at which the first quarterly report of the unaudited results of the Company for the three months ended 31 March 2019 was reviewed and approved;

3. On 9 August 2019, the Supervisory Committee convened the third meeting in 2019, at which the half-year report of the unaudited results of the Company for the six months ended 30 June 2019 was reviewed and approved;

4. On 11 November 2019, the Supervisory Committee convened the fourth meeting in 2019, at which the third quarterly report of the unaudited results of the Company for the nine months ended 30 September 2019 was reviewed and approved.

5. On 30 December 2019, the Supervisory Committee convened the fifth meeting in 2019, at which the election of Ms. Yang Chunyan as the seventh Chairperson of the Supervisory Committee with a term of three years from 1 January 2020 to 31 December 2022 was reviewed and approved.

2. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE OPERATION OF THE COMPANY IN 2019:

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

2. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE OPERATION OF THE COMPANY IN 2019: *(continued)*

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

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

By order of the Supervisory Committee
Tianjin TEDA Biomedical Engineering Company Limited
Yang Chunyan
Chairperson of the Supervisory Committee
22 April 2020

DIRECTORS' REPORT

The Board hereby submits their report together with the audited consolidated financial statements of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATION

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

The activities of the subsidiaries are set out in Note 46 to the consolidated financial statements enclosed.

CHANGE OF SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 36 to the consolidated financial statements enclosed.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 73 of this annual report.

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

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company at 31 December 2019 calculated under the Company's bye-laws amounted approximately to RMB Nil (2019: RMB Nil).

RESERVES

Details of the 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 76 of this annual report and Note 37 to the consolidated financial statements enclosed respectively.

PROPERTY, PLANT AND EQUIPMENT

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

PRE-EMPTIVE RIGHTS

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

FINANCIAL SUMMARY

The summary of the results and the assets and liabilities of the Group for the last five financial years ended 31 December 2019 is set out on page 5 of this annual report.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities (2018: RMB Nil).

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

—Largest supplier	9.24%
—Five largest suppliers combined	31.01%

Sales

—Largest customer	2.74%
—Five largest customers combined	7.93%

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Executive Directors

Ms. Sun Li
Mr. Hao Zhihui
Mr. He Xin

Non-executive Directors

Mr. Cao Aixin
Ms. Gai Li
Dr. Li Ximing

Independent non-executive Directors

Mr. Li Xudong
Mr. Wang Yongkang
Ms. Gao Chun

Supervisors

Ms. Yang Chunyan
Ms. Liu Jinyu

Independent Supervisors

Mr. Liang Weitao
Ms. Feng Ling

Senior Management

Chief Executive Officer

Ms. Sun Li (resigned on 1 February 2019 and appointed on 30 December 2019)
Mr. Yang Junmin (appointed on 1 February 2019 and resigned on 30 December 2019)

Company Secretary

Mr. Ng Ka Kuen Raymond

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

According to the requirements of the Articles of the Company, all the directors and supervisors of the Company are appointed for a term of three years and are subject to re-election every three years. The terms of the service contracts of all the directors and supervisors of the Company were expired on 31 December 2019. The Company convened a board meeting on 11 November 2019, and the resolution to re-elect all retiring Directors and all retiring Supervisors was considered and passed, and was proposed at an extraordinary general meeting for consideration. The Company convened an extraordinary general meeting on 30 December 2019, and the resolution was considered and passed. For details of which, please refer to the announcements of the Company published on the GEM website on 11 November 2019 and 30 December 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Ms. Sun Li ("Ms. Sun"), aged 47, the Chairman of the Board of the Company, graduated from the Economic and Trade Faculty of Central South University with a bachelor's degree in Technological Economics in June 1995 and with a master's degree in Management Business Administration Faculty in June 1998. Ms. Sun was among the first batch of candidates who obtained the qualification of sponsor representatives from the Securities Association of China in 2004. Ms. Sun has engaged in investment banking for 15 years, with rich experience in filtering quality corporations, restructuring, counseling, initial public offering projects as well as mergers and acquisitions of listed companies. From August 1998 to April 2004, she successively acted as business director, senior manager, and business manager at the investment banking headquarter of Dapeng Securities Co., Ltd.(大鵬證券有限責任公司). From May 2004 to August 2005, she served as deputy general manager in Shenzhen investment banking division of Centergate Securities Co., Ltd.(中關村證券股份有限公司). From September 2005 to March 2010, she successively served as business director, internal auditor, member of GEM's advisory committee at the investment banking headquarter of China Merchants Securities Co., Ltd.(招商證券股份有限公司). From April 2010 to April 2013, she served as general manager and internal auditor in mergers and acquisitions division of Minsheng Securities Co., Ltd.(民生證券有限責任公司). From May 2013 until now, she served as president, director and co-partner of Beijing Yingguxinye Investment Co., Ltd(北京盈谷信曄投資有限公司). From September 2014 until now, she was the founding member of Tianjin Teda "Wings of the Angel" Investor Club. From May 2015 until now, she was appointed as supervisors of Shenzhen Xiangyong Investment Company Limited and Dongguan Lvye Fertilisers Company Limited. From September 2015 until now, she, as the beneficial owner of Beijing Tianyuhongtai Technology Co., Ltd.(北京天宇鴻泰科技有限公司), held its 16% shares. From December 2015 until now, she was appointed as a director of Beijing Yingguchuangrong Information Technology Co., Ltd.(北京盈谷創融信息科技股份有限公司). From August 2015 until now, Ms. Sun was appointed as an executive director and the Chairman of the Board of the Company. From September 2015 to February 2019 and from December 2019 until now, she concurrently served as Chief Executive Officer of the Company.

Mr. Hao Zhihui ("Mr. Hao"), aged 59, the vice chairman of the Board of the Company, graduated from Tianjin Medical University in August 1984 with a bachelor's degree in medicine and thereafter taught in the university. He also completed his master's degree in Medicine offered by the same university in August 1992. From May 1995 to August 1997, he was in charge of production and technology in DPC (Tianjin) Co., Ltd（天津德普生物技術和醫學產品有限公司）. From September 1997 to September 2000, he worked in Tianjin TEDA International Incubator and was the chief of the Medicine Industry Department（醫藥產業部部長）. In March 2004, he graduated from the School of Continuing Education of Tsinghua University, Business Administration Major. From September 2000 to August 2006, he has assumed the posts of chief investment officer, chairman of the Supervisory Committee and executive vice president（常務副總裁）in the Company. He has been the President of the Company from August 2006 to April 2011. Mr. Hao was appointed as an executive director of the Company since May 2009 and was appointed as Vice Chairman of the Board of the Company since April 2011.

Mr. He Xin ("Mr. He"), aged 50, postgraduate, graduated from Beijing Jiaotong University majoring in Mechanical Engineering. From July 1992 to June 1994, he served as a business manager of the export department of China Railway Import and Export Company under the Ministry of Railway（鐵道部中鐵進出口公司）. From June 1994 to May 2005, he worked as a secretary of the administrative department of Shenzhen Golden Century Development Company Limited（深圳金世紀發展有限公司）. From May 2005 to September 2009, he served as an investment manager of the international department of China Merchants Securities Company Limited. From September 2010 to March 2014, he held a position as a vice president of Beijing Yingguxinye Investment Co., Ltd. From March 2014 to August 2016, he held positions as a director and a general manager of Ningxia Yinggu Industry Company Limited（寧夏盈谷實業股份有限公司）. From August 2016 to present, he has been serving as a general manager of BeijingYingguxinye Investment Co., Ltd. Mr. He joined the Company in December 2018 and was appointed as executive director of the Company.

Non-Executive Directors

Mr. Cao Aixin ("Mr. Cao"), aged 57, has over 20 years of experience in sales and management and has been extremely familiar with the business and operations of the Group. Mr. Cao joined Guangdong Fulilong Compound Fertilisers Co., Ltd. ("Guangdong Fulilong") as a regional marketing manager in October 1997. He subsequently served as the general marketing manager of Guangdong Fulilong from 2001 to 2005, the deputy general manager of Guangdong Fulilong from 2006 to 2009 and has been appointed as the chairman of Guangdong Fulilong since 2010, during which he has accumulated extensive experience in business operation and marketing. Mr. Cao was appointed as a non-executive director of the Company since November 2017.

Dr. Li Ximing ("Dr. Li"), aged 59, graduated from Chinese Academy of Medical Science with a master's degree in neuropharmacology in 1988; graduated from Karolinska Institute in Sweden with a doctoral degree in neuroscience in 1995; graduated from the neuroscience drug development research center (神經藥物研究中心) at Lilly Research Laboratories as a postdoctoral researcher in 1998. Dr. Li is hired specifically as an expert for the Recruitment Program of Global Experts (千人計劃) in PRC, who owns more than twenty years of national and foreign experiences in new drug research and development. Dr. Li has also accumulated fruitful experience in project management of international new drug research and development, designing and practicing clinical trial, contract research organisation (CRO) management, Food and Drug Administration (FDA) drug approvals, expert consultation and selection of investors. Dr. Li was a researcher at the department of obesity studies (肥胖研究部) of Bayer U.S. innovation Center from 1998 to 2001; was an expert of clinical trial at the department of central neuroscience drug development (中樞神經藥物研究部) of Pharmacia from 2001 to 2002; was an associate director at the department of central neuroscience drug development (中樞神經藥物研究部) of Eisai Inc. (a subsidiary of Japan-based Eisai Company Limited) from 2002 to 2004; was an associate director of clinical trial at the research center of central neuroscience drug development (中樞神經藥研究所) of Roche Diagnostic USA from 2004 to 2005; was a vice president of medical research at the international research and development center (國際研發中心) of Bayer Healthcare Co., Ltd. from 2005 to 2012; is the vice president of registry clinical studies at Luye Pharma Group Limited since 2013. Dr. Li was appointed as a non-executive director of the Company since January 2017.

Ms. Gai Li, ("Ms. Gai") aged 51, graduated from Tianjin University of Finance and Economics with a bachelor's degree in Accounting, senior accountant. Ms. Gai has engaged in accounting for a long time. She served at the Finance Department of Tianjin Great Wall Electronics Company Ltd. from December 1989 to June 1997, and she acted as the director of the Finance Department of Tianjin TEDA International Incubator since June 1997. She joined the Company in September 2018 and has been appointed as a non-executive director since then.

Independent Non-Executive Directors

Mr. Li Xudong ("Mr. Li"), aged 50, is a senior accountant with a bachelor's degree in accounting, who also is an accountant, a public valuer and a tax agent certified in PRC; is an executive partner with specific normal partnership (特殊普通合夥) at Da Hua Certified Public Accountants (大華會計師事務所); was a member of the 13th, 14th and 15th Issuance Examination Committee (主板發行審核委員會) of China Securities Regulatory Commission (中國證監會). Mr. Li has been engaged in certified accountant services since 1996, who focuses in listing whole or part of corporate assets, asset restructuring, audit of initial public offering projects and listed company and consultation services. Mr. Li was a certified accountant of main examination and signing at listed companies and large state-owned enterprises such as Dalian Wanda Commercial Properties Company Limited (萬達商業地產股份有限公司), Inner Mongolia Junzheng Energy & Chemical Group Company Limited (內蒙古君正能源化工股份有限公司), Hangxiao Steel Structure Company Limited (浙江杭蕭鋼構股份有限公司), China Camc Engineering Company Limited (中工國際工程股份有限公司), and China National Machinery Industry Corporation (中國機械工業集團公司). Mr. Li has rich and professional experience in the fields of accounting, examination, asset evaluation, mergers and acquisitions, as well as company management consultation service. Mr. Li was appointed as an independent non-executive director of the Company since January 2017.

DIRECTORS' REPORT

Mr. Wang Yongkang ("Mr. Wang"), aged 51, obtained his bachelor's degree of Law in administrative management from China University of Political Science and Law in 1993 and his master's degree of Law in economic law from Capital University of Economics and Business in 1999. After postgraduate studies, Mr. Wang worked at Gaopeng & Partners（高朋律師事務所）as an attorney from 1999 to January 2002. From February 2001 to March 2003, he worked at Grandall Legal Group (Beijing)（國浩律師集團（北京）事務所）as a partner. In April 2003, he co-founded Broad & Ken Partners（博金律師事務所）where he has been working till now. Mr. Wang served as the independent director of Zhengzhou Coal Industry & Electric Power Co., Ltd.（鄭州煤電股份有限公司）(600121) from 2007 to 2013. Mr. Wang was appointed as an independent non-executive director of the Company since November 2017.

Ms. Gao Chun ("Ms. Gao"), aged 50, graduated from Gannon University in the United States with a master's degree in business administration. Ms. Gao was a financial analyst in 6 sigma Black Belts (quality management method) at General Electric Company from 2000 to 2004. Ms. Gao was a financial manager at the Bayer U.S., development officer and business operation officer of Bayer China from 2004 to 2016. Ms. Gao was appointed as an independent non-executive director of the Company since January 2017.

Supervisors

Ms. Yang Chunyan ("Ms. Yang"), aged 44, 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 Incubator from June 1996 to August 2000 and has been working with the Financial Management Department of the Company since September 2000. Ms. Yang has served 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 47, 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 was appointed 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）. She was engaged as the manager of the general department of Tianjin Zhongying Food Co., Ltd（天津中迎食品有限公司）from 2001 to 2003 and the human resources manager of Tianjin Auchan Hypermarkets Co., Ltd（天津歐尚超市有限公司）from 2003 to 2007. Ms. Liu joined the Company as human resources manager in 2007 and has been appointed as deputy officer of the President's office of the Company since April 2011. Ms. Liu was appointed as a supervisor of the Company since August 2011.

Independent Supervisors

Mr. Liang Weitao ("Mr. Liang"), aged 38, graduated from Tongji University with a bachelor's degree in science, from Zhejiang University with a master degree in science and from City University of Hong Kong with a master degree in management. Mr. Liang previously worked in the investment banking department of China Merchants Securities and was responsible for/participated in initial public offering, corporate bonds, refinancing, mergers and acquisitions and reorganisation. Mr. Liang currently serves as deputy managing director at the NEEQ business headquarter and responsible person at the recommended quotation division of Greatwall Securities. Mr. Liang has been appointed as an independent supervisor of the Company since August 2015.

Ms. Feng Ling ("Ms. Feng"), aged 39, is a university graduate. From September 2005 to December 2007, she served as a human resources officer of Kyowa Plastics Industrial (Shenzhen) Company Limited (喬奧華塑膠製品(深圳)有限公司). From March 2008 to March 2010, she was a recruitment manager of Lucky Valley Technology (Shenzhen) Company Limited (瑞谷科技(深圳)有限公司). From April 2010 to December 2013, she acted as a deputy director of human resources in Shenzhen Kingee Culture Development Company Limited (深圳金一文化發展有限公司). From March 2014 to November 2015, she was a human resources manager of the human resources center at the headquarters of Guangdong Youdao Auto Group (廣東有道汽車集團). Since November 2015, she has been serving as a human resources manager of Ningxia Yinggu Industry Company Limited (寧夏盈谷實業股份有限公司). Ms. Feng has been appointed as an independent supervisor of the Company since January 2017.

Qualified Accountant and Company Secretary

Mr. Ng Ka Kuen Raymond ("Mr. Ng"), aged 60, 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, and Ottawa University, Ottawa, Kansas State, the United States of America respectively. Mr. Ng became an associate member of the Association of International Accountants in June 2004. In April 2005, Mr. Ng became a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Before joining the Company, Mr. Ng has more than 10 years of audit experience.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

The service term of these contracts was three years commencing on 1 January 2020. The service contracts of the Company's directors and supervisors were renewed for a term of three years commencing from 1 January 2020 as approved at the extraordinary general meeting of the Company convened on 30 December 2019 unless the contract is terminated by either party giving not less than one month's prior written notice to the other.

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

As to the remunerations of the directors and supervisors of the Company, the Board of the Company has been 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 the recommendation from the remuneration committee of the Company.

MATERIAL CONTRACTS

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

DIRECTORS' REMUNERATION AND TOP FIVE HIGHEST PAID PERSONS

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive directors, namely Mr. Li Xudong, Mr. Wang Yongkang and Ms. Gao Chun, an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing 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 2019, the interests of the directors and supervisors of the Company and their respective associates in the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) were as follows:

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

Directors/ Supervisors/ Executive Officers	Personal	Family	Corporate	Other	Total	Percentage of issued share capital
Ms. Sun Li	–	–	300,000,000 (Note)	–	300,000,000	15.83%

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

Save as disclosed in this paragraph, as of 31 December 2019, 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 2019, 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 issued share capital
Incubator	Beneficial owner	182,500,000 (Note)	9.63%
Xiangyong Investment	Beneficial owner	180,000,000 (Note)	9.50%
Zhinong Fertilisers	Beneficial owner	180,000,000 (Note)	9.50%
Lvye Fertilisers	Beneficial owner	120,000,000 (Note)	6.33%

Note: All of the shares represent domestic shares.

Save as disclosed above, as at 31 December 2019, the Directors of the Company were not aware of any other person (other than the Directors and the Supervisors of the Company) who had an interest and short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

MANAGEMENT CONTRACTS

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

COMPETING INTERESTS

During the year ended 31 December 2019, 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 year under review. Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2019.

SHARE OPTION SCHEME

For the year ended 31 December 2019, the Company did not approve any new share option scheme.

AUDIT COMMITTEE

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

The audit committee had held six meetings during the current financial year. The audit committee has reviewed the audited annual results of the Group for the year ended 31 December 2019.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 35 to 45 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The report on the Environmental, Social and Governance of the Group is set out on pages 46 to 66 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 17 May 2019, BDO Limited ("BDO") was re-appointed, and the appointment will continue to be effective until the conclusion of the forthcoming annual general meeting of the Company.

The financial statements of the Group for the year ended 31 December 2019 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, 22 April 2020

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 Corporate Governance Code (the "Code") contained in Appendix 15 of the GEM Listing Rules to the Group. The corporate governance principles which the Company complies emphasis 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 year under review.

DIRECTORS' SECURITIES TRANSACTION

For the year ended 31 December 2019, the Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all directors, the directors of the Company have complied with such code of conduct and the required standard of dealings.

BOARD OF DIRECTORS AND BOARD MEETING

Board Composition and Board Practices

The Board comprises nine directors of the Company including three executive directors, three non-executive directors and three independent non-executive directors. All executive directors have given tremendous efforts, time and attention to the affairs of the Group. Each director has sufficient experience to hold the position. There is no financial, business, family or other material/relevant relationship amongst the directors. The directors' biographical information is set out on pages 27 to 30 under the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report.

The Board, currently headed by the Chairman, Ms. Sun Li, is responsible for overall corporate development strategy, annual and interim results, implementation of corporate plans, risk management, major acquisitions, disposals and capital raising, and other significant operational and financial matters. The Chairman of the Board has focused on the effective operation of the Board, and encouraged all the directors to devote themselves to the affairs of the Board, perform their own duties, formulate, review and monitor issuers and directors to obey legal regulatory rules and code of conduct and discuss all the important issues in a timely manner. The Chairman also supervised the implementation and review of good corporate governance practices and procedures. Major corporate matters that are specifically delegated by the Board of Directors to the management include the preparation of annual and interim financial statements for Board approval before publication, execution of business strategies and initiatives adopted by the Board of Directors, effective implementation of full risk management procedures and internal controls system, and compliance with relevant statutory requirements and rules and regulations. Pursuant to the requirements set out in Code, the management provides updated information to all the members of the Board on a monthly basis, which contains the latest operational developments, important financial information, 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 2019 were:

Executive Directors

Ms. Sun Li
Mr. Hao Zhihui
Mr. He Xin

Non-Executive Directors

Ms. Gai Li
Mr. Cao Aixin
Mr. Li Ximing

Independent Non-Executive Directors

Mr. Li Xudong
Mr. Wang Yongkang
Ms. Gao Chun

Pursuant to the requirements of 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 Group. The Chief Executive Officer is responsible for managing the Group's business and overall operations. The day-to-day running of the Group is delegated to the management with divisional heads responsible for different aspects of the business.

On 1 February 2019, the Company issued an announcement that Ms. Sun resigned as the CEO of the Company with effect from 1 February 2019, in order to dedicate more efforts and spend more time in deciding and dealing with the Company's corporate policies and major matters. Ms. Sun will remain as the Chairman of the Board, executive director, chairman of the nomination committee and member of the remuneration committee of the Company. The Board also announced the appointment of Mr. Yang as the CEO of the Company to replace Ms. Sun with effect from 1 February 2019.

Mr. Yang has resigned as the CEO of the Company with effect from 30 December 2019 due to personal family reasons. Mr. Yang has confirmed that he has no any disagreement with the Board in relation to his resignation, and there is no other matter in relation to above resignation that needs to be brought to the attention of the shareholders of the Company and the Stock Exchange. The Board also appointed Ms. Sun as the CEO of the Company to replace Mr. Yang with effect from 30 December 2019.

Given Ms. Sun is serving as both the Chairman of the Board and CEO at present, the requirements of provision A.2.1 of the Code have not been fulfilled. The Board is of the view that it is the most suitable arrangement at this stage for Ms. Sun to hold the two positions at the same time as it is in the best interest of the Company and will help to maintain the policy continuity and operating stability of the Company. The Company has been actively selecting candidates for the position of CEO through various channels.

BOARD OF DIRECTORS AND BOARD MEETING *(continued)*

Board Composition and Board Practices *(continued)*

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

Non-executive directors (including independent non-executive directors) serve the important function of advising the management on strategy development separately and ensure that the Board maintains high level of transparency in financial and other reporting as well as providing adequate checks and balances for safeguarding the interests of shareholders and the Group 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/her independence pursuant to the GEM Listing Rules. The Company believes, all of the independent non-executive directors are in compliance with the guidelines of independence set out in the GEM Listing Rules and are therefore all independent persons as defined therein. And one of them has the appropriate professional qualifications required under the GEM Listing Rules.

Throughout the year, the Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. The Board holds at least four meetings per year (one official Board meeting for each quarter at least). During 2019, the Board held seven meetings for the discussion and approval of important matters such as the approval of quarterly results, interim results and annual results, dividends, the change of the CEO, and the change of sessions of directors and supervisors, etc. In addition, the Chairman of the Company's Board also met with certain non-executive directors to seek their views on certain business or operational matters. Apart from the regular Board meetings of the year, the Board of Directors has met on other occasions when a Board-level decision on a particular matter was required. The directors has received details of agenda items for decision and minutes of committee meetings in advance of each Board meeting. The directors have attended meetings in person or through other means of electronic communication in accordance with the Company's Articles. Notice of at least 15 days has been given of a regular Board meeting to enable the directors to make informed decisions on matters to be raised at the Board meetings. Independent non-executive directors and other non-executive directors have been treated the same as other members of the Board, and have attended the board meetings and the committee meetings where they served as a member to actively participate in the discussion of the issues proposed at the meetings and advice on the professional trainings for senior management and developing strategy of the Company based on their own professional background, skills and qualifications. They have also attended general meetings and developed a balanced understanding of the views of shareholders. Besides, pursuant to the requirements of the Code, all directors have received continuous professional development training. During the year under review, the Company arranged special training about GEM Listing Rules for directors, supervisors and senior management in relation to GEM Listing Rules (including the 55th, 56th and 57th amendments). In addition, pursuant to the GEM listing requirements A.1.8, the Company has arranged appropriate insurance cover for its directors and the senior management to avoid legal risks.

BOARD OF DIRECTORS AND BOARD MEETING *(continued)*

Board Composition and Board Practices *(continued)*

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

Name of Directors	Attendance/ Number of Board Meetings	Attendance/ Number of General Meetings	Attendance/ Number of Training Course
Executive Directors			
Ms. Sun Li	8/8	2/2	1/1
Mr. Hao Zhihui	7/8	0/2	1/1
Mr. He Xin	5/8	1/2	1/1
Non-Executive Directors			
Ms. Gai Li	6/8	2/2	1/1
Mr. Cao Aixin	7/8	0/2	1/1
Mr. Li Ximing	7/8	0/2	1/1
Independent Non-Executive Directors			
Mr. Li Xudong	8/8	0/2	1/1
Mr. Wang Yongkang	8/8	0/2	1/1
Ms. Gao Chun	8/8	0/2	1/1

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

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

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

The Board of the Company is the management organization of inside information, while the Chairman of the Board is the principal of the inside information management, and the office of the Board of the Company is responsible for the daily management of inside information of the Group. According to the relevant requirements of SFO, for unpublished inside information involving our operation, finance or other issues that have significant impact on the trading price of the Company's securities, the Group has formulated clearly defined control measures.

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

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

AUDIT COMMITTEE

The Group had established an audit committee with written terms of reference in compliance with the GEM Listing Rules. During the year under review, the audit committee of the Company comprises three independent non-executive directors, namely Mr. Li Xudong, Mr. Wang Yongkang and Ms. Gao Chun, among whom, Mr. Li Xudong has been appointed as the chairman of the audit committee as he possesses professional accounting qualification and auditing experience.

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

The audit committee has reviewed and discussed the results of the Group for the year ended 31 December 2019 and the 2019 annual report.

AUDIT COMMITTEE *(continued)*

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

Name of directors	Attendance/ Number of Meetings
Mr. Li Xudong	6/6
Mr. Wang Yongkang	6/6
Ms. Gao Chun	6/6

AUDITOR'S REMUNERATION

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

EXTERNAL AUDITOR

BDO Limited ("BDO"), Certified Public Accountant, had been appointed by the shareholders as the external auditor of the Company and its subsidiaries with effect from 17 May 2019 until the conclusion of the forthcoming annual general meeting of the Company.

The annual financial statements for the financial year ended 31 December 2019 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 2017, 2018 and 2019 was BDO.

The remuneration paid/payable to the external auditors of the Company and its subsidiaries in respect of audit services and non-audit services for the year ended 31 December 2019 is set out as follows:

	Fees Received	
Types of Services	**For the year ended 31 December 2019 RMB'000**	For the year ended 31 December 2018 RMB'000
Audit services		
– Annual audit of the financial statement of the Company and its subsidiaries	**1,075**	1,020
Non-audit services	**Nil**	Nil

NOMINATION COMMITTEE

The Company has established the nomination committee in accordance with the Code. The nomination committee is comprised of three members, the majority of whom are independent non-executive directors. During the year under review, the nomination committee consists of the Chairman Ms. Sun Li, who is also the Chairman of the Board, and two members, namely Mr. Wang Yongkang and Ms. Gao Chun, who are independent non-executive directors.

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

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

Name of directors	Attendance/ Number of Meetings held
Ms. Sun Li	3/3
Mr. Wang Yongkang	3/3
Ms. Gao Chun	3/3

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

REMUNERATION COMMITTEE

The Company has established the remuneration committee in accordance with the Code. The remuneration committee is comprised of three members, the majority of whom are independent non-executive directors. During the year under review, the remuneration committee consists of the chairman Mr. Wang Yongkang, an independent non-executive director, and two members, namely Ms. Sun Li, an executive director and Ms. Gao Chun, an independent non-executive director.

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

REMUNERATION COMMITTEE *(continued)*

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

Name of members	Attendance/ Number of Meetings held
Mr. Wang Yongkang	3/3
Ms. Sun Li	3/3
Ms. Gao Chun	3/3

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 Group passed by the Board and make recommendations to the Board in order to ensure the Group has properly disclosed the detail of the remunerations payable to all the directors and members of senior management, whether individually or on a named basis. The remuneration committee of the Company has considered and reviewed the service contracts of the directors and is of the view that the existing terms of the service contracts are fair and reasonable.

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT DURING THE YEAR

	2019			2018		
Name of Directors	Fee emoluments/ Salaries, allowances and benefits in kind RMB	Retirement benefits scheme contributions RMB	Total RMB	Fee emoluments/ Salaries, allowances and benefits in kind RMB	Retirement benefits scheme contributions RMB	Total RMB
Executive Directors						
Ms. Sun Li	620,052	107,795	727,847	618,552	90,485	709,037
Mr. Hao Zhihu	594,537	91,456	685,993	593,037	90,212	683,249
Mr. He Xin	40,000	–	40,000	5,000	–	5,000
Non-Executive Directors						
Ms. Gai Li	–	–	–	10,000	–	10,000
Mr. Cao Aixin	40,000	–	40,000	40,000	–	40,000
Mr. Li Ximing	40,000	–	40,000	40,000	–	40,000
Independent Non-Executive Directors						
Mr. Li Xudong	80,000	–	80,000	80,000	–	80,000
Mr. Wang Yongkang	80,000	–	80,000	80,000	–	80,000
Ms. Gao Chun	80,000	–	80,000	80,000	–	80,000

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT DURING THE YEAR

(continued)

Name of Directors	2019 Fee emoluments/ Salaries, allowances and benefits in kind RMB	2019 Retirement benefits scheme contributions RMB	2019 Total RMB	2018 Fee emoluments/ Salaries, allowances and benefits in kind RMB	2018 Retirement benefits scheme contributions RMB	2018 Total RMB
Chief Executive Officer						
Ms. Sun Li	**620,052**	**107,795**	**727,847**	618,552	90,485	709,037
Qualified Accountant and 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 Group, BDO as to its reporting responsibilities on the financial statements of the Group is set out in the Auditor's Report on pages 67 to 72 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 Group's ability to continue as a going concern.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting by Shareholders

Pursuant to articles 62(3) and 83 of the Articles of Association 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 possible.

In the event that the Board does not proceed duly to convene an EGM within 30 days from the date of receipt of the requisition, the Requisitionist may convene an EGM himself/herself within four months from the date of receipt of the requisition by the Board. The convening procedures should follow the procedures of the Board convening a general meeting as far as practicable.

SHAREHOLDERS' RIGHTS *(continued)*

Procedure for putting forward proposals at Shareholders' meetings

Pursuant to article 64 of the Articles of Association 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 general meeting, the Company shall put it in the agenda of the general meeting.

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

Procedure in respect of the nomination of director candidates by Shareholders

Pursuant to Article 99 of the Company's Articles of Association, 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 convening 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 17 May 2019 and the extraordinary general meeting held on 30 December 2019, some of the executive directors and independent non-executive directors of the Company were present in the meetings to attend to questions from Shareholders.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This report involves the environmental, social and governance (the "ESG") performance of the Company and its subsidiaries (collectively referred to the "Group") in their principal place of business. It is prepared in accordance with the ESG Guide (the "Guide") issued by Hong Kong Stock Exchange. The Board is of view that an enterprise should continue to enhance its responsibilities to aspects including the environment and the society, and improve its performance of responsibility and accountability to other stakeholders. The Group will closely cooperate with various stakeholders under the corporate social responsibility strategy of "caring for employees, caring for the environment and caring for the society" so as to integrate employee's human right protection, consumer care, environmental protection and social responsibility into the core business strategy of the Group, continue to fulfil its social responsibilities to promote the harmonious development of the economy, society and the environment.

The report contains the strategies and practices of the Group in four aspects, namely environmental protection, employment and labour practices, operation practice and community participation during the year under review, of which, the information regarding environmental protection is come from the Environmental Report of Fulilong (Shandong) Fertilisers Co., Ltd. (hereafter, "Shandong Fulilong") and Guangdong Fulilong Compound Fertilisers Co., Ltd. (hereafter, "Guangdong Fulilong"), while other information comes from the relevant documents and statistical reports of the Group as well as the summary provided by the companies under the Group in accordance with the Group's relevant systems. Shareholders, investors and the public can have a more comprehensive and profound understanding of the Group's governance and culture through this report, and we welcome parties from all circles to offer their suggestions and valuable advice relating to this report or the works of the Group regarding ESG, in which it will enable the Group to optimise continuously and further improve its work within the ESG scope.

ENVIRONMENTAL PROTECTION

During the year under review, the Group is principally engaged in two business segments, namely manufacturing and selling biological compound fertilisers and providing elderly care and health care services. In the elderly care and health care business segment, the Group basically has no environmental pollution issue since it is principally engaged in the operation and management of elderly care and health care services and conduct quantitative EEG testing services. In biological compound fertiliser business segment, the business operation does not have any material impact on the environment due to the business nature of biological compound fertilisers. The subsidiaries of the Group engaged in compound fertiliser have always been focusing on environment protection, advocated energy-saving and environmentally-friendly, and proactive implementation of clean production, and adhered firmly to the principles of harmonious development of safety production and environmental protection.

Emissions

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

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

(I) Emissions of Shandong Fulilong

During the year under review, exhaust gas emitted by Shandong Fulilong is mainly from production workshop, the exhaust gas generated from tower workshop and rotary drum workshop are treated with "gravity sedimentation + whirlwind dust removal" and "whirlwind dust collector" respectively. The waste water generated by Shandong Fulilong is mainly domestic sewage which is entrusted to Shandong Changle Salcon Raw Water Company Limited (山東昌樂實康水業有限公司) for disposal. General solid waste made by Shandong Fulilong, which is mainly the dust collected from dust collector and waste packaging bags in production workshop, is treated with effective comprehensive utilisation and treatment methods to achieve the comprehensive utilisation of solid waste in the whole plant.

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

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

The relevant emission standards that it follows mainly include: surface water: executes the Type V water standard of Environmental Quality Standard for Surface Water (《地表水環境質量標準》) (GB3838-2002); underground water: executes the Type Ⅲ standard of Environmental Quality Standard for Groundwater (《地下水質量標準》) (GB/T14848-93); ambient air: executes the Level 2 standard of Ambient Air Quality Standards (《環境空氣質量標準》) (GB3095-1996); acoustic environment: executes the Type II standard in the "Acoustic Environmental Quality Standards" (《聲環境質量標準》) (GB3096-2008).

Waste water: executes the sewage treatment agreement standards signed with Shandong Changle Salcon Raw Water Company Limited* (山東昌樂實康水業有限公司): COD_{Cr}≤400mg/L, BOD_5≤180mg/L, SS≤200mg/L, NH_3-N≤20mg/L.

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

(I) *Emissions of Shandong Fulilong (continued)*

Exhaust gas: exhaust gas from hot blast stoves executes Table 1 General Control Area Standard of the Shandong Province Regional Air Pollutant Emission Standards (《山東省區域性大氣污染物排放標準》) (DB37/2376-2019), particulates ≤20mg/m^3, SO2≤100mg/m^3, NOx≤200mg/m^3; odour pollutant (ammonia) emissions execute Odour Pollutant Emission Standards (《惡臭污染物排放標準》) (GB14554-93) (Unorganised emissions within factory: Level 2 standard in Table 1 (New Reconstruction and Expansion), ammonia≤1.5mg/m^3; organised emissions of ammonia executes Table 2 standard: ammonia≤4.9kg/h).

Solid waste: dust collection by dust collectors and waste packaging bags are general solid wastes that execute the Standards for Pollution Control on General Industrial Solid Waste Storage and Disposal Sites (《一般工業固體廢物貯存、處置場污染控制標準》) (GB18599-2001) and its amended standards; used engine oil is hazardous waste that executes the Standards for Pollution Control on Hazardous Waste Storage (《危險廢物貯存污染控制標準》) (GB18597-2001) and its amended standards; as a result of low production and downgrade use internally, the local environmental protection authority has removed the Company from the list of enterprises under hazardous waste management; oily waste cloth is hazardous waste included in the List of Hazardous Waste Exempt from Management (《危險廢物豁免管理清單》) that are not managed as hazardous waste throughout the process.

Noise: executes Type 2 standards of the Environmental Noise Emission Standards for Industrial Enterprises at Factory Boundary (《工業企業廠界環境噪聲排放標準》) (GB12348-2008) (daytime: 60dB(A), night-time: 50dB (A)).

Shandong Fulilong has carried out the first round of clean production since 2012 and passed the inspection in 2014. Thereafter, the Company promoted the idea, content and meaning of "clean production" and "clean production review" as well as the laws and regulations including the "Regulations on Clean Production Review Procedures for Key Enterprises"(《重點企業清潔生產審核程序的規定》) in various ways, such as utilizing workshop blackboards and pre-shift meetings. It also convened clean production mobilization meetings in the factory regularly to organise the leaders at mid-level or above and key employees to participate in the training seminars on clean production, so that each employee could recognize the ultimate objective of clean production is "energy saving, consumption reduction, pollution reduction and efficiency improvement". In May 2019, the second round of clean production review was carried out and passed the assessment and inspection on 18 December 2019. In this round of clean production review, totally eight clean production solutions with a total investment of $138,100 were proposed and implemented, one of which was medium/high cost solution and seven were cost-free/low-cost solutions. All of the indicators of the implemented solutions have met with the design requirements, generating economic benefits of totally $160,600/a. After the implementation of the solutions, 10 t/a of raw materials, 30 t/a of steam and 33,200 kwh/a of electricity were saved while recycled products increased by 5 t/a and the emission of disorganised particulates was reduced by 0.61 t/a, which fulfilled the requirements of the environmental management regulations for hazardous waste, reduced the labour intensity in the production and enhanced the enthusiasm of employees for production, resulting in better environmental and economic benefits.

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

(I) Emissions of Shandong Fulilong (continued)

Table of Shandong Fulilong Pollutant Output and Emissions in 2019

Waste category	Waste description	Pollutant output (t)	Pollutant emission volume (t)	Emission per unit product (kg/t)
Exhaust gas	Tower compound and mixed fertiliser dust	8.2	0.82	0.027
	Rotary drum compound and mixed fertiliser dust	11.1	1.11	0.021
	SO_2	0.053	0.053	0.00065
	NOx	3.43	3.43	0.042
	Ammonia	0.53	0.53	0.0065
	Greenhouse gas (CO_2)	5,197.535	5,197.535	63.3
Waste water	Domestic sewage	2,117	2,117	12,526.63
	COD	0.284	0.284	1.68
	Ammonia and nitrogen	0.028	0.028	0.17
General solid waste	Domestic waste	43.22	43.22	255.74
	Dust collection by dust collectors	123.36	1.93	0.024
	Waste packaging bags	11.8	0	0
Hazardous waste	Used engine oil	0.1	0	0
	Oily waste cloth and gloves	0.01	0	0

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

(I) Emissions of Shandong Fulilong (continued)

Table of Shandong Fulilong Pollutant Output and Emissions in 2019				
Waste category	Waste description	Annual output (t)	Treatment measures and efficiency	Annual emissions (t)
Exhaust gas	Tower compound and mixed fertiliser dust	53.26	Gravity precipitation + whirlwind dust collection	0.82
	Rotary drum compound and mixed fertiliser dust	70.1	Cyclone dust collectors	1.11
	Greenhouse gas (CO_2)	5,197.535	–	5,197.535
	Ammonia	0.53	–	0.53
Waste water	Domestic sewage	2,117	Entrust Shandong Changle Salcon Raw Water Company Limited* （山東昌樂實康水業有限公司） for disposal	2,117
General solid waste	Domestic waste	43.22	Environmental sanitation and clearing	0
	Dust collection by dust collectors	123.36	Return to production system	0
	Waste packaging bags	11.8	Collect for external sales	0
Hazardous waste	Used engine oil	0.1	Used within the Company at a downgraded standard	0
	Oily waste cloth and gloves	0.01	Dispose to domestic waste for environmental sanitation and clearing	0

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

(II) Emissions of Guangdong Fulilong

During the year under review, Guangdong Fulilong rented the production lines in Hongwuwo village, Hongmei Town, Dongguan from Guangdong Lvzhou Fertiliser Industry Company Limited (廣東綠洲肥業有限公司) for production, and has established a sound environmental management system. This improved the internal environmental management system, strengthened daily environmental management, and implemented the whole-process environmental management during the entire production process. It also prevented environmental pollution issue from happening during the production process and safeguarded the environment. In 2019, Guangdong Fulilong's production lines were mainly equipped with the granulation method with high tower and drum granulation method. The production process of compound fertilisers under the granulation method with high tower had no water introduction and drying process, and thus saving energy consumption as well as creating a good operating environment in a clean production process. For the drum granulation production process, Guangdong Fulilong applied domestically advanced equipment, adopted advanced control system, and achieved professional production of products. The extrusion granulation production process equipment had characteristics of high degree of automation, high technical content and stable product quality, and thus reduces consumption of raw materials and energy, and the amount of pollutants produced is controlled strictly for the sake of meeting clean production. Moreover, 2 pieces of bag filter dust equipment were added in 2019, which allowed the Company to achieve the requirement of almost-no-dust emission. In general, all the Guangdong Fulilong's production lines have reached the international advanced standard of clean production.

According to the Guiding Opinions on Implementing Differentiated Environmental Protection Admission and Promoting Coordinated Development in the Region (Yue Huan [2014] No. 27) (《關於實施差別化環保准入促進區域協調發展的指導意見》(粵環[2014]27號)) and Notice of Supporting Environmental Protection Policies for the Planning of Main Functional Zoning in Guangdong Province (Yue Huan [2014] No.7) (《廣東省主體功能區劃規劃的配套環保政策的通知》(粵環[2014]7號)), the Optimal Development Zone (core zone) of Pearl River Delta shall reach the international advanced standard of clean production. Guangdong Fulilong is located in Hongmei Town, Dongguan and belongs to the Optimal Development Zone (core zone) of Pearl River Delta. It has already reached the international advanced standard of clean production, and complies with the clean production standard requirements of Yue Huan [2014] No. 27 and Yue Huan [2014] No. 7.

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

(II) *Emissions of Guangdong Fulilong (continued)*

Guangdong Fulilong is strict compliance with the emission volume and standards requirements stipulated by the relevant laws and regulations. The relevant emission standards that it has complied with mainly include: the surface water executes the Type V water standard of Environmental Quality Standard for Surface Water(《地表水環境質量標準》)(GB3838-2002) in the PRC; ambient air: SO2, NO2, PM10, TSP that execute the Mid-Level 2 standard of Ambient Air Quality Standard(《環境空氣質量標準》(GB3095-2012)), NH3 that executes the maximum allowed concentration of harmful substances in the atmosphere of residential area under the Hygiene Standards for the Design of Industrial Enterprises(《工業企業設計衛生標準》(TJ36-79)); acoustic environment: executes the Type III standard in the "Acoustic Environmental Quality Standards"(《聲環境質量標準》(GB3096-2008)); waste water: executes the sewage treatment agreement standards signed with Shenzhen Donghong Environmental Protection Co., Ltd.(深圳市東虹環保有限公司): COD≤350 mg/L， NH3-H≤20 mg/L，SS≤250 mg/L，BOD≤200 mg/L. Exhaust gas that execute: conveying, weighing, pelletising, melt-mixing, cooling process exhaust vent: particulates execute the second period of second stage emission limits of Emission Limits of Air Pollutants(《大氣污染物排放限值》(DB44/27-2001)) of Guangdong Province with emission concentration ≤120 mg/m^3. The ammonia executes the (existing) Level 2 in Table 1 of the Emission Standard for Odour Pollutants(《惡臭污染物排放標準》(GB14554-93)), and the emission concentration ≤2.0 mg/m^3; solid waste: solid waste executes temporarily requirements General Industrial Solid Waste Storage and Disposal Site Pollution Control Standards(《一般工業固體廢物貯存、處置場污染控制標準》(GB18599-2001)) in factories; noise: executes Type 3 standards of Factory Environmental Noise Emission Standards for Industrial Enterprises Boundary(《工業企業廠界環境噪聲排放標準》(GB 12348-2008)), daytime: 65dB(A), night-time: 55dB (A).

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

(II) Emissions of Guangdong Fulilong (continued)

Waste category	Waste description	Pollutant output (t)	Pollutant emission volume (t)	Emission per unit product (kg/t)
Table of Guangdong Fulilong Pollutant Output and Emissions in 2019				
Waste water	COD	0.857	0.857	5.26kg/head/year
	Ammonia and nitrogen	0.311	0.311	1.91kg/head/year
	Domestic sewage	2510.2	2510.2	15.4t/head/year
Exhaust gas	Rotary drum compound and mixed fertiliser dust	25.36	0.535	0.029
	Tower compound and mixed fertiliser dust	75.90	1.44	0.041
	Extruded nematode fertiliser dust	18.16	0.355	0.031
	Soot dust	27.13	1.43	0.022
	Greenhouse gas (CO_2)	3087.38	3087.38	47.5
	SO_2	3.12	0.29	0.0045
	NOx	0.19	0.19	0.0029
	Ammonia	10.26	0.78	0.012
Solid waste	Domestic waste	35.8	35.8	219.4kg/head/year
	Dust collection by dust collectors	80.7	0	0
	Waste packaging bags	0.43	0	0
Hazardous waste	Used engine oil	0.13	–	–

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

(II) Emissions of Guangdong Fulilong (continued)

Table of Guangdong Fulilong Pollutant Output and Emissions in 2019

Waste category	Waste description	Annual output (t)	Treatment measures and efficiency	Annual emissions (t)
Waste water	COD	0.857	Entrust Shenzhen Donghong Environmental Protection Co., Ltd.* (深圳市東虹環保有限公司) for disposal	0.857
	Ammonia and nitrogen	0.311		0.311
	Domestic sewage	2510.2		2510.2
Exhaust gas	Rotary drum compound and mixed fertiliser dust	25.36	Cyclone dust collectors 97.89%	0.535
	Tower compound and mixed fertiliser dust	75.90	Gravity precipitation + whirlwind dust collection 98.10%	1.44
	Extruded nematode fertiliser dust	18.16	Cyclone dust collectors 98.05%	0.355
	Soot dust	27.13	Water film dust removal 94.73%	1.43
	Greenhouse gas (CO_2)	3087.38	–	3087.38
	SO_2	3.12	Alkaline desulphurization 90.71%	0.29
	NOx	0.19	–	0.19
	Ammonia	10.26	Physical absorption 92.40%	0.78
Solid waste	Domestic waste	35.8	Environmental sanitation and clearing	0
	Dust collection by dust collectors	80.7	Return to production system	0
	Waste packaging bags	0.43	Collect for external sales	0
Hazardous waste	Used engine oil	0.13	Entrust Dongguan Guanfa Renewable Resources Recovery Co., Ltd.* (東莞市莞發再生資源回收有限公司) for disposal	0

ENVIRONMENTAL PROTECTION *(continued)*

Use of Resources

(I) *Use of resources of Shandong Fulilong*

The major raw and auxiliary materials required for production in Shandong Fulilong are urea, mono-ammonium phosphate, KCl, potassium phosphate and fillers. The main energies are electricity, steam and natural gas. In 2019, steam was provided by Changle Golden Age Thermoelectricity Power Co., Ltd. Natural gas is used in hot blast stoves.

Information table of raw and auxiliary materials and energy input of Shandong Fulilong in 2019			
Major raw and auxiliary materials and energy	Auxiliary materials generation unit	Annual consumption (t)	Per unit product consumption (kg/t)
Urea	Tower workshop	18,415	355.7
Mono-ammonium phosphate		8,932	172.54
KCl		3,194	61.7
Potassium phosphate		14,373	277.64
Fillers		6,786	131.08
Hardening-proof agent		150	2.9
Electricity		776,500kwh	15 kwh/t
Steam from external purchase		8,576m^3	0.17 m^3/t
Packaging bags		1,035,380 pieces	20 pieces/t
Urea	Rotary drum workshop	8,586	283.02
Mono-ammonium phosphate		11,685	385.17
KCl		5,700	187.89
Potassium phosphate		4,332	142.8
Fillers		114	3.76
Hardening-proof agent		85	2.8
Electricity		464,100 kwh	15.3
Steam from external purchase		3696 m^3	0.12 m^3/t
Natural gas		236,000 m^3	7.8 m^3/t
Packaging bags		606,740 pieces	20 pieces/t
Water	Domestic and office space	1,909.7 m^3	11.3
Electricity		89,500 kwh	530

There are 169 staff members in total in the whole plant. The per unit product consumption of domestic and office space represents the annual consumption per head.

During the year under review, Shandong Fulilong mainly adopted energy conservation and consumption reduction proposals and the implementation effects are shown in the following table:

ENVIRONMENTAL PROTECTION *(continued)*

Use of Resources *(continued)*

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

Implementation effect table of energy-saving and consumption-reduction scheme of Shandong Fulilong in 2019			
		Implementation effect	
Title of scheme	Investment (In ten thousand)	Environmental effect	Economic effect
Closed transformation of powder conveyor belt	0.34	Environmentally friendly scheme with no obvious economic effect	Reduce disorganised particulates emissions by 0.25 t/a.
On site repair of leak point of steam pipes	0.22	Saved steam fee amounting to $6,000/a.	Reduce steam usage by 30 t/a.
Closing feed opening and belt of mixtures for mixed fertiliser production line	0.08	Environmentally friendly scheme with no obvious economic effect.	Reduce disorganised particulates emissions by 0.36t/a.
Transformation of high-power fans by installing inverters	0.8	Saved electricity fee amounting to $26,600/a	Reduce electricity consumption by 33,200 kwh/a.

ENVIRONMENTAL PROTECTION *(continued)*

Use of Resources *(continued)*

(II) *Use of resources of Guangdong Fulilong*

The major raw and auxiliary materials required for production in Guangdong Fulilong are KCl, potassium phosphate, mono-ammonium phosphate, urea, binary compound fertilisers and fillers. The main energies are water, electricity and steam, and steam was purchased from Guangdong Lvzhou Fertiliser Industry Company Limited. In order to reduce energy consumption and facilitate regional environmental sustainable development, Guangdong Fulilong has formulated various systems such as the Production Savings, Incentives and Penalties (《生產節約激勵處罰措施》).

Information table of raw and auxiliary materials and energy input of Guangdong Fulilong in 2019			
Major raw and auxiliary materials and energy	**Auxiliary materials generation unit**	**Annual consumption (t)**	**Per unit product consumption (kg/t)**
Urea	Tower workshop	14,020.2	399.3
Mono-ammonium phosphate		6,176.2	175.9
Binary compound fertilisers		9,304.7	265.0
KCl		4,887.6	139.2
Hardening-proof agent		119.4	3.4
Fillers		1,597.6	45.5
Packaging bags		814,598	23.2 pieces/t
Electricity		628,000 kwh	17.9kwh/t
Steam from external purchase		6176.2 m^3	175.9dm^3
Urea	Rotary drum workshop	5,160.1	279.9
Mono-ammonium phosphate		6,190.7	335.8
Binary compound fertilisers		3,502.8	190.0
KCl		2,206.7	119.7
Hardening-proof agent		66.4	3.6
Fillers		1,388.2	75.3
Electricity		243,300 kwh	13.2 kwh/t
Steam from external purchase		1,795.6 m^3	97.4 dm^3
Urea	Extrusion granulation workshop	3,222.7	281.4
Mono-ammonium phosphate		3,771.3	329.3
Binary compound fertilisers		2,250.4	196.5
KCl		1,365.1	119.2
Hardening-proof agent		16.1	1.4
Fillers		899.0	78.5
Electricity		145,400 kwh	12.7 kwh/t
Micro-organisms		1.15	0.1
Water	Domestic and office space	5,630.02	34.54t/head/year
Electricity		116,100 kwh	712.5kwh/head/year

ENVIRONMENTAL PROTECTION *(continued)*

Use of Resources *(continued)*

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

Implementation effect table of energy-saving and consumption-reduction scheme of Guangdong Fulilong in 2019				
			Implementation effect	
Title of scheme	Scheme introduction	Investment (In ten thousand)	Environmental effect	Economic effect
Tower system maintenance	Repair and maintenance of high tower exhaust, tower wall, feeding port and other facilities	5	Effectively reduce the emission of particulates and ammonia, reduce solid waste generation	Save steam and fees and expenses
Bag dust removal system maintenance	Place a new dust removal equipment and replace the bag of old equipment	10	Better dust collection, block dust, so that the filtered gas is more purified	Recycle more dust for production to save cost
Gravity sedimentation chamber maintenance	Routine inspection, repair and maintenance of gravity sedimentation chamber	3	Repair and maintenance may avoid gravity sedimentation chamber malfunction and reduce environmental pollution caused by malfunction	Recycle more dust for production to save cost
Acid spray system maintenance	Routine inspection, repair and maintenance of acid spray	3	Repair and maintenance may reduce ammonia emission, reduce solid waste generation	–
Electricity saving reformation	Inspection, repair and maintenance of energy-saving lamps and other environment-friendly and energy-saving lighting equipment	0.5	Energy-saving and consumption-reduction	Save electricity, energy and relevant expenses

ENVIRONMENTAL PROTECTION *(continued)*

Environment and Natural Resources

With China's rapid industrialisation progress, productivity level continues to increase, the capabilities of the supply and demand of environmental resources and waste tolerance level gradually declined, and ecological environment and natural resources have become important endogenous variables and rigid constraints for economic development. The Group is in strict compliance with the "Clean Production Promotion Law of the People's Republic of China", and advocates energy-saving, environmentally-friendly, and proactive implementation of clean production, and adheres firmly to the principles of harmonious development of safety production and environmental protection. Although the business nature of the Group has no material impact on the environment and natural resources, the Group still continues to strengthen the environmental protection works, minimise the possible operation impact on environment, and keep enhancing the operation standard of operators and the management standard of production equipment in order to ensure the reliable operation of equipment. Moreover, it will continue to strengthen the technical management of energy-saving and consumption-reduction in terms of operation and increases its investments on environmental protection, so as to ensure the standard and stable operation of pollutants control facilities.

EMPLOYMENT AND LABOUR PRACTICES

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

Labour Standards

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

Employment Policies

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

ENVIRONMENTAL PROTECTION *(continued)*

Working Hours

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

Occupational Safety

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

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

Team Building

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

As of 31 December 2019, the Group has 351 employees in total (excluding those under the labour system), and the male and female ratio is 73:27. The management of the Company considers appropriate and reasonable turnover would bring new vitality to the Group and benefits the healthy and long-term development of the Group. During the year under review, the newly recruited employees of the Group were 17, with a recruitment rate of 4.8%. The number of employees resigned was 16, with a resignation rate of 4.6%.

ENVIRONMENTAL PROTECTION *(continued)*

Team Building *(continued)*

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

Age breakdown (by age)	≤25	26-35	36-45	46-55	>55	Total
Persons in charge of companies	0	1	1	2	3	7
Persons in charge of departments	4	12	9	4	1	30
General staff	13	75	88	122	16	314
Total	**17**	**88**	**98**	**128**	**20**	**351**

Years of service structure (by years)	≤5	6-10	11-15	16-20	>20	Total
Persons in charge of companies	1	1	3	2	0	7
Persons in charge of departments	2	20	4	4	0	30
General staff	48	74	70	122	0	314
Total	**51**	**95**	**77**	**128**	**0**	**351**

Education background structure	Master's degree and higher	Undergraduate	Junior college	High school and below	Total
Persons in charge of companies	3	2	1	1	7
Persons in charge of departments	0	13	13	4	30
General staff	3	24	70	217	314
Total	**6**	**39**	**84**	**222**	**351**

Occupational Development

The Group values and respects talents, and selects and recruits talents in compliance with the normative and sound system to stimulate talents' growth potentials. We believe that employees will keep on growing along with the business expansion of the Group. The Group provides employees with targeted, systematic, prospective, multi-layered and multiform trainings, for example, trainings of corporate cultures, guidelines and goals, safety production and mandatory pre-employment trainings for new staff; and also provides different aspects of trainings for on-job staff covering management, quality standards, skills and expansion, which will fully explore employees' potentialities to assist the sustainable development of the Group's business. During the year under review, through different forms of internal and external trainings, total training hours in the Group were 1,488 hours with 648 employee attendance in total at all levels. The training content mainly includes system, skills, safety and other special trainings. With the continuous development of the Group, to ensure the constant improvement of team qualities, the Group will increase employees' training opportunities, and keeps on reviewing, inspecting and improving training programmes in meeting the development requirements of the business operation and our employees.

ENVIRONMENTAL PROTECTION *(continued)*

Occupational Development *(continued)*

The Group's trainings categorised by level are as follows:

	Training Headcount	Average Training Hours (hour/person)	Total Training Hours (hour)
Persons in charge of companies	0	0	0
Persons in charge of departments	23	4	92
General staff	625	2.2	1,396
Total	**648**	**2.3**	**1,488**

Employee Benefits

The Group actively guarantees and maintains employees' rights and interests, as well as pays attention to boost their sense of belongings in order to continuously improve employees' benefits. The Group contributes basic medical insurance to every employee and encourages them to enjoy statutory holidays. In addition, the Group provides specific commercial insurance to complement the basic medical insurance as per requirements, which will further enhance employees' medical benefits and form a multi-layered medical health security system. At the same time, during the reporting period, the Group visited and condoled employees in distress and their relatives with consolation moneys and gifts to show love and support to them. Furthermore, the Group endeavours to help our employees to strike a work-life balance by providing athletic grounds and entertainment facilities, such as basketball courts, table tennis rooms, fitness facilities and multi-functional halls, and holding various activities irregularly. The Company also provides employees with clean and comfortable reading rooms to enrich their cultural life. During the reporting period, the Group organised a variety of events including basketball competitions, table tennis matches, funny sports galas, etc. These activities not only helped the employees to relieve stress and enjoy an enriched lifestyle, but also established a platform for employees to express themselves and communicate with one another.

OPERATION PRACTICE

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

OPERATION PRACTICE *(continued)*

Supply Chain Management

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

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

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

Product Liability and Service Standard

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

During the year under review, as for the biological compound fertiliser business, the Group has always been adhering to the stringent product quality control and enjoyed sound reputation in the industry. The Group's quality control for compound fertiliser products is executed primarily in accordance with the relevant requirements under the ISO9001 quality management system and the product standards of the PRC National Standards – GB15063-2009 Compound Fertiliser (Complex Fertiliser) to ensure ex-factory products are in compliance with the quality requirements. During the year under review, for the Group's healthy pension business, Shanghai Muling, a subsidiary of the Company, is a management institution on elderly care services designed specifically for seniors with complete or partial disability or dementia in mainland China. Its standardised projects for elderly day care services was awarded by Shanghai Quality and Technical Supervision Bureau (上海市質量技術監督局) as the "First Batch of Standardised Pilot Projects on Social Management and Public Services in Shanghai in 2014 (《2014年第一批上海市社會管理和公共服務標準化試點項目》), and it became one of the fourth batch of comprehensive standardised pilot projects on social management and public services in China in 2017. Shanghai Muling is a "Supervisory and Advisory Organisation on Elderly Care Service Management"(養老服務管理督導與諮詢機構) designated by Shanghai Civil Affairs Bureau, and is qualified to rate other elderly care organisations in Shanghai. Various publications written by Shanghai Muling, including "Quality Control Manual for Elderly Care Service Organisation" (ISO9001 Quality Management Systems for Elderly Care Organisations) (《養老服務機構質量管理手冊》(養老機構ISO9001質量管理體系)), "Practical Manual for Management of Elderly Care Organisations in Pudong New Area" (《浦東新區養老機構管理實用手冊》), "Practical Manual form Management of Elderly Day Care Centres in Pudong New Area" (《浦東新區老年人日間照護中心管理實用手冊》) and "Training Materials for Superintendents of Elderly Care Organisations"(《養老機構院長培訓教材》) were promoted as materials for vocational and technical training in elderly care industry and became industry norms of elderly care services in Shanghai and surrounding areas.

OPERATION PRACTICE *(continued)*

Consumer Services

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

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

During the year under review, in response to the requirements outlined in “13th Five-Year National Plan for Developing Undertakings for the Elderly and Establishing the Elderly Care System (“十三五國家老齡事業發展和養老體系建設規劃”), the Group adjusted its strategic direction by proactively creating an industrial holding platform comprising medical services and elderly care services, which targets the seniors with complete or partial disability or dementia where there are strong demands and a high barrier in terms of service technology to expand the health care and elderly care businesses of the Group through integrating the medical services into the elderly care services. Shanghai Muling, a subsidiary of the Company, manages 7 elderly homes, 22 day care centres, 3 elderly care homes and 4 integrated elderly service centres across 4 major central districts in Shanghai (Pudong New Area, Jing’an District, Putuo District and Huangpu District), and in Yunnan and Beijing. Most of the attendees are the seniors with complete or partial disability or dementia. The Group actively carries out its public welfare activities through volunteer services, safety knowledge education, first aid skills training and prevention of emergencies for the elderly. It has also continued to improve the spiritual care, psychological counselling and crisis intervention service network for the elderly and urged family members to step up their efforts on elderly’s emotional care and psychological communication. Relying on social professional service agencies, professional psychologists and social workers carry out mental health services for the elderly to provide psychological and spiritual care. On 30 March 2019, the Company signed a strategic cooperation agreement with Almage Group, the largest chain elderly care organisation for Alzheimer’s disease in France. Pursuant to the agreement, the Company shall cooperate with Almage Group in Alzheimer’s disease care and nursing homes operation and management regarding professional Alzheimer’s disease care, elderly care organisation operation and management and staff training.

Anti-Corruption

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

OPERATION PRACTICE *(continued)*

Anti-Corruption *(continued)*

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

COMMUNITY PARTICIPATION

For social public well-being and interests, the Group always remains committed to mission and vision of “enthusiastic in public welfare, repaying the society”, and actively performs enterprise social responsibility and supports social public welfare. The management of the Company considers that it is not only an obligation for enterprises to engage in social welfare activities, but also an essential condition for the growth and development path of enterprises.

For a long period of time, with the effective integration of its business development with social responsibility, the Group extends active presence in public welfare activities under the motto of “Be Kind to the Society”. In recent years, the Group extends active presence in poverty relief and develops charitable activities to help the disadvantaged in the society, organises a string of activities such as “Donate our Love”, through which we try our best to extend our helping hands and show our cares for the special needs, poverty-stricken regions, thereby repay the society with practical actions. On 13 August 2019, influenced by the typhoon “Lekima”, many towns in Shouguang City, Shandong Province were hit by storms and suffered severe flood damage. The production and living conditions of the people in the disaster areas worried everyone in Shandong Fulilong all the time. After the disaster, the leaders of Shandong Fulilong proactively responded to the call of municipal party committee and city government for fighting flood and providing relief by voluntary donation of fertilizer to local disaster victims for post-disaster reconstruction work. In 2019, the Chairman of the Board of the Company, Ms. Sun Li, became a member of the charity, Alxa SEE Ecological Association (Alxa SEE) and the Company became a member unit of Alxa SEE. Alxa SEE is the first social group in the PRC with social responsibility as its commitment, entrepreneurs as its main body and environmental protection as its objective. The Company will make more contribution to the environmental protection in the PRC via this platform. Alxa SEE has established 25 environmental protection project centres. Serving as the deputy secretary of the Bohai Project Centre of Alxa SEE Ecological Association, Ms. Sun will, on behalf of the Company, strive to protect the coastal wetland of Bohai Rim, promote the improvement of corporate pollution and support newly-established environmental protection organisations. In addition, since the outbreak of novel coronavirus, Ms. Sun has, on behalf of the Company, made several donations to Alxa SEE whereas Alxa SEE has proactively coordinated and satisfied the medical demands in Wuhan, Hubei and donated large number of medical supplies including masks and respirators, so as to make contributions to win the epidemic battle. Since the Group started engaging in the elderly care operation business, we have been vigorously promoting the development of community-based elderly care services through the establishment of elderly care organisations and community-based day care centres and other elderly care institutes to support family endowment and grown-up children living with their elderly parents. Through visiting the elderly living alone and empty nest elderly families, the Group aims to help the elderly to solve practical difficulties with constant innovative service model for the elderly in providing personalised professional services. To arrange related resources of hospital for the elderly, a variety of activities including elderly care consultation and renowned doctor consultation are provided to enable the elderly to have a better life.

COMMUNITY PARTICIPATION *(continued)*

Looking forward, the management of the Company deeply understands that "enterprises that actively undertake social responsibility are the most competitive and viable enterprises". Thus, we will integrate the ESG management more profoundly into our daily works. We will also constantly improve the management mechanism, and let the ESG practices run through every segment of the Group, continue to improve the performance of stakeholders such as communities, employees, suppliers and governments, and pay more attention to the responsibilities of stakeholders such as the environment, social organisations and customers. Through constantly strengthening the communications with stakeholders and to enable the enterprise and stakeholders develop together, we will create more values for stakeholders and realise the quality, environment and safety management systematisation, normalisation and standardisation. In the future operation management, we will continue to follow the relevant standards and requirements, further enhance regulated management, constantly promote management quality and efficiency and focus on energy-saving and consumption reduction as well as employees' health and safety, so as to integrate the poverty relief and the development of charitable activities with the Group's own production and operation, proactively making contribution to the Group and the society in synergetic development.

BDO

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

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

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

香港干諾道中111號
永安中心25樓

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

OPINION

We have audited the consolidated financial statements of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 73 to 160, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

Impairment assessment of trade receivables

Refer to note 24 in the Group's financial statements.

The Group has trade receivables with the balance of approximately RMB59.2 million and accounted for 23.2% of the Group's total current assets. The assessment of impairment of trade receivables under the expected loss model is considered to be a key audit matter as it requires the application of judgement and use of subjective assumptions by the management. The Group has applied the simplified approach for assessing the expected credit losses ("ECLs") of trade receivables, which is based on management's estimate of the lifetime ECLs to be incurred. Past experience of credit losses, aging of overdue trade receivables, customers' settlements history, customers' financial position and current and expected business development are also considered in the ECLs model.

How our audit addressed the Key Audit Matter

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

- reviewing and assessing the application of the Group's policy for calculating ECLs to consider consistency of application;

- evaluating techniques and methodologies in ECLs model against the requirements of HKFRS 9;

- assessing the reasonableness of ECLs estimates from checking the information implemented by the management to make the judgements, which comprises testing the accuracy of the history of default, evaluating the correctness of historical default rates are approximately adjusted in accordance to the current economic conditions and forward-looking information, and considering subsequent settlements and the latest information subsequent to the year end date for any adjustments to default rate required; and

- selecting samples from the aging analysis to consider appropriateness of classification of trade receivables to ensure proper determination of trade receivables with significant increase in credit risks by checking to the settlement records, and discussing with the management customers' current ability of settlement, any available information for assessing the creditability of the customers and the current economic environment in which the customers operate.

Impairment assessment of goodwill and intangible asset

Refer to note 17 and 19 in the Group's financial statements and critical accounting estimates and assumptions in relation to the impairment of goodwill and intangible asset set out in notes 5(a)(v) and 5(b)(i) respectively.

As at 31 December 2019, the net carrying amounts of goodwill and intangible asset were approximately RMB8.4 million and RMB3.9 million respectively relating to its cash-generating units (the "CGUs") within the segment of elderly care and health care services.

Management has performed impairment test on the goodwill and intangible asset in accordance with the Group's accounting policies and concluded that impairment loss of approximately RMB3.7 million for goodwill and impairment loss of approximately RMB12.9 million was provided for the intangible asset. This assessment was based on the value-in-use calculations. We have identified impairment assessment of goodwill and intangible asset as a key audit matter because of its significance to the consolidated financial statements and because the value-in-use calculations involve significant management judgement and estimates with respect to the underlying cash flows, in particular the revenue growth from electroencephalography ("EEG") detection services, number of customers to be served for EEG detection services and revenue from service contracts to be signed for consultation and operation assessment services.

How our audit addressed the Key Audit Matter

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

- considering and assessing the historical accuracy of management's budgeting processes;
- evaluating the independent valuer's competence, capabilities and objectivity;
- conducting in-depth discussions with management and the independent valuer about the cash flow projections used in the value-in-use calculations and assessing the appropriateness of the significant assumptions and critical judgement areas which affect the value-in-use calculations;
- benchmarking the growth rates and discount rates used in the value-in-use calculations against independent industry data and comparable companies; and
- evaluating and assessing the appropriateness of the key assumptions used in the value-in-use calculations.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

BDO Limited
Certified Public Accountants
Ng Wai Man
Practising Certificate No. P05309

Hong Kong, 22 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB	2018 RMB
Revenue	7	**358,751,734**	351,897,658
Cost of sales		**(323,756,023)**	(350,190,803)
Gross profit		**34,995,711**	1,706,855
Other income and losses, net	8	**(7,937,281)**	(3,680,687)
Selling and distribution costs		**(18,561,353)**	(21,726,586)
Administrative expenses		**(27,606,878)**	(28,333,237)
Research and development expenses	9	**(8,298,309)**	(11,667,239)
Finance costs	10	**(4,636,152)**	(2,762,567)
Impairment loss of:			
– goodwill	16	**(3,749,807)**	–
– intangible asset	18	**(12,881,908)**	(227,361,866)
– trade receivables	24	**(19,161,085)**	(3,817,278)
– other receivables	25	**(384,599)**	(44,626)
– right-of-use assets	35	**(4,766,091)**	–
– property, plant and equipment	15	**(8,754,679)**	–
– interest in associates	20	**(1,714,938)**	–
– amount due from an associate		**(833,414)**	–
Gain on disposal of a subsidiary	39	**1,918,826**	–
Loss on modification of lease contract	35	**(1,491,079)**	–
Share of loss of associates	20	**(4,952,796)**	(2,792,016)
Loss before income tax	10	**(88,815,832)**	(300,479,247)
Income tax	11	**5,136**	(158,686)
Loss for the year		**(88,810,696)**	(300,637,933)
Loss and total comprehensive income for the year		**(88,810,696)**	(300,637,933)
Attributable to:			
Owners of the Company			
– Loss for the year		**(84,621,807)**	(177,679,819)
Non-controlling interests			
– Loss for the year		**(4,188,889)**	(122,958,114)
		(88,810,696)	(300,637,933)
Loss per share			
– Basic and diluted	13	**(4.47)**	(9.58)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB	2018 RMB
Non-current assets			
Property, plant and equipment	15	**56,329,036**	71,338,431
Right-of-use assets	35	**12,992,063**	–
Goodwill	16	**8,400,000**	12,149,807
Intangible asset	18	**3,896,964**	18,045,202
Interest in associates	20	**13,642,335**	17,660,069
Prepaid land lease payments	21	**–**	13,018,908
Prepayments and other receivables	25	**12,514,676**	12,401,826
Other financial assets	22	**–**	10,463,767
Total non-current assets		**107,775,074**	155,078,010
Current assets			
Inventories	23	**88,933,060**	85,618,751
Trade and bills receivables	24	**59,706,282**	76,699,301
Prepayments and other receivables	25	**66,218,178**	66,745,283
Amounts due from associates	26	**14,399,019**	12,683,044
Financial assets at fair value through profit or loss	27	**–**	9,025,622
Other financial assets	22	**633,919**	–
Cash and bank balances	28	**24,247,304**	43,129,493
Total current assets		**254,137,762**	293,901,494
Total assets		**361,912,836**	448,979,504
Current liabilities			
Trade payables	29	**19,283,679**	40,175,528
Contract liabilities	30	**37,463,275**	22,264,411
Other payables and accruals	31	**55,476,202**	42,121,228
Amount due to an associate	26	**5,600,000**	–
Amount due to non-controlling interests	32	**1,120,528**	1,120,528
Other financial liabilities	33	**–**	1,633,200
Bank borrowings	34	**31,200,000**	49,500,000
Lease liabilities	35	**6,218,453**	–
Current tax liabilities		**43,764**	496,978
Total current liabilities		**156,405,901**	157,311,873
Net current assets		**97,731,861**	136,589,621
Total assets less current liabilities		**205,506,935**	291,667,631

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB	2018 RMB
NET ASSETS		**205,506,935**	291,667,631
Capital and reserves attributable to owners of the Company			
Share capital	36	**189,450,000**	189,450,000
Reserves	37	**1,584,098**	83,555,905
Equity attributable to owners of the Company		**191,034,098**	273,005,905
Non-controlling interests	38	**14,472,837**	18,661,726
TOTAL EQUITY		**205,506,935**	291,667,631

On behalf of the Board

Sun Li
Director

Hao Zhihui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital Note 36 RMB	Share premium Note 37(i) RMB	Surplus reserve Note 37(ii) RMB	Capital reserve Note 37(iii) RMB	Other reserve Note 37(v) RMB	(Accumulated losses)/ Retained earnings Note 37(iv) RMB	Attributable to owners of the Company RMB	Non–controlling interests Note 38 RMB	Total RMB
Balance as at 1 January 2018	169,500,000	255,466,214	3,717,696	2,541,404	(22,032,403)	(5,925,357)	403,267,554	150,357,314	553,624,868
Loss and total comprehensive income for the year	–	–	–	–	–	(177,679,819)	(177,679,819)	(122,958,114)	(300,637,933)
Issue of new shares	19,950,000	19,851,224	–	–	–	–	39,801,224	–	39,801,224
Acquisition of non-controlling interests of a subsidiary	–	–	–	–	–	(578,933)	(578,933)	578,933	–
Dividends declared to non-controlling interest in 2018 (Note i)	–	–	–	–	–	–	–	(1,120,528)	(1,120,528)
Transfer from non-controlling interests to owners of the Company (Note i)	–	–	–	–	–	8,195,879	8,195,879	(8,195,879)	–
Balance as at 31 December 2018 and 1 January 2019	189,450,000	275,317,438	3,717,696	2,541,404	(22,032,403)	(175,988,230)	273,005,905	18,661,726	291,667,631
Loss and total comprehensive income for the year	–	–	–	–	–	(84,621,807)	(84,621,807)	(4,188,889)	(88,810,696)
Put option exercised (Note 20)	–	–	–	–	2,650,000	–	2,650,000	–	2,650,000
Balance as at 31 December 2019	189,450,000	275,317,438	3,717,696	2,541,404	(19,382,403)	(260,610,037)	191,034,098	14,472,837	205,506,935

Note i: Pursuant to the profit guarantee issued by a non-controlling interest in a subsidiary, SJKGC, the Company is eligible to preferentially appropriate USD2,750,000 included in the profit of the subsidiary for the year ended 31 December 2017. The appropriation was passed, by the shareholders' meeting held in 2018 and resulted in a transfer from non-controlling interests to accumulated losses attributable to owners of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 RMB	2018 RMB
Cash flows from operating activities			
Loss before income tax		**(88,815,832)**	(300,479,247)
Adjustments for:			
Amortisation of prepaid land lease payments		**–**	273,525
Amortisation of intangible asset		**1,266,330**	16,738,133
Depreciation of right-of-use assets		**5,916,221**	–
Depreciation of property, plant and equipment		**7,424,121**	7,038,965
Interest expense		**4,636,152**	2,762,567
Interest income		**(541,708)**	(1,446,917)
Provision for impairment of trade and other receivables		**19,545,684**	3,861,904
Provision for impairment of obsolete stock, net		**1,039,851**	2,151,559
Inventories written off		**–**	13,070,185
Fair value loss/(gain) on other financial assets at fair value through profit or loss		**9,829,848**	(2,200,056)
Fair value gain on financial assets at fair value through profit or loss		**–**	(25,622)
Gain on disposal of financial assets at fair value through profit or loss		**(132,068)**	–
Provision for impairment loss of intangible asset		**12,881,908**	227,361,866
Provision for impairment loss of property, plant and equipment		**8,754,679**	–
Provision for impairment loss of interest in associates		**1,714,938**	–
Provision for impairment loss of amount due from associates		**833,414**	–
Provision for impairment loss of right-of-use assets		**4,766,091**	–
Provision for impairment loss of goodwill		**3,749,807**	–
Loss on modification of lease contract		**1,491,079**	–
Gain on disposal of property, plant and equipment		**(26,962)**	(30,242)
Gain on disposal of a subsidiary		**(1,918,826)**	–
Share of loss of associates		**4,952,796**	2,792,016
Operating cash flows before working capital changes		**(2,632,477)**	(28,131,364)
Increase in inventories		**(5,063,987)**	(8,140,572)
(Increase)/decrease in trade and bills receivables		**(2,593,275)**	5,798,786
(Increase)/decrease in prepayments and other receivables		**(387,019)**	2,509,450
Increase in financial assets at fair value through profit or loss		**–**	(9,000,000)
(Decrease)/increase in trade payables		**(19,450,742)**	18,051,574
Increase in contract liabilities		**15,547,289**	22,264,411
Increase/(decrease) in other payables and accruals		**14,849,100**	(23,431,039)
Decrease in amount due to a director		**–**	(50,000)
Increase/(decrease) in other financial liabilities		**1,016,801**	(500,000)
Cash generated from/(used in) operations		**1,285,690**	(20,628,754)
Income tax (refund)/paid		**(448,078)**	146,491
Interest paid		**(4,636,152)**	(2,762,567)
Net cash used in operating activities		**(3,798,540)**	(23,244,830)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 RMB	2018 RMB
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,240,004)**	(9,016,845)
Proceeds from disposal of property, plant and equipment		**97,561**	47,851
Purchases of other financial assets at fair value through profit or loss		**(9,000,000)**	–
Proceeds from other financial assets at fair value through profit or loss		**18,157,690**	–
Decrease/(increase) in amounts due from/(to) associates		**3,050,611**	(7,800,000)
Disposal of subsidiary, net of cash disposed		**(86,648)**	–
Acquisition of prepaid land lease		**–**	(2,684,506)
Acquisition of additional interest of an associate due to put option exercised		**(2,650,000)**	–
Interest received		**541,708**	1,446,917
Net cash generated from/(used in) investing activities		**8,870,918**	(18,006,583)
Cash flows from financing activities			
Drawdown of bank borrowings		**39,000,000**	49,500,000
Repayment of bank borrowings		**(57,300,000)**	(40,000,000)
Repayment of lease liabilities-principal portion		**(5,654,567)**	–
Decrease in amount due to a shareholder		**–**	(2,512,595)
Proceeds from issue of new shares		**–**	39,801,224
Net cash (used in)/generated from financing activities		**(23,954,567)**	46,788,629
Net (decrease)/increase in cash and cash equivalents		**(18,882,189)**	5,537,216
Cash and cash equivalents at beginning of year		**43,129,493**	37,592,277
Cash and cash equivalents at end of year		**24,247,304**	43,129,493
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances	28	**24,247,304**	43,129,493

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 GEM of the Stock Exchange of Hong Kong Limited on 18 June 2002.

The Company and its subsidiaries (hereafter referred to as the "Group") principally engages in manufacture and sale of biological compound fertiliser products, elderly care and health care services. The principal activities and other particulars of the subsidiaries are set out in Note 46 to the consolidated financial statements. The address of its registered office and principal place of business is disclosed in the "Corporate Information" section to the annual report.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2019

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features with Negative Compensation
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015-2017 Cycle

The impact of the adoption of HKFRS 16 "Leases" have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 "Leases" ("HKAS 17"), HK(IFRIC)-Int 4 "Determining whether an Arrangement Contains a Lease", HK(SIC)-Int 15 "Operating Leases-Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2019 *(continued)*

(i) Impact of the adoption of HKFRS 16 (continued)

The Group has applied HKFRS 16 using the modified retrospective approach and recognise right-of-use assets and lease liabilities at the date of initial application for leases previously classified as operating leases applying HKAS 17. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

Consolidated statement of financial position as at 1 January 2019

	RMB
Increase in right-of-use assets	36,756,264
Decrease in prepaid land lease payments	(13,292,433)
Increase in lease liabilities (current)	6,284,698
Increase in lease liabilities (non-current)	17,179,133

	RMB
Non-current assets	
Right-of-use assets	36,756,264
Prepaid land lease payments	(13,018,908)
	23,737,356
Current assets	
Prepaid land lease payments included in prepayments and other receivables	(273,525)
Current liabilities	
Lease liabilities – current portion	6,284,698
Non-current liabilities	
Lease liabilities – non-current portion	17,179,133

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2019 *(continued)*

(i) Impact of the adoption of HKFRS 16 (continued)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

Reconciliation of operating lease commitment to lease liabilities

	RMB
Operating lease commitment as of 31 December 2018	26,553,010
Less: short term leases for which lease terms end within 31 December 2019	(207,556)
	26,345,454
Less: future interest expenses	(2,881,623)
Total lease liabilities as of 1 January 2019	23,463,831

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 4.80%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and; (b) the right to direct the use of the identified asset.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2019 *(continued)*

(ii) The new definition of a lease (continued)

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2019 *(continued)*

(iii) Accounting as a lessee (continued)

Right-of-use asset *(continued)*

For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be stated at cost and amortised over the period of the lease. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, for example, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these consolidated financial statements.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2019 *(continued)*

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective approach and recognised right-of-use assets at the date of initial application for leases previously classified as operating lease applying HKAS 17. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019. For all these right-of-use assets, the Group relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application at 1 January 2019 and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2019 *(continued)*

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

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

Amendments to HKAS 19 – Plan Amendments, Curtailment or Settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

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

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combination

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2019 *(continued)*

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

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

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

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 HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

HKFRS 17 – Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

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

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

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for financial assets at fair value through profit or loss, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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 HKFRS. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Subsidiaries

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

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

(c) Associates

Associates 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 associates 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 associates has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Goodwill

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

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

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

(e) Property, plant and equipment

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

Buildings, other structures and improvements	3% – 20%
Other structures and improvements	5% – 20%
Plant and machinery	5% – 20%
Motor vehicles	10% – 20%
Furniture, fixtures and equipment	5% – 33%

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

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

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

(f) Intangible assets

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

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

Licenses	16 years

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Intangible assets *(continued)*

(ii) Impairment

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

(g) Research and development costs

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

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

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

(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, right-of-use assets, goodwill, intangible asset and the Company's investment in subsidiaries and associates to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

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

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

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generated unit (note 4(d)), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(i) Inventories

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

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

(j) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial instruments *(continued)*

(i) Financial assets (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss ("FVTPL"): Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade and bills receivables and financial assets measured at amortised cost, except for other financial assets measured at FVTPL. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date, and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Financial instruments *(continued)*

(ii) Impairment loss on financial assets (continued)

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets measured at amortised cost, the ECLs are based on the 12 months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than one year past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals, amount due to non-controlling interests, lease liabilities and bank borrowings are subsequently 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)*

(iii) Financial liabilities (continued)

Borrowings

Borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECLs provision measured in accordance with principles of the accounting policy set out in 4(j)(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

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

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4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leasing (accounting policies applied from 1 January 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are stated at cost and are amortised over the period of the lease. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leasing (accounting policies applied from 1 January 2019) *(continued)*

Lease liability (continued)

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, for example, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(l) Leasing (accounting policies applied until 31 December 2018)

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

The Group as lessee

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

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(m) Cash and cash equivalents

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

(n) Provisions and contingent liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Income taxes

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

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

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

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

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

(p) Government grants

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

(q) Foreign currencies

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) 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.

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

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

(r) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Revenue recognition *(continued)*

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

– provides all of the benefits received and consumed simultaneously by the customer;

– creates or enhances an asset that the customer controls as the Group performs; or

– does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Contract liabilities

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration from the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Revenue recognition *(continued)*

Contract liabilities (continued)

Revenue from sales of goods is recognised when the control of the goods is transferred to the customers, which is at the time of delivery and the title is passed to customer, on the following basis:

(i) from the sales of goods, when the control has been transferred to the buyer, provided that the goods are delivered and the customers have accepted the goods;

(ii) processing and servicing income is recognised over time when the services are provided;

(iii) installation income is recognised when the control of the EEG diagnosis detection software is transferred, which is the time that the installation is completed and the software is well-functioned individually; and,

(iv) interest income is recognised on a time-proportion basis using the effective interest method.

(s) Employee benefits

(i) Short term employee benefits

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

(ii) Pension obligations

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

(iii) Termination benefits

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

(t) Capitalisation of borrowing costs

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

(ii) One entity is associates or joint venture of the other entity (or associates 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 associates of the third entity;

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

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

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

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(a) Critical judgement in applying accounting policies

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

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

(ii) Provision for slow-moving inventories

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

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

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

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

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

(iv) Taxation

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

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

(v) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets 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:

- property, plant and equipment under cost model; and
- investments in subsidiaries and associates

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

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

(b) Key sources of estimating uncertainty

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

(i) Impairment of goodwill

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

(ii) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

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

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

Level 2: Observable direct or indirect inputs other than Level 1 inputs;

Level 3: Unobservable inputs (i.e. not derived from market data).

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

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

6. SEGMENT INFORMATION

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

For the years ended 31 December 2019 and 2018, the Group has two reportable and operating segments. These segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

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

- Elderly care & health care services – Provision of integrated elderly care and health care services

Revenue from contracts with customers within the scope of HKFRS 15:

	2019 **RMB**	2018 RMB
Sales from biological compound fertilisers	**353,356,662**	347,327,533
Income from provision of integrated elderly care and health care services	**5,395,072**	4,570,125
	358,751,734	351,897,658

6. SEGMENT INFORMATION *(continued)*

(a) Business segments

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

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

Year ended 31 December 2019

	Fertiliser products RMB	Elderly care & health care services RMB	Total RMB
Revenue from external customers	353,356,662	5,395,072	358,751,734
Inter-segment revenue	–	–	–
Reportable segment revenue	353,356,662	5,395,072	358,751,734
Reportable segment loss	(47,483,694)	(14,167,134)	(61,650,828)
Interest income	(58,367)	(21,094)	(79,461)
Interest expense	4,636,152	–	4,636,152
Depreciation and amortisation for the year	13,184,855	1,355,484	14,540,339
Impairment loss of trade and other receivables	19,136,283	409,401	19,545,684
Impairment loss of goodwill	–	3,749,807	3,749,807
Impairment loss of intangible assets	–	12,881,908	12,881,908
Impairment loss of right-of-use assets	4,766,091	–	4,766,091
Impairment loss of property, plant and equipment	8,754,679	–	8,754,679
Loss on modification of lease contract	1,491,079	–	1,491,079
Provision for obsolete stock, net	1,039,851	–	1,039,851
Reportable segment assets	292,849,334	28,216,175	321,065,509
Additions to non-current assets during the year	1,310,437	26,440	1,336,877
Reportable segment liabilities	134,757,061	10,347,772	145,104,833

6. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Year ended 31 December 2018

	Fertiliser products RMB	Elderly care & health care services RMB	Total RMB
Revenue from external customers	347,327,533	4,570,125	351,897,658
Inter-segment revenue	–	–	–
Reportable segment revenue	347,327,533	4,570,125	351,897,658
Reportable segment loss	(42,607,392)	(241,363,169)	(283,970,561)
Interest income	(18,173)	(15,634)	(33,807)
Interest expense	2,762,567	–	2,762,567
Depreciation and amortisation for the year	7,171,019	16,777,766	23,948,785
Impairment loss of trade and other receivables	3,861,473	431	3,861,904
Impairment loss of intangible assets	–	227,361,866	227,361,866
Inventories written off	13,070,185	–	13,070,185
Provision for obsolete stock, net	2,151,559	–	2,151,559
Reportable segment assets	354,486,133	56,121,555	410,607,688
Additions to non-current assets during the year	11,002,850	305,702	11,308,552
Reportable segment liabilities	122,283,546	2,145,995	124,429,541

6. SEGMENT INFORMATION *(continued)*

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

	2019 RMB	2018 RMB
Revenue		
Total reportable segments' revenue	**358,751,734**	351,897,658
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**358,751,734**	351,897,658
Loss before income tax expense		
Total reportable segments' loss	**(61,650,828)**	(283,970,561)
Elimination of inter-segment profit	**–**	–
Interest income	**19,291**	8,690
Other interest income	**442,956**	1,404,420
Depreciation and amortisation	**(66,333)**	(101,838)
Share of loss of associates	**(4,952,796)**	(2,792,016)
Gain on disposal of a subsidiary	**1,918,826**	–
Impairment loss of interest in associates	**(1,714,938)**	–
Impairment loss of amount due from an associate	**(833,414)**	–
Unallocated corporate expenses	**(21,978,596)**	(15,027,942)
Consolidated loss before income tax expense	**(88,815,832)**	(300,479,247)
Assets		
Total reportable segments' assets	**321,065,509**	410,607,688
Interest in associates	**13,642,335**	17,660,069
Amounts due from associates	**14,399,019**	12,683,044
Unallocated corporate assets	**12,805,973**	8,028,703
Consolidated total assets	**361,912,836**	448,979,504
Liabilities		
Total reportable segments' liabilities	**145,104,833**	124,429,541
Amount due to an associate	**5,600,000**	–
Other financial liabilities	**–**	1,633,200
Unallocated corporate liabilities	**5,701,068**	31,249,132
Consolidated total liabilities	**156,405,901**	157,311,873

6. SEGMENT INFORMATION *(continued)*

(c) Disaggregation of revenue from contracts with customers *(continued)*

In the following table, revenue is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

	Disaggregation of revenue from contracts with customers					
	Fertiliser products		Elderly care & health care services		Total	
	2019 RMB	2018 RMB	2019 RMB	2018 RMB	2019 RMB	2018 RMB
Primary geographical markets						
PRC	353,356,662	347,327,533	5,395,072	4,570,125	358,751,734	351,897,658
Major products/services						
Sales of biological compound fertiliser products						
– Ordinary fertilisers	336,118,175	327,104,212	–	–	336,118,175	327,104,212
– Organic fertilisers	17,238,487	20,223,321	–	–	17,238,487	20,223,321
Provision of integrated elderly care & health care services						
– Licensing income	–	–	3,778,333	2,543,470	3,778,333	2,543,470
– Processing income	–	–	300,117	331,107	300,117	331,107
– Consultation service income	–	–	1,316,622	1,695,548	1,316,622	1,695,548
	353,356,662	347,327,533	5,395,072	4,570,125	358,751,734	351,897,658
Timing of revenue recognition						
At a point in time	353,356,662	347,327,533	3,778,333	2,543,470	357,134,995	349,871,003
Transferred over time	–	–	1,616,739	2,026,655	1,616,739	2,026,655
	353,356,662	347,327,533	5,395,072	4,570,125	358,751,734	351,897,658

(d) Geographical information and major customers

The Group's revenue from external customers is mainly derived from its operations in the PRC, where most of its non-current assets are located. None of the customers have transactions with the Group which exceeded 10% of the Group's revenue for the years ended 31 December 2019 and 2018.

7. REVENUE

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

	2019 RMB	2018 RMB
Fertiliser products	**353,356,662**	347,327,533
Elderly care and health care services	**5,395,072**	4,570,125
Total revenue from contracts with customers	**358,751,734**	351,897,658

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	2019 RMB	2018 RMB
Trade receivables (note 24)	**59,206,282**	76,499,301
Contract liabilities (note 30)	**37,463,275**	22,264,411

Contract liabilities mainly relate to the advance consideration received from customers. RMB15,502,930 (2018: RMB14,924,876) of the balance at beginning of the year has been recognised as revenue for the year ended 31 December 2019 from performance obligation satisfied during the year when the goods were sold or the services were rendered during the year.

8. OTHER INCOME AND LOSSES, NET

	2019 RMB	2018 RMB
Gain on disposal of property, plant and equipment	**26,962**	30,242
Government grants (note (i))	**352,329**	1,039,261
Bank interest income	**98,752**	42,497
Other interest income	**442,956**	1,404,420
Inventories written off (note (ii))	**–**	(13,070,185)
Fair value (loss)/gain on other financial assets at fair value through profit or loss	**(9,829,848)**	2,200,056
Fair value gain on financial assets at fair value through profit or loss	**–**	25,622
Gain on disposal on financial assets at fair value through profit or loss	**132,068**	–
Foreign exchange gain	**(75,282)**	3,701,525
Others	**914,782**	945,875
	(7,937,281)	(3,680,687)

Notes:

(i) Government grants mainly represented subsidies granted by the PRC Government to subsidiaries of the Group on the research and development expenses related to compound fertilisers incurred by the Group. The subsidies were received and recognised in profit or loss only when the research and development has been completed and fulfilled the criteria set by the PRC Government.

(ii) Inventories written off represented the write off of dampened or dissolved raw materials caused by an extraordinary event, the direct hit of Super Typhoon Mangkhut to Guangdong Province in September 2018.

9. RESEARCH AND DEVELOPMENT EXPENSES

Included in research and development expenses are mainly expenditures incurred for the internal projects carried out for the design, testing, exploring and upgrading various types of biological compound fertiliser products for business purpose. Management assessed that these projects are currently in the research and initial development stage, and did not capitalise any of these expenditures as assets.

10. LOSS BEFORE INCOME TAX

Loss before income tax is arrived after charging:

	2019 RMB	2018 RMB
Finance costs		
Interest expense on bank borrowings	**2,687,555**	2,762,567
Interest expense on other financial liabilities	**1,016,800**	–
Interest expense on lease liabilities	**931,797**	–
	4,636,152	2,762,567
Auditor's remuneration	**1,160,679**	1,204,310
Research and development expenses	**8,298,309**	11,667,239
Cost of inventories recognised as expense	**321,559,999**	333,337,369
Depreciation of property, plant and equipment	**7,424,121**	7,038,965
Amortisation of prepaid land lease payments	**–**	273,525
Amortisation of intangible asset (note (i))	**1,266,330**	16,738,133
Depreciation of right-of-use assets	**5,916,221**	–
Provision for inventory obsolescence	**1,039,851**	2,151,559
Short-term leases expenses (2018: Operating lease rentals)	**3,185,941**	5,131,293
Employee costs (including emoluments of directors and supervisors):		
– Wages and salaries	**26,223,656**	24,999,887
– Retirement benefit scheme contributions	**3,683,412**	3,667,652
– Staff welfare and other benefits	**1,748,772**	1,709,831
	31,655,840	30,377,370

Note:

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

11. INCOME TAX

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

	2019 RMB	2018 RMB
Current tax		
– tax for the year	**78,580**	598,407
– over provision in respect of prior years	**(83,716)**	(439,721)
	(5,136)	158,686

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operated. Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax of the subsidiaries of the Group is calculated based on the statutory tax rate of 25% (2018: 25%), except for the following subsidiaries.

High and New-Tech enterprise certificate was issued on 9 November 2017 and lasted for 3 years, to Guangdong Fulilong Compound Fertilisers Co., Ltd., recognising the entity as a High and New-Tech enterprise according to the PRC tax regulations and hence entitled to a preferential tax rate of 15% (2018: 15%).

Pursuant to the rules and regulations of the Cayman Islands, the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income arising in Hong Kong during the year ended 31 December 2019 (2018: nil).

	2019 RMB	2018 RMB
Loss before income tax	**(88,815,832)**	(300,479,247)
Calculated at statutory rate of 25% (2018: 25%)	**(22,203,958)**	(75,119,812)
Tax effect of share of loss of associates	**1,238,199**	698,004
Tax effect of non-taxable items	**(1,540,414)**	(537,604)
Tax effect of expenses not deductible for taxation purposes	**16,484,886**	65,876,219
Tax effect of unused tax losses not recognised	**4,771,812**	7,762,365
Tax rate of differential and preferential tax treatment	**1,736,093**	1,919,235
Utilisation of tax losses previously not recognised	**(408,038)**	–
Over provision in respect of prior years	**(83,716)**	(439,721)
Income tax	**(5,136)**	158,686

11. INCOME TAX *(continued)*

(b) Deferred taxation *(continued)*

At 31 December 2019, the Group has unused tax losses of RMB85.5 million (2018: RMB70.8 million) that are available for offsetting against future taxable profits of the companies in which the losses arose. The unused tax losses can be carried forward for 5 years, of which RMB14.7 million, RMB22.3 million, RMB31.0 million and RMB17.5 million will be expired in 2021, 2022, 2023 and 2024 respectively. 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 (2018: nil).

13. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	2019 RMB	2018 RMB
Loss for the purpose of basic loss per share	**(84,621,807)**	(177,679,819)
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,894,500,000**	1,855,146,575

No diluted loss per share is presented as there was no potential ordinary shares in issue during the years ended 31 December 2019 and 2018.

14. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND EMPLOYEES

(a) Directors' and supervisors' emoluments

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

	2019 RMB	2018 RMB
Fees	**420,000**	395,000
Salaries and other benefits	**1,462,489**	1,427,609
Retirement benefits scheme contributions	**284,916**	237,391
	2,167,405	2,060,000

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

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

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

Executive directors:

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

	Fees emoluments RMB	Salaries and other benefits RMB	Retirement benefits scheme contributions RMB	Total RMB
2019				
Ms Sun Li	**–**	**620,052**	**107,795**	**727,847**
Mr Hao Zhihui	**–**	**594,537**	**91,456**	**685,993**
Mr He Xin (note (ii))	**40,000**	**–**	**–**	**40,000**
	40,000	**1,214,589**	**199,251**	**1,453,840**
2018				
Ms Sun Li	–	618,552	90,485	709,037
Mr Hao Zhihui	–	593,037	90,212	683,249
Mr Liu Renmu (note (i))	–	–	–	–
Mr He Xin (note (ii))	5,000	–	–	5,000
	5,000	1,211,589	180,697	1,397,286

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:

	Fee emoluments RMB	Retirement benefits scheme contributions RMB	Total RMB
2019			
Mr Li Ximing	**40,000**	**–**	**40,000**
Mr Cao Aixin	**40,000**	**–**	**40,000**
Ms Gai Li (note (iv))	**–**	**–**	**–**
	80,000	**–**	**80,000**
2018			
Mr Feng Enqing (note (iii))	–	–	–
Mr Li Ximing	40,000	–	40,000
Mr Cao Aixin	40,000	–	40,000
Ms Gai Li (note (iv))	10,000	–	10,000
	90,000	–	90,000

Independent non-executive directors:

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

	2019 RMB	2018 RMB
Mr Li Xudong	**80,000**	80,000
Ms Gao Chun	**80,000**	80,000
Mr Wang Yongkang	**80,000**	80,000
	240,000	240,000

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
2019			
Ms Yang Chunyan	**141,500**	**45,308**	**186,808**
Ms Liu Jinyu	**106,400**	**40,357**	**146,757**
	247,900	**85,665**	**333,565**
2018			
Ms Yang Chunyan	113,524	29,435	142,959
Ms Liu Jinyu	102,496	27,260	129,756
	216,020	56,695	272,715

Independent supervisors:

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

	2019 RMB	2018 RMB
Mr Liang Weitao	**30,000**	30,000
Ms Feng Ling	**30,000**	30,000
	60,000	60,000

Notes:

(i) Resigned on 20 September 2018
(ii) Appointed on 20 December 2018
(iii) Resigned on 9 August 2018
(iv) Appointed on 26 September 2018

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

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

(b) Five highest paid individuals

The five highest paid individuals of the Group included two and two executive directors for the years ended 31 December 2019 and 2018 respectively, whose emoluments are reflected in note (a).

The analysis of the emoluments of the remaining three and three highest paid individuals for the years ended 31 December 2019 and 2018 respectively, are set out below:

	2019 RMB	2018 RMB
Salaries and other benefits	327,900	296,020
Retirement benefits scheme contributions	85,665	56,695
Salaries, housing and other allowances	413,565	352,715

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

	Number of individuals	
	2019	2018
Nil – RMB881,900 (2018: RMB844,600) (equivalent to Nil – HK$1,000,000)	5	5

(c) During the year, no emoluments were paid by the Group to the directors, supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

None of the directors and supervisors waived any emoluments during the year (2018: nil).

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15. PROPERTY, PLANT AND EQUIPMENT

	Buildings, 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 2018	66,571,172	61,536,565	6,241,540	5,447,353	1,810,336	141,606,966
Additions	–	4,587,244	153,162	460,543	3,300,765	8,501,714
Transfers	–	428,205	–	–	(428,205)	–
Disposals	–	–	(226,475)	(11,295)	–	(237,770)
At 31 December 2018	66,571,172	66,552,014	6,168,227	5,896,601	4,682,896	149,870,910
Addition	–	1,017,219	154,428	61,020	7,337	1,240,004
Transfers	–	2,660,067	–	–	(2,660,067)	–
Disposals	–	–	(915,364)	–	–	(915,364)
At 31 December 2019	**66,571,172**	**70,229,300**	**5,407,291**	**5,957,621**	**2,030,166**	**150,195,550**
Accumulated depreciation and impairment						
At 1 January 2018	17,929,457	43,862,554	3,973,361	4,133,030	1,810,336	71,708,738
Charge for the year	1,935,158	4,047,609	777,017	279,181	–	7,038,965
Written back on disposal	–	–	(215,151)	(73)	–	(215,224)
At 31 December 2018	19,864,615	47,910,163	4,535,227	4,412,138	1,810,336	78,532,479
Charge for the year	1,936,503	4,548,964	626,595	312,059	–	7,424,121
Written back on disposal	–	–	(844,765)	–	–	(844,765)
Impairment	–	8,602,131	42,363	110,185	–	8,754,679
At 31 December 2019	**21,801,118**	**61,061,258**	**4,359,420**	**4,834,382**	**1,810,336**	**93,866,514**
Carrying amount						
At 31 December 2019	**44,770,054**	**9,168,042**	**1,047,871**	**1,123,239**	**219,830**	**56,329,036**
At 31 December 2018	46,706,557	18,641,851	1,633,000	1,484,463	2,872,560	71,338,431

Note:

(i) At 31 December 2019, the carrying amount of buildings under property, plant and equipment pledged as security for certain of the Group's banking facilities amounted to approximately RMB29.6 million (2018: RMB30.5 million) (Note 34).

16. GOODWILL

	2019 RMB	2018 RMB
At 1 January and 31 December	**12,149,807**	12,149,807
Accumulated impairment losses		
At 1 January	**–**	–
Impairment losses recognised in the year	**(3,749,807)**	–
At 31 December	**(3,749,807)**	–
Carrying amount	**8,400,000**	12,149,807

Goodwill acquired through business combination has been allocated to a cash generating unit in the elderly care and health care services segment.

17. IMPAIRMENT TESTING ON GOODWILL

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

	2019 RMB	2018 RMB
Elderly care services	**8,400,000**	12,149,807

The elderly care and health care services segment includes two CGUs, which are the elderly care services CGU and health care services CGU. The goodwill is classified under the elderly care services CGU. The Group performed its annual impairment assessment for goodwill by comparing its recoverable amount to its carrying amount as at the end of the reporting period. Since the current financial performance of the elderly care services CGU is not as expected due to the business development of the elderly care services is slower than the initial expectation of the Group's management, the Group performed the cash flow projections based on latest available information and business plan. An impairment loss of RMB3,749,807 (2018 nil) was recognised for the year ended 31 December 2019. The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations used cash flow projections based on a five-year financial budget approved by management. Cash flows beyond the five-year period approved by management have been extrapolated with an estimated general annual growth rate of 3%. Details of the variables and assumptions were as follows:

	2019	2018
Pre-tax discount rate	**7.59%**	10.52%
Operating margin	**49.05%-50.80%**	42.94%-57.86%
Growth rate within the five–year period	**(25.14%)-0.95%**	6.52%-36.99%

17. IMPAIRMENT TESTING ON GOODWILL *(continued)*

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

The determination of the recoverable amount of the elderly care CGU was particularly sensitive to changes in the following key assumptions for the year ended 31 December 2019:

– A decrease of 5% in the operating margin adopted would result in the reduction of recoverable amount of goodwill by approximately RMB2,543,000.

– A increase of 1% in the discount rate adopted would result in the reduction of recoverable amount of goodwill by approximately RMB3,031,000.

18. INTANGIBLE ASSET

	2019 RMB	2018 RMB
Cost		
At 1 January and 31 December	**276,085,998**	276,085,998
Amortisation and impairment		
At 1 January	**258,040,796**	13,940,797
Amortisation	**1,266,330**	16,738,133
Impairment	**12,881,908**	227,361,866
At 31 December	**272,189,034**	258,040,796
Carrying amount	**3,896,964**	18,045,202

The intangible asset was purchased through the acquisition of Shu Ju Ku Greater China, Ltd ("SJKGC") on 17 March 2017 and was recognised at its fair value at the date of acquisition. It is considered by the management of the Group as having a useful life of 16 years. The intangible asset will be tested for impairment whenever there is an indication that it may be impaired.

The intangible asset relates to medical license for the EEG diagnosis detection and analysis technology for the diagnosis of various psychiatric or neurological diseases, and the areas covered by the license included the PRC, Hong Kong, Macau, Japan and Korea. The exclusive worldwide license is granted from an independent third party incorporated in Seychelles, and such license is owned by an independent third party incorporated in Cyprus in relation to quantitative EEG data collection, analysis and subsequently for establishing the associated medical data bank.

19. IMPAIRMENT TESTING ON INTANGIBLE ASSET

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

	2019 RMB	2018 RMB
Health care services	3,896,964	18,045,202

The elderly care and health care services segment includes two CGUs, which are the elderly care services CGU and health care services CGU. The intangible asset belongs to the health care services CGU. The Group performed its impairment assessment for intangible assets in the health care services CGU by estimating the recoverable amount of the health care services CGU and comparing its recoverable amount to its carrying amount as at the end of the reporting period. As the scale of business and the current financial performance of the health care services CGU are below the expectation of the Group's management during the year, the Group performed the cash flow projections based on latest available information and an impairment loss of RMB12,881,908 (2018: RMB227,361,866) was recognised for the year ended 31 December 2019. The recoverable amount of the CGU has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% for the licensing income, which does not exceed the long-term growth rate for the industry in the People's Republic of China.

Details of the variables and assumptions were as follows:

	2019	2018
Pre-tax discount rate	23.39%	23.58%
Operating margin	67.48%-90.49%	63.59%-78.21%
Growth rate within the five–year period – processing income	0%	0%
Growth rate within the five–year period – licensing income	(74.51)%-5.02%	(87.34)%-3.56%

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

The growth rate within five-year period – processing income represented the EEG diagnosis detection services provided by the self-operated inspection centre. As there is no existing expansion plan for the self-operated inspection centre and the management of the Group selected to focus on the business development of the EEG diagnosis detection services to licensing business, the processing income is budgeted to maintain at the same level for the future five years.

The growth rate within five-year period – licensing income represented the EEG diagnosis detection services which are licensed to the third parties for business purpose. The licensing income comprises installation income and licensees' processing income. The installation income is forecasted based on the number of licensing contracts to be arranged and expected to become zero since the financial year of 2021 as the management of the Group expected that future advanced technology would compete with the EEG diagnosis detection technology, while the licensees' processing income is forecasted based on the expected number of EEG diagnosis detection services provided by the licensees.

19. IMPAIRMENT TESTING ON INTANGIBLE ASSET *(continued)*

The intangible asset is included in the health care services CGU and the net operating profit before tax generated from the intangible asset in the health care services CGU would be expected to reduce from 100% of the projected profits of the CGU at the first six years after the end of reporting period gradually to 50% of the projected profits of the CGU at the fifteenth year after the end of reporting period, which is the year of expiry of intellectual property rights, for reflecting the expected technological development and the EEG diagnosis technology would be less competitive in the future.

As at 31 December 2019, the recoverable amount of the intangible asset was RMB3,896,964 (2018: RMB18,045,202), determined based on the value-in-use of the health care services CGU.

20. INTEREST IN ASSOCIATES

	2019 RMB	2018 RMB
Group's share of net assets of the associate	**12,272,509**	16,440,933
Goodwill	**3,084,764**	1,219,136
Impairment loss	**(1,714,938)**	–
	13,642,335	17,660,069

Details of the Group's associates are as follows:

	Form of business structure	**Place of incorporation**	**Attributable equity interest held by the Group**	**Place of operation and principal activities**
Tianjin Alpha Health Care Products Co., Ltd.* ("Tianjin Alpha")	Corporation	PRC	30.27% (2018: 27.76%)	Manufacture and sale of sugar-reducing and sugar-free health care products in the PRC
Shandong Shuifa Ruifu Elderly Care Services Co., Ltd.* ("Shuifa Ruifu")	Corporation	PRC	35.00% (2018: 35.00%)	Not yet commenced business

* English translation is for identification purposes only.

20. INTEREST IN ASSOCIATES *(continued)*

The summarised financial information in respect of Tianjin Alpha is set out below:

	2019 RMB	2018 RMB
As at 31 December Current assets	**44,939,835**	55,859,843
Non-current assets	**12,539,357**	15,501,535
Current liabilities	**38,047,668**	37,352,253
Non-current liabilities	**–**	–
Year ended 31 December Revenue	**77,877,471**	63,278,788
Loss from continuing operations	**(14,577,601)**	(10,057,694)
The Group's share of loss of Tianjin Alpha for the year	**(4,343,382)**	(2,792,016)

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

	2019	2018
Proportion of the Group's interest in Tianjin Alpha	**30.27%**	27.76%

	2019 RMB	2018 RMB
Group's share of net assets of Tianjin Alpha	**5,881,922**	9,440,933
Goodwill	**3,084,764**	1,219,136
Impairment loss	**(1,714,938)**	–
Carrying amount of the Group	**7,251,748**	10,660,069

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20. INTEREST IN ASSOCIATES *(continued)*

On 31 August 2014, the Company entered into an agreement with two independent parties (the "Purchasers") to dispose of 49.84% equity interest of Tianjin Alpha (the "Equity Interest"). The Equity Interest represented 25.07% equity interest of the issued capital of Tianjin Alpha immediately after the capital injection on 16 January 2017. Included in the Agreement, certain provisions (the "Provisions") were required to be fulfilled by 31 December 2015, otherwise the Purchasers had the right to require the Group to purchase back the Equity Interest at the agreed price plus interest. On 11 July 2019, one of the Purchasers entered into a mediation agreement with the Company, that the Company agreed to buy back 2.51% equity interest of Tianjin Alpha at a cash consideration of RMB2,650,000, including the interest incurred during the period from 31 August 2014 to 5 July 2019. Goodwill from acquisition of additional equity interest in Tianjin Alpha of RMB1,865,628 was recognised and included in interest in associates during the year ended 31 December 2019. The equity buy back transaction was completed on 30 August 2019 when the 2.51% equity interest was transferred and registered. Provision for impairment loss of RMB3,076,737 of interest in Tianjin Alpha was recognised to the consolidated statement of profit or loss for the year ended 31 December 2019.

The summarised financial information in respect of Shuifa Ruifu is set out below:

	2019 **RMB**	2018 RMB
As at 31 December Current assets	**18,097,478**	20,000,000
Non-current assets	**311,342**	–
Current liabilities	**150,003**	–
Non-current liabilities	**–**	–

	RMB	RMB
For the year ended 31 December 2019/From 21 December 2018 (date of incorporation) to 31 December 2018 Revenue	**–**	–
Loss from continuing operations	**(1,741,183)**	–
The Group's share of loss of Shuifa Ruifu for the year/period	**(609,414)**	–

20. INTEREST IN ASSOCIATES *(continued)*

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

	2019	2018
Proportion of the Group's interest in Shuifa Ruifu	**35.00%**	35.00%

	2019 **RMB**	2018 RMB
Group's share of net asset of Shuifa Ruifu	**6,390,587**	7,000,000

21. PREPAID LAND LEASE PAYMENTS

	2018 **RMB**
Cost	
At 1 January	**12,261,458**
Additions	**2,684,506**
At 31 December	**14,945,964**
Accumulated amortisation and impairment	
At 1 January	**1,380,006**
Charge for the year	**273,525**
At 31 December	**1,653,531**
Carrying amount	
At 31 December	**13,292,433**
Portion classified as current assets (included in prepayments and other receivables)	**273,525**
Non-current assets	**13,018,908**
	13,292,433

22. OTHER FINANCIAL ASSETS

	2019 RMB	2018 RMB
At 1 January	**10,463,767**	8,263,711
Fair value change	**(9,829,848)**	2,200,056
At 31 December	**633,919**	10,463,767

Other financial assets represent profit guarantees arising from acquisition of subsidiaries and are carried at fair value.

Pursuant to the profit guarantee agreed with a non-controlling interest in a subsidiary in accordance with the acquisition agreement of SJKGC, the Company is eligible to preferentially appropriate USD2,750,000 included in the profit of SJKGC for the years ended 31 December 2017, 2018 and 2019.

The audited profits after tax of SJKGC for both years ended 31 December 2019 and 2018 were below the profit guaranteed benchmark for warranting SJKGC to have audited profits after tax of US$5,390,000.

On 3 September 2019, the Company applied for arbitration (the "Arbitration") to the Hong Kong International Arbitration Centre (the "HKIAC") to claim the preferential cash dividends of US$2,750,000 for the year ended 31 December 2018 as warranted by the non-controlling interest of SJKGC as the preferential cash dividends were yet to be received by the Company. On 26 November 2019, an arbitrator was appointed. On 3 February 2020, a Procedural Order was issued by the arbitrator and circulated to the Company and the non-controlling interest, which listed out the timetable for pleadings, types of documents to be tendered and schedule of hearings. As such, the Arbitration was still in preliminary stage. The Board of Directors of the Company was in the opinion that the recovery of the profit guarantee from a non-controlling interest in a subsidiary is not highly probable, other financial assets in relation to the profit guarantee of SJKGC was recorded as fair value loss for the year ended 31 December 2019.

Pursuant to the profit guarantee agreed with a non-controlling interest in a subsidiary in accordance with the acquisition agreement of Shanghai Muling, the Company is eligible to obtain the cash compensation as 70% of the shortfall between the benchmark profit after tax of RMB1,500,000 and the actual profit after tax for the year ended 31 December 2018, 2019 and 2020. Other financial assets as at 31 December 2019 included the fair value of profit guarantee agreed with the non-controlling interest of Shanghai Muling.

23. INVENTORIES

	2019 RMB	2018 RMB
Raw materials	**59,547,988**	35,333,047
Finished goods	**23,507,720**	43,036,965
Packaging materials	**12,437,968**	12,769,504
	95,493,676	91,139,516
Less: Provision for inventory obsolescence	**(6,560,616)**	(5,520,765)
	88,933,060	85,618,751

24. TRADE AND BILLS RECEIVABLES

	2019 RMB	2018 RMB
Trade receivables	**116,917,888**	117,503,355
Allowance for expected credit losses	**(57,711,606)**	(41,004,054)
	59,206,282	76,499,301
Bills receivable	**500,000**	200,000
	59,706,282	76,699,301

An aging analysis of the trade receivables as at the end of the reporting periods, based on the invoice date and net of loss allowance, is as follows:

	2019 RMB	2018 RMB
Within 3 months	**23,900,405**	41,487,500
More than 3 months but less than 6 months	**14,298,938**	22,030,651
More than 6 months but less than 12 months	**11,178,309**	5,385,592
Over 1 year	**9,828,630**	7,595,558
	59,206,282	76,499,301

24. TRADE AND BILLS RECEIVABLES *(continued)*

The Group does not hold any collateral or other credit enhancements over these balances. Movements in the allowance for impairment losses are as follows:

	2019 RMB	2018 RMB
At 1 January	**41,004,054**	37,186,776
Disposal of a subsidiary	**(2,453,533)**	–
Expected credit losses provided	**19,161,085**	3,817,278
At 31 December	**57,711,606**	41,004,054

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

An impairment analysis was performed at 31 December 2019 and 2018 using a provision matrix to measure expected credit losses. The provision rates are based on invoice date for groupings of various customer segments with similar loss patterns. The calculation reflects the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix based on the aging analysis by invoice date:

2019	Within 3 months RMB	More than 3 months but less than 6 months RMB	More than 6 months but less than 12 months RMB	Over 1 year RMB	Total RMB
Expected loss rate	**13.56%**	**19.87%**	**47.39%**	**80.41%**	
Gross carrying amount	**27,649,910**	**17,844,955**	**21,247,875**	**50,175,148**	**116,917,888**
Expected credit losses	**3,749,505**	**3,546,017**	**10,069,566**	**40,346,518**	**57,711,606**

2018	Within 3 months RMB	More than 3 months but less than 6 months RMB	More than 6 months but less than 12 months RMB	Over 1 year RMB	Total RMB
Expected loss rate	8.65%	14.62%	38.50%	79.76%	
Gross carrying amount	45,416,048	25,802,270	8,757,720	37,527,317	117,503,355
Expected credit losses	3,928,548	3,771,619	3,372,128	29,931,759	41,004,054

25. PREPAYMENTS AND OTHER RECEIVABLES

	2019 RMB	2018 RMB
Current		
Prepayments		
Advanced deposits to suppliers	**55,971,078**	64,102,603
Other prepayments	**–**	273,525
	55,971,078	64,376,128
Other receivables (note (iii))	**12,910,478**	4,647,934
Less: allowance for doubtful debts (note (ii))	**(2,663,378)**	(2,278,779)
	10,247,100	2,369,155
	66,218,178	66,745,283
Non-current		
Prepayments (note (i))	**12,514,676**	12,401,826
	78,732,854	79,147,109

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. On 12 September 2017, the Group and the owner of the land lease signed a Cooperative Land Use Right Transfer Agreement in which the owner of the land lease agreed to transfer the land use right at a consideration of RMB10.8 million, before including the direct costs, with a lease period of 50 years. On 28 September 2019, the Group signed an agreement with an independent third party (the "Acquirer") to unconditionally transfer the land use right to the acquirer when the Group successfully obtained the land use right certificate at a consideration of RMB11,500,000 (the "Consideration"). The arrangement of transfer of the land use right certificate is in progress as at 31 December 2019. As at 31 December 2019, deposits and relevant prepayments including direct costs required for the acquisition of the land use right is recorded in the consolidated statement of financial position as prepayments and the Consideration was recorded in the consolidated statement of financial position as receipt in advance. The actual cost incurred for the acquisition of land use right, including the direct costs, would be confirmed once the land use right transfer is agreed.

25. PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

(ii) Allowance for doubtful debts:

	2019 RMB	2018 RMB
At 1 January	**2,278,779**	2,234,153
Allowance for impairment loss	**384,599**	44,626
At 31 December	**2,663,378**	2,278,779

The Group determined that these other receivables do not have low credit risk at reporting date and there is significant increase in credit risk since initial recognition, which the ECLs is recognised at lifetime basis. As such, other receivables are assessed for impairment individually at each reporting date and impairment losses of the Group amounting to approximately RMB2.6 million (2018: RMB2.3 million) has been made as at 31 December 2019. 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.

(iii) Included in other receivables there was an amount due from a wholly owned subsidiary of a shareholder of the Company ("the Borrower") of RMB7,000,000 as at 31 December 2019 (2018: nil). The amount is unsecured and interest bearing at 4% per annum. RMB2,000,000 will be repayable by 30 April 2020, RMB2,500,000 will be repayable by 30 June 2020 and RMB2,500,000 will be repayable by 30 September 2020, respectively.

26. AMOUNT DUE FROM/(TO) AN ASSOCIATE

Amount due from an associate represented:–

(i) three borrowing and respective interest receivable with Tianjin Alpha in total of RMB13,684,853, after deducting the impairment loss of RMB833,414. These borrowings originally bear interest at 30% above the 1-year lending rate in the People's Bank of China, and expire on 31 December 2019. The borrowings are guaranteed by the New Investor of Tianjin Alpha, an independent third party, for repayment (refer to note 48). Subsequent to the year end date, a renewed loan agreement was signed among the Company, Tianjin Alpha, the New Investor of Tianjin Alpha and a director of Tianjin Alpha on 15 April 2020, that the borrowings would be settled by 30 June 2021 and bear interest at 30% above the 1-year lending rate in the People's Bank of China; and,

(ii) advance to Tianjin Alpha of RMB714,166 which is interest-free, unsecured and repayable on demand.

Amount due to an associate represented investment consideration payable to Shuifa Ruifu of RMB5,600,000. The amount is interest-free, unsecured and repayable on demand.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2018, financial assets at fair value through profit or loss represented financial products issued by a PRC banking institution of RMB9,000,000 on 28 November 2018. The financial assets was realised during the year ended 31 December 2019, and a gain on disposal on financial asset at fair value through profit or loss of RMB132,068 was recognised for the year.

28. CASH AND BANK BALANCES

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

As at 31 December 2019, the total cash and bank balances is RMB24,247,304 (2018: RMB43,129,493), which the amount denominated in RMB is RMB24,050,951 (2018: RMB39,925,437). RMB is not freely convertible into foreign currencies in the PRC. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

Included in cash and bank balances is an amount of approximately RMB1,385,260 (2018: RMB4,586,000) which was restricted for research and development purposes of a subsidiary, Guangdong Fulilong Soil Conditioning and Remediation Institute.

29. TRADE PAYABLES

	2019 RMB	2018 RMB
Trade payables	**19,283,679**	40,175,528

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

	2019 RMB	2018 RMB
Within 3 months	**11,276,484**	30,210,855
More than 3 months but less than 6 months	**719,847**	3,611,449
More than 6 months but less than 12 months	**2,549,525**	2,164,397
Over 1 year	**4,737,823**	4,188,827
	19,283,679	40,175,528

30. CONTRACT LIABILITIES

	2019 RMB	2018 RMB
Contract liabilities arising from:		
Sale of biological compound fertiliser products	**37,461,671**	22,264,411
Elderly care and health care services	**1,604**	-
	37,463,275	22,264,411

Typical payment terms which impact on the amount of contract liabilities are as follows:

Sale of biological compound fertiliser products

It is a common practice for the Group to receive the contract sum from its customers in advance of the transfer of goods. In such situation, contract liabilities would arise.

Elderly care and health care services

As the Group commenced to lease elderly beds to customers in 2019, it is common practice for the Group to receive leasing revenue from its customers in advance of the lease.

30. CONTRACT LIABILITIES *(continued)*

Movements in contract liabilities

	2019 RMB	2018 RMB
Balance as at 1 January	**22,264,411**	17,512,100
Derecognition of contract liabilities upon to disposal of a subsidiary (note 39)	**(348,425)**	–
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year (note 7)	**(15,502,930)**	(14,924,876)
Increase in contract liabilities as a result of receipt in advance	**31,050,219**	19,677,187
Balance at 31 December	**37,463,275**	22,264,411

31. OTHER PAYABLES AND ACCRUALS

	2019 RMB	2018 RMB
Other payables	**38,262,444**	36,375,954
Accruals	**2,850,241**	2,939,587
Receipts in advance (note 25(i))	**11,500,000**	–
Payable to Social Security Fund (note 31(i))	**2,863,517**	2,805,687
	55,476,202	42,121,228

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).

32. AMOUNT DUE TO NON-CONTROLLING INTERESTS

The amounts due to non-controlling interests are interest-free, unsecured and repayable on demand.

33. OTHER FINANCIAL LIABILITIES

	2019 RMB	2018 RMB
Carrying amount as at end of reporting period (note (i))	–	1,633,200

Note:

(i) The carrying amount of other financial liabilities as at 31 December 2018 represented the outstanding amounts of principal and accrued interest payable upon exercise of options granted by the Group to independent third parties in respect of the disposal transaction of certain equity interests of Tianjin Alpha (the "share buyback") in 2014 which became exercisable when Tianjin Alpha was not listed on the New Over the Counter Market, an over-the-counter board in China, by the end of 31 December 2015. The interest was calculated based on the relevant bank lending rates with premium of 30%.

During the year ended 31 December 2018, the consideration for share buyback in total of RMB25,000,000 was received by one of the Purchasers as explained in note 48 of these consolidated financial statements. On 30 August 2019, the share buyback from another Purchaser was completed as explained is note 20 of these consolidated financial statements. As such, the remaining balance in other financial liabilities was derecognised during the year ended 31 December 2019.

34. BANK BORROWINGS

	2019 RMB	2018 RMB
Secured	31,200,000	49,500,000

Bank borrowings are repayable within one year.

Notes:

(i) In 2019, bank borrowings secured against property, plant and equipment with a total carrying amount of approximately RMB29.6 million (2018: RMB30.5 million). Certain bank borrowings were also guaranteed by a director of the subsidiary and an independent third party.

(ii) The bank borrowings of the Group bear interest at fixed and floating interest rates. The effective interest rates ranged from 4.35% to 6.50% (2018: 4.35% to 6.50%).

(iii) As at 31 December 2019, banking facilities of approximately RMB54.0 million (2018: RMB62.9 million) were granted to the Group and the Group utilised approximately RMB31.2 million during the year ended 31 December 2019 (2018: RMB49.5 million).

35. LEASES

HKFRS 16 was adopted on 1 January 2019 without restatement of comprehensive figures. For an explanation of transitional requirements that were applied as at 1 January 2019, see Note 2(a). The accounting policies applied subsequent to the date of initial application.

Nature of leasing activities (in the capacity as lease)

The Group leases a number of properties in the jurisdictions from which it operates. There is 1 lease contract which operating lease payments are calculated by the summation of 2 components: (i) fixed minimum lease payments and (ii) variable lease payments based on the quantity manufactured above the benchmark production quantity each month. However, the management assessed that the projected production quantity would not exceed the benchmark production quantity of the lease contract during the lease period, and no impact from the variable component to the operating lease is expected in the opinion of the management of the Group. The periodic rent of remaining property lease is fixed over the lease term.

Right-of-use assets

	Office and plant RMB	Prepaid land lease RMB	Total RMB
At 1 January 2019	23,463,831	13,292,433	36,756,264
Depreciation	(5,615,851)	(300,370)	(5,916,221)
Modification of lease contract	(13,081,889)	–	(13,081,889)
Impairment loss	(4,766,091)	–	(4,766,091)
At 31 December 2019	–	12,992,063	12,992,063

Lease liabilities

Movement of the Group's leases liabilities is analysed as follows:

	RMB
As at 1 January 2019 (initial application of HKFRS 16)	23,463,831
Interest expense	931,797
Modification of lease contract	(11,590,811)
Lease payments	(6,586,364)
As at 31 December 2019	6,218,453

On 8 October 2019, a subsidiary of the Company and the lessor signed a supplementary agreement to modify the lease term of the office and plant. The lease period was shortened from 31 December 2022 to 31 December 2020. Therefore, the right-of-use assets and lease liabilities was decreased to reflect the partial decrease in scope of lease using the revised discount rate at the date of modification. A loss on modification of lease of RMB1,491,079 was recognised in the consolidated statement of profit or loss.

35. LEASES *(continued)*

Lease liabilities *(continued)*

The future lease payments of the Group's leases (excluding short-term leases) were scheduled to repay as follows:

	Minimum lease payments RMB	**Interest** RMB	**Present value** RMB
As at 31 December 2019			
Not later than one year	6,586,364	367,911	6,218,453
As at 1 January 2019			
Not later than one year	6,586,364	301,666	6,284,698
Later than one year and not later than two years	6,586,363	589,514	5,996,849
Later than two years and not later than five years	13,172,727	1,990,443	11,182,284
	26,345,454	2,881,623	23,463,831

Operating lease payments represent rentals payable by the Group for certain of its office and factory premises and staff quarters. In 2018, 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:

	2019 **RMB**	2018 RMB
Within 1 year	–	207,556

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. See Note 2(a) for further details about transition.

35. LEASES *(continued)*

Lease liabilities *(continued)*

The present value of future lease payments of the Group's leases are analysed as:

	31 December 2019 RMB	1 January 2019 RMB
Current	**6,218,453**	6,284,698
Non-current	**–**	17,179,133
	6,218,453	23,463,831

	2019 RMB
Short term lease expense	**3,185,941**

36. SHARE CAPITAL

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

	2019 Number (million)	**2019 RMB**	2018 Number (million)	2018 RMB
Ordinary shares of RMB0.10 each:				
Domestic shares				
At 1 January and 31 December	**698**	**69,750,000**	698	69,750,000
H shares				
At 1 January	**1,197**	**119,700,000**	997	99,750,000
Issue of new shares *(note (i))*	**–**	**–**	200	19,950,000
At 31 December	**1,197**	**119,700,000**	1,197	119,700,000
Total at 31 December	**1,895**	**189,450,000**	1,895	189,450,000

36. SHARE CAPITAL

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

Notes:

(i) On 14 March 2018, the Company issued additional 199,500,000 H Shares to six independent third parties in an aggregate consideration of RMB39,801,224, after deducting relevant expenses incurred in relation to the issuance.

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

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

(c) No share options had been granted by the Company under its share option scheme (the "Scheme") since its adoption. At 31 December 2019, none of the directors or supervisors, employees or other participants of the Scheme had any rights to acquire the H Shares in the Company (2018: nil).

37. RESERVES

	Share premium RMB (Note(i))	Capital reserve RMB (Note(iii))	Accumulated losses RMB (Note(iv))	Other reserve RMB (Note(v))	Total RMB
The Company					
At 1 January 2018	255,466,214	(2,312,483)	(104,978,935)	(22,032,403)	126,142,393
Issue of new share	19,851,224	–	–	–	19,851.224
Loss and total comprehensive income for the year	–	–	(85,425,893)	–	(85,425,893)
At 31 December 2018 and 1 January 2019	275,317,438	(2,312,483)	(190,404,828)	(22,032,403)	60,567,724
Loss and total comprehensive income for the year	–	–	(142,903,241)	–	(142,903,241)
Put option exercised (note 20)	–	–	–	2,650,000	2,650,000
At 31 December 2019	275,317,438	(2,312,483)	(333,308,069)	(19,382,403)	(79,685,517)

37. RESERVES *(continued)*

(i) Share premium

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

(ii) Surplus reserve

In accordance with the PRC Companies Law, the Company and its subsidiaries are required to transfer 10% of their profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to the statutory surplus reserve (until such reserve reaches 50% of the registered capital of the respective companies). The statutory surplus reserve is non-distributable and can be used to make up losses or to increase share capital. Except for the reduction of losses incurred, other usage should not result in the statutory surplus reserve falling below 25% of the registered capital. No such transfer was made in 2019 and 2018 as such reserve reached 50% of the registered capital of the respective companies.

No surplus reserve was set up for the Company for the year ended 31 December 2019.

(iii) Capital reserve

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

(iv) Accumulated losses

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

(v) Other reserve

The reserve relates to the initial carrying amount of liability of a written put option granted to non-controlling interests which were independent third parties under a disposal transaction of partial interest in a subsidiary. As mentioned in note 20, the Company entered into a mediation agreement with one of Purchaser on 11 July 2019 for arranging share buyback of 2.51% equity interest. The share buyback was completed on 30 August 2019 and the consideration of RMB2,650,000 was derecognised against the other financial liabilities.

38. NON-CONTROLLING INTERESTS

Summarised financial information on subsidiaries with material non-controlling interests

As at and for the year ended 31 December 2019 and 2018, the non-controlling interests ("NCI") was mainly attributable to 49% of Shandong Fulilong, 49% of SJKGC and 30% of Shanghai Muling. The NCI is recorded at its proportionate share of the subsidiaries' identifiable net assets.

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

(a) Shandong Fulilong

	2019 RMB	2018 RMB
For the year ended 31 December		
Revenue	**205,020,414**	136,793,712
Loss for the year	**(400,273)**	(6,607,776)
Total comprehensive income for the year	**(400,273)**	(6,607,776)
Loss and total comprehensive income allocated to NCI	**(196,134)**	(3,237,810)
For the year ended 31 December		
Cash flows generated from operating activities	**6,339,305**	19,905,365
Cash flows used in investing activities	**(663,000)**	(6,180,612)
Cash flows used in financing activities	**(15,800,000)**	(3,000,000)
Net cash (outflow)/inflow	**(10,123,695)**	10,724,753
As at 31 December		
Current assets	**102,227,704**	103,513,775
Non-current assets	**68,694,761**	72,847,693
Current liabilities	**(133,586,918)**	(138,625,656)
Net assets	**37,335,547**	37,735,812
Accumulated non-controlling interests	**18,294,418**	18,490,552

38. NON-CONTROLLING INTERESTS *(continued)*

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

(b) Shu Ju Ku Greater China

	2019 RMB	2018 RMB
For the year ended 31 December		
Revenue	**3,427,510**	2,629,588
Loss for the year	**(8,383,228)**	(244,676,371)
Total comprehensive income for the year	**(8,383,228)**	(244,676,371)
Loss and total comprehensive income allocated to NCI	**(4,107,782)**	(119,891,419)
For the year ended 31 December		
Cash flows generated from operating activities and net cash inflow	**–**	–
As at 31 December		
Current assets	**7,294,199**	–
Non-current assets	**3,896,964**	17,417,914
Current liabilities	**(21,219,310)**	(19,062,832)
Net liabilities	**(10,028,147)**	(1,644,918)
Accumulated non-controlling interests	**(4,913,792)**	(806,010)

38. NON-CONTROLLING INTERESTS *(continued)*

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

(c) *Shanghai Muling*

	2019 RMB	2018 RMB
For the year ended 31 December		
Revenue	1,316,622	1,695,549
Profit for the year	383,425	651,471
Total comprehensive income for the year	383,425	651,471
Profit and total comprehensive income allocated to NCI	115,027	195,441
For the year ended 31 December		
Cash flows (used in)/generated from operating activities	(6,327,065)	1,066,031
Cash flows generated from/(used in) investing activities	9,150,690	(9,281,851)
Cash flows generated from financing activities	–	7,000,000
Net cash inflow/(outflow)	2,823,625	(1,215,820)
As at 31 December		
Current assets	4,092,123	3,215,333
Non-current assets	285,058	324,076
Current liabilities	(736,478)	(282,127)
Net assets	3,640,703	3,257,282
Accumulated non-controlling interests	1,092,211	977,184

39. DISPOSAL OF A SUBSIDIARY

On 23 May 2019, the Group disposed of the entire equity interests of Guangdong Fulilong Forestry Ecological Technology Co. Limited ("Guangdong Forestry Ecological"). The net liabilities of Guangdong Forestry Ecological as at the date of disposal were as follows:

	RMB	RMB
Inventories	709,827	
Trade and other receivables, net	568,359	
Cash and cash equivalents	86,650	
Trade and other payables	(2,935,235)	
Contract liabilities	(348,425)	(1,918,824)
Gain on disposal of a subsidiary		1,918,826
Total cash consideration		2

An analysis of net outflow of cash and cash equivalents in respect of disposal of a subsidiary is as follows:

Net cash outflow arising from disposal of a subsidiary:	
Cash consideration received	2
Cash and cash equivalents disposed of	(86,650)
	(86,648)

40. COMMITMENTS

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:

The lease payments recognised as an expenses are as follows:

	2018 RMB
Minimum leases payments	26,553,010

40. COMMITMENTS *(continued)*

Operating lease commitments *(continued)*

The total future minimum lease payments are due as follows:

	2018 RMB
Not later than 1 year	6,793,920
Within 1 to 2 years	6,586,364
Within 2 to 5 years	13,172,726
	26,553,010

Capital commitments

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

	2019 RMB	2018 RMB
Authorised and contracted for		
– Acquisition of property, plant and equipment	**887,920**	823,560

41. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Except for those transactions disclosed elsewhere in these financial statements, there are no other related party transactions for the year ended 31 December 2019 and 2018. Key management personnel during the year comprised only the executive and non-executive directors whose remuneration is set out in note 14 to the consolidated financial statements.

42. 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 2019 and 2018 was as follows:

	2019 RMB	2018 RMB
Total debts – Bank borrowings	**31,200,000**	49,500,000
Less: Cash and bank balances	**(24,247,304)**	(43,129,493)
Net debts	**6,952,696**	6,370,507
Total equity	**205,506,935**	291,667,631
Net debt-to-adjusted equity ratio	**3.4%**	2.2%

43. 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, interest rate risk and currency risk.

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

(a) Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, for fertiliser industry, the Group has a certain concentration of credit risk as 10% (2018: 6%) and 33% (2018: 23%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. For elderly care and health care services, no material credit risk is noted as there is no material trade receivables balance at the end of the reporting period.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in notes 24 and 25 respectively.

43. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk

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

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

	Carrying amount RMB	Total contractual undiscounted cash flows RMB	Within 1 year or on demand RMB
2019			
Bank borrowings	**31,200,000**	**31,760,456**	**31,760,456**
Trade payables	**19,283,679**	**19,283,679**	**19,283,679**
Other payables and accruals	**41,112,685**	**41,112,685**	**41,112,685**
Amount due to an associate	**5,600,000**	**5,600,000**	**5,600,000**
Amount due to non-controlling interests	**1,120,528**	**1,120,528**	**1,120,528**
Lease liabilities	**6,218,453**	**6,586,364**	**6,586,364**
	104,535,345	**105,463,712**	**105,463,712**
2018			
Bank borrowings	49,500,000	50,271,544	50,271,544
Trade payables	40,175,528	40,175,528	40,175,528
Other payables and accruals	39,315,541	39,315,541	39,315,541
Other financial liabilities	1,633,200	1,633,200	1,633,200
Amount due to non-controlling interests	1,120,528	1,120,528	1,120,528
	131,744,797	132,516,341	132,516,341

43. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings were issued at fixed and variable rates for years ended 31 December 2019 and 2018 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 and loans to associates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

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

	2019		2018	
	Effective interest rate % per annum	RMB	Effective interest rate % per annum	RMB
Borrowings				
Fixed rate borrowings	**5.0%**	**22,200,000**	5.0%	25,500,000
Variable rate borrowings	**5.7%**	**9,000,000**	5.9%	24,000,000
		31,200,000		49,500,000

At 31 December 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss before income tax by approximately RMB90,000 (2018: RMB240,000), 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 2019 and 2018.

(d) Currency risk

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

Exchange difference for the year ended 31 December 2018 mainly represented the exchange gain on the share subscription. On 14 March 2018, the Company issued additional 199,500,000 H Shares to six independent third parties in an aggregate consideration of RMB39,801,224, after deducting relevant expenses incurred in relation to the issuance. In October 2018, the Company performed currency conversion from HKD to RMB and remitted the considerations to the PRC. The exchange gain was due to depreciation in RMB between the periods.

44. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(i) Financial instruments not measured at fair value

Summarised in the following table are the carrying amounts of financial assets and financial liabilities not measured at fair value, which include cash and cash equivalents, trade and bills receivables, other receivables, amount due from associates, trade payables, other payables and accruals, other financial liabilities, and bank borrowings. Due to their short-term nature, the carrying values of cash and cash equivalents, trade and other receivables, amounts due from associates, trade payables, other payables and accruals, other financial liabilities, amount due to non-controlling interests and bank borrowings approximate their fair values, and accordingly no disclosure of the fair values of these items is presented. Disclosure of fair value of lease liabilities is not required.

	2019 RMB	2018 RMB
Financial assets		
Amortised cost		
– Cash and bank balances	**24,247,304**	43,129,493
– Trade and bills receivables	**59,706,282**	76,699,301
– Other receivables	**10,247,100**	14,770,981
– Amounts due from associates	**14,399,019**	12,683,044
	108,599,705	147,282,819
Financial liabilities		
Financial liabilities measured at amortised cost	**98,316,892**	131,744,797

(ii) Financial instruments measured at fair value

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

The fair value of financial products recognised at fair value through profit or loss as at 31 December 2019 was determined by the quoted market price as disclosed by the financial institution which the financial products were issued. Therefore, it is classified under Level 1 hierarchy.

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

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

The fair value of profit guarantee receivable was determined using the discounted cash flow model and is within level 3 fair value measurement. Such consideration is due for final measurement and receipt from the vendor. Significant unobservable valuation inputs for the fair value measurement of profit guarantee receivable are as follows:

Shanghai Muling

	2020 RMB
Projected net operating profit after tax	542,822
Discount rate	2.28%

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

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

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

Level 2: Observable direct or indirect inputs other than Level 1 inputs; and

Level 3: Unobservable inputs (i.e. not derived from market data).

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

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

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

The financial assets and financial liabilities measured at fair value as at 31 December 2019 and 2018 in the consolidated statements of financial position are grouped into the fair value hierarchy as follows:

Recurring fair value measurement	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
As at 31 December 2019				
Financial assets at fair value through profit or loss				
– Profit guarantee	**–**	**–**	**633,919**	**633,919**
As at 31 December 2018				
Financial assets at fair value through profit or loss				
– Financial products	9,025,622	–	–	9,025,622
– Profit guarantee	–	–	10,463,767	10,463,767

There have been no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the year ended 31 December 2019.

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

Profit guarantee

	2019 **RMB**	2018 RMB
At beginning of the year	**10,463,767**	8,263,711
Total (loss)/gain recognised in profit or loss	**(9,829,848)**	2,200,056
At end of the year	**633,919**	10,463,767
(Loss)/gain recognised in consolidated statement of profit or loss and other comprehensive income relating to financial instruments held by the Group at the reporting date	**(9,829,848)**	2,200,056

45. NOTES SUPPORTING CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

	Bank borrowings (note 34) RMB	Lease liabilities (note 35) RMB	Amount due to a shareholder RMB
At 1 January 2018	40,000,000	–	2,512,595
Changes from cash flows:			
Proceeds from new bank borrowings	49,500,000	–	–
Repayment of bank borrowings	(40,000,000)	–	–
Repayment to a shareholder	–	–	(2,512,595)
Total changes from financing cash flows	9,500,000	–	(2,512,595)
At 31 December 2018	49,500,000	–	–
Initial application of HKFRS 16	–	23,463,831	–
At 1 January 2019	49,500,000	23,463,831	–
Modification of lease contracts	–	(11,590,811)	–
Changes from cash flows:			
Proceeds from new bank borrowings	39,000,000	–	–
Repayment of bank borrowings	(57,300,000)	–	–
Repayment of lease liabilities-principal portion	–	(5,654,567)	–
Total changes from financing cash flows:	(18,300,000)	(5,654,567)	–
At 31 December 2019	31,200,000	6,218,453	–

46. PARTICULARS OF SUBSIDIARIES

Particulars of the Group's subsidiaries as at 31 December 2019 are as follows:

	Form of business structure	Place of incorporation/ establishment	Particular of issued and fully paid up share capital/registered capital	Effective interest held by the Company		Place of operation and principal activities
				Directly	Indirectly	
Fulilong (Shandong) Fertilisers Co., Ltd.[2] (Formerly known as: Shandong Hidersun Fertiliser Industry Co. Ltd.) ("Shandong Fulilong")	Corporation	PRC	Registered and fully paid up capital USD8,784,800	–	51%	Principally engaged in the research, development, manufacture and sales of biological compound fertilisers
Guangdong Fulilong Compound Fertilisers Co., Ltd. [2] ("Guangdong Fulilong")	Corporation	PRC	Registered and fully paid up capital RMB20,000,000	100%	–	Principally engaged in the research, development, manufacture and sales of biological compound fertilisers
Ningxia Hongdi Biotechnology Co., Ltd. [2] ("Ningxia Hongdi")	Corporation	PRC	Registered capital RMB10,000,000	100%	–	Principally engaged in the research, development, manufacture and application of biomedical science and technology projects, and provision of electroencephalography ("EEG") diagnosis detection service in the People's Republic of China ("PRC")
HONGKONG TEDA Biomedical Investment Limited ("HK Investment")	Corporation	Hong Kong	Issued and fully paid up capital HKD10,000	–	100%	Principally engaged in exploring investment projects and the licencing of EEG detection service
Guangdong Fulilong Soil Conditioning and Remediation Institute [2] ("Guangdong Institute")	Non-enterprise organisation	PRC	Registered and fully paid up capital RMB5,000,000	–	100%	Principally engaged in conducting regional soil resources conditioning and remediation research, and soil environmental quality standards research

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46. PARTICULARS OF SUBSIDIARIES *(continued)*

	Form of business structure	Place of incorporation/ establishment	Particular of issued and fully paid up share capital/registered capital	Effective interest held by the Company		Place of operation and principal activities
				Directly	Indirectly	
Shanghai Muling Elderly Care Investment Management Company Ltd. [2] ("Shanghai Muling")	Corporation	PRC	Registered capital RMB10,000,000	70%	–	Principally engaged in the provision of elderly care consulting, advisory, management and assessment services and research and development of elderly care business
Beijing Hongdi Pension Investment Management Co., Ltd. [2] ("Beijing Hongdi")	Corporation	PRC	Registered capital RMB1,000,000	100%	–	Not yet commenced business
Shu Ju Ku Greater China Ltd. ("SJKGC")	Corporation	Cayman Islands	Fully paid up capital USD1,000	51%	–	Principally conducting quantitative EEG detection and diagnosis technology to carry out related product and service

Notes:

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

2 English translation is for identification purpose only.

47. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2019 RMB	2018 RMB
Non-current assets			
Property, plant and equipment		**267,952**	318,309
Investments in subsidiaries		**13,296,963**	132,904,138
Interest in associates		**14,523,663**	13,588,602
Other financial assets		**–**	10,169,767
Total non-current assets		**28,088,578**	156,980,816
Current assets			
Prepayments and other receivables		**1,503,256**	737,467
Amounts due from subsidiaries		**98,423,937**	106,828,284
Amounts due from associates		**14,399,019**	12,773,576
Other financial assets		**339,918**	–
Cash and bank balances		**3,935,363**	5,579,916
Total current assets		**118,601,493**	125,919,243
Total assets		**146,690,071**	282,900,059
Current liabilities			
Trade payables		**26,918**	26,917
Amount due to an associate		**5,600,000**	–
Other payables and accruals		**31,298,670**	31,222,218
Other financial liabilities		**–**	1,633,200
Total current liabilities		**36,925,588**	32,882,335
Net current assets		**81,675,905**	93,036,908
NET ASSETS		**109,764,483**	250,017,724
Capital and reserves			
Share capital	36	**189,450,000**	189,450,000
Reserves	37	**(79,685,517)**	60,567,724
TOTAL EQUITY		**109,764,483**	250,017,724

On behalf of the Board

Sun Li
Director

Hao Zhihui
Director

48. LITIGATION

After entering into an agreement with the Purchasers as mentioned in note 20 to the consolidated financial statements, the Purchasers commenced a legal action against the Company to enforce their rights to require the Company to buy back the entire Equity Interest as the Provisions have not been fulfilled on 9 September 2016. According to the Agreement, the Company was required to buy back the Equity Interest at the agreed price plus interest. With respect to the Equity Interest, a Mediation Agreement was signed by the Company, one of the two Purchasers (the "Existing Purchaser") and an independent third party, (the "New Investor") on 16 January 2018, whereby the New Investor agreed to purchase the Equity Interest at a consideration of RMB25,000,000, which the New Investor would pay RMB24,500,000 and the remaining RMB500,000 would be settled by the Company for facilitating the share transfer. All considerations were paid to the Existing Purchaser in accordance to the Mediation Agreement in 2018. However, the Equity Interest has not yet been transferred to the New Investor up to the date of approval for issuance of these consolidated financial statements. The management of the Company is of the view that several shareholders of Tianjin Alpha are yet to approve the transfer of Equity Interest, and therefore the application procedure of the transfer of Equity Interest is yet to be completed.

In the opinion of the Group's legal advisor, unless the transfer of Equity Interest is completed, the Agreement is still valid and the obligation for the Company to buy back the entire Equity Interest still exists. On the other hand, the New Investor and the Company had already paid the considerations of RMB24,500,000 and RMB500,000 in accordance to the Mediation Agreement, respectively. With reference to the Mediation Agreement and the opinion of the Group's legal advisor, the considerations paid to the Existing Purchaser and the obligation of the Group to purchase back the Equity Interest were considered as the fulfilment of the Group's obligation under the share buyback. The considerations paid to the Existing Purchaser could be considered as linked transactions to the obligation of buyback of Equity Interest and hence the balance in the other financial liabilities with respect to the obligation of buyback of Equity Interest from the Existing Purchaser was derecognised (note 33). The obligation of potential repayment to the New Investor of RMB24,500,000 due to unsuccessful Equity Transfer was recognised and included in other payables as at 31 December 2019 and 2018.

With respect to the buyback of the Equity Interest with the remaining Purchaser, the buyback transaction was completed on 30 August 2019 (note 20).

49. EVENT AFTER THE END OF THE REPORTING PERIOD

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impacted the global business environment. Up to the date of these financial statements, COVID-19 has not caused material impact to the Group. Subject to the development and spread of COVID-19 subsequent to the date of these financial statements, COVID-19 may have further impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. The Group will closely monitoring the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

50. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 22 April 2020.