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 2021

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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. 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, and establishing its own elderly care institutions or elderly communities at the right time.

GROUP STRUCTURE

TIANJIN TEDA BIOMEDICAL ENGINEERING COMPANY LIMITED

100%
Guangdong Fulilong Compound Fertilisers Co., Ltd. ("Guangdong Fulilong")
(principally engaged in the research and development, manufacture and sales of biological compound fertilisers)

100%
Ningxia Hongdi Biotechnology Co., Ltd. ("Ningxia Hongdi")
(principally engaged in the research and 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")

100%
TEDA Health Management Services (Dongguan) Co., Ltd.* (泰達健康管理服務(東莞)有限公司) ("TEDA Dongguan")
(principally engaged in elderly care services and health consulting services)

100%
Guangdong Fulilong Soil Conditioning and Remediation Institute ("Guangdong Institute")
(principally engaged in conducting regional soil resources conditioning and remediation research, and soil environmental quality standards research)

51%
Fulilong (Shandong) Fertilisers Co., Ltd. ("Shandong Fulilong")
(principally engaged in the research and development, manufacture and sale of biological compound fertilisers)

100%
HONGKONG TEDA Biomedical Investment Limited ("HK Investment")
(principally engaged in exploring investment projects and the licencing of EEG detection service)

51%
Shu Ju Ku Greater China Ltd.("SJKGC")
(principally conducting quantitative EEG detection and diagnosis technology to carry out related products and services)

70%
Shanghai Muling Elderly Care Investment Management Company Limited ("Shanghai Muling")
(principally engaged in the provision of elderly care consulting, advisory, management and assessment services, and performing research and development of elderly care business)

CORPORATE INFORMATION

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

NON-EXECUTIVE DIRECTORS
Mr. Cao Aixin
Ms. Li Xueying
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
Mr. Zhao Zhiyou

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
Fan, Chan & Co. 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

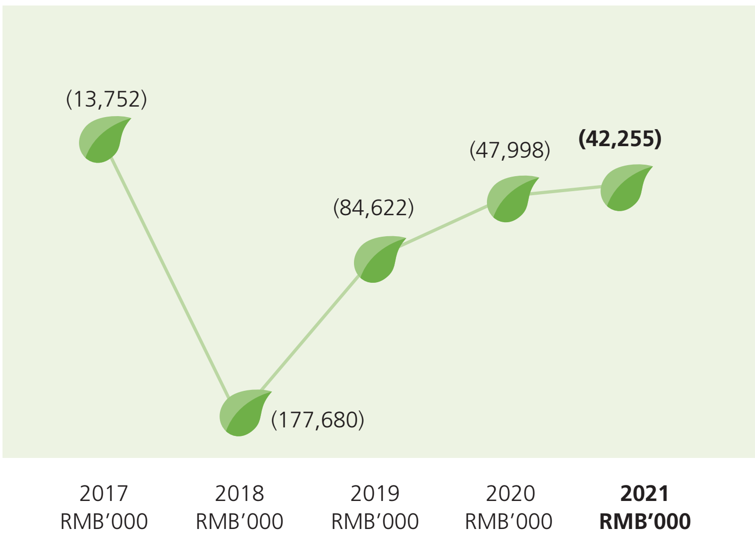
FINANCIAL HIGHLIGHTS

FINANCIAL SUMMARY

	For the year ended 31 December				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021 RMB'000**
Results					
Turnover	375,907	351,898	358,752	369,355	**476,385**
Gross profit	53,205	1,707	34,996	40,392	**45,605**
Gross margin	14.15%	0.49%	9.75%	10.94%	**9.57%**
Profit/(loss) attributable to the shareholders	(13,752)	(177,680)	(84,622)	(47,998)	**(42,255)**
Earnings/(loss) per share	(0.82) cents	(9.58) cents	(4.47) cents	(2.53) cents	**(2.23) cents**

	As at 31 December				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021 RMB'000**
Assets & Liabilities					
Total assets	707,878	448,980	361,913	392,919	**347,595**
Total liabilities	133,078	157,312	156,406	237,775	**237,236**
Equity attributable to the shareholders	422,954	273,006	191,034	143,036	**100,781**

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 2021.

OPERATIONAL REVIEW

FERTILISER BUSINESS

During the period under review, prices of compound fertiliser raw materials rose dramatically and reached several record highs, which has become the largest influential factor in the compound fertiliser industry. Affected by the rising raw material prices, production cost of compound fertiliser enterprises has increased constantly. Correspondingly, there has been a relatively large increase in prices of compound fertiliser products. Although food prices are still steady, continuous increase in upstream raw material prices will lead to less acceptance on the downstream demand side. Sales pressure of compound fertiliser enterprises will be higher and profit margins will be lower. In respect of product selling prices, facing the surge of raw material prices, the Group has increased product selling prices in a timely manner. As for market acceptance, downstream transmission of price increase factors has been relatively smooth. In terms of sales, the Group has enhanced its marketing and sales management, resulting in a relatively large increase in sales volume, and there was a shortage of supply during peak sales season. In order to produce and store more compound fertilisers during the low season so that sales can be raised in the peak season, Shandong Fulilong has newly built a 20,000-square metre warehouse with an expected storage of 60,000 tons of compound fertilisers.

THE ELDERLY HEALTH-CARE BUSINESS

Firstly, the Group mainly operates under the asset-light operation model to provide management and consultation services to other elderly care institutions and elderly care communities, and will establish its own elderly care institutions or elderly care communities at the right time. Shanghai Ruifu's elderly care institutions enhance elderly care service trainings and continue to improve the quality of elderly care services in a bid to provide high-quality elderly care services. Furthermore, Shanghai Ruifu has strengthened safety and pandemic prevention work. There has been zero COVID-19 case in the elderly care institutions entrusted to it and the elderly health-care business has advanced steadily.

In addition, the assistive equipment rental business has been proactively promoted. In recent years, the State Council, Ministry of Civil Affairs and Shanghai Municipal Government have promulgated various policies, especially the subsidised policy for renting assistive equipment in Shanghai, which has greatly facilitated the development of assistive equipment rental business. Shanghai Ruifu successfully qualified to become the first-round provider of social rental services for rehabilitation assistive equipment in 2019, leveraging its elderly care institutions under its management in Shanghai, it proactively and gradually expanded its assistive equipment rental outlets and reduced the rent and staff cost of opening assistive equipment rental service outlets significantly. Shanghai Ruifu Elderly Service Center has already set up its assistive equipment rental outlets in several sub-districts and towns. Moreover, Shanghai Ruifu has opened a flagship store on JD.COM. The store is named "Yibama Rehabilitation Assistive Equipment Rental Flagship Store (頤爸媽康復輔具租賃旗艦店)". The elderly can check rental policies and prices of assistive equipment online intuitively and rent them online in a convenient and fast manner.

For the EEG detection business, owing to relatively slow business development as a result of various factors, as well as the impact of COVID-19 pandamic, the EEG detection business has been significantly affected.

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"), an environmental protection non-profit organization, 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 founding member and 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.

FUTURE OUTLOOK

With the gradual control of the global COVID-19 pandemic, the demand brought by the economic recoveries of China, the United States and Europe has improved. The rapid rise in bulk commodity prices may have ended, and has entered the stage of high level consolidation and diversification. Hence, the rapid rise in the price of compound fertiliser raw materials will also gradually come to an end. In addition, faced with a significant increase in raw materials prices, a large number of small-scale compound fertiliser enterprises gradually withdrew from the market, and the upstream and downstream markets of compound fertiliser will gradually recover. Under the backdrop of the global COVID-19 pandemic, the food safety issue has led to a certain increase in food prices, in which the corn prices have soared under the influence of supply and demand factors. The increase in food prices has driven farmers' willingness to farm, from which there has been considerable recovery and improvement in agricultural material consumptions and the farming industrial chain has been more prosperous. Under the big picture of currency over-issue, food prices are likely to remain high, which will considerably support the demands for compound fertilisers. The Company will strengthen marketing management, adjust product structure according to market demand, promote the production of compound fertilisers with high efficiency and intelligence, and strive to increase the market share.

On 11 May 2021, the National Bureau of Statistics released the seventh census data, with the population of aged 60 and above in China reached 264,000,000, accounting for 18.7%. Among which, the population of aged 65 and above reached 191,000,000, accounting for 13.5%. China's aging population is becoming increasingly prominent and has become an inevitable social issue. In the meantime, China is facing the reality of a declining birth rate. Low birth rate and aging population have formed a distinct "population scissors", showing the impending issue of aging population in China. On 17 June 2021, the National Development and Reform Commission, the Ministry of Civil Affairs and the National Health Commission jointly issued the "14th Five-Year Plan for Actively Responding to Population Aging Projects and Nursery Education Construction Implementation Plan" which promotes the implementation of the national strategy to actively respond to the aging population. With the continuous deepening of the aging population in China and the government's emphasis on elderly care services, the elderly care service industry has become one of the "sunrise industries" with the greatest potential. For the elderly care business, 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. In addition, the Group will continue to vigorously expand the assistive equipment rental business. By leveraging on the numerous elderly care institutions entrusted to the Group in Shanghai, 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.

Sun Li
Chairman
31 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Fertiliser Business

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For the EEG detection business, owing to relatively slow business development as a result of various factors, as well as the impact of COVID-19 pandemic, the EEG detection business has been significantly affected.

FINANCIAL REVIEW

Turnover, gross profit and gross margin

For the year ended 31 December 2021, the Group achieved total annual turnover of RMB476,384,723, representing an increase of 29% as compared to last year (31 December 2020: RMB369,355,184). The consolidated gross profit was RMB45,604,747 (31 December 2020: RMB40,391,685) and consolidated gross profit margin was 9.75% (31 December 2020: 10.94%). The increase in annual total turnover is mainly due to the significant increase in the production and sales volume of bio-compound fertiliser business, However, the purchase price of major raw materials for this business in 2021 has also increased significantly, resulting in a corresponding decline in the annual comprehensive gross profit margin.

Impairment loss of right-of-use assets and property, plant and equipment

During the year ended 31 December 2021, an impairment loss of right-of-use assets of RMB16,842,000 (31 December 2020: Nil) and property, plant and equipment of RMB3,158,000 (31 December 2020: Nil) was recognised. The Group carried out impairment assessment reviews of its right-of-use assets and property, plant and equipment in 2021 as a result of the market conditions in the fertiliser markets whereby increased competition amongst the suppliers had led to decreases in the gross profit margins of the Group's fertiliser products. Based on the results of the impairment assessments made by the management, impairment loss has been recognised to write down the carrying amounts to the recoverable amounts of right-of-use assets and property, plant and equipment belonging to one of the cash-generating units (the "CGUs") which operates the Group's fertilisers factories in Guangdong province of the PRC. The CGUs is one of the cash generating units within the business segment of fertiliser products. The estimated future business performance of the CGUs is assessed to be unable to achieve the previous expectations of management taking into account the revised budgeted gross margins and estimated growth rates of the sales of the CGUs into consideration. The management estimated the recoverable amount of the CGUs, to which the assets belonged to be RMB31,922,000. The recoverable amounts of the CGUs have been determined based on value in use calculations. The discount rate in measuring the amount of value in use was 12.8%.

Impairment loss of intangible assets

During the year ended 31 December 2021, an impairment loss of intangible assets of RMB1,842,385 was recognised (31 December 2020: RMB1,566,854). The directors of the Company considered that the reasons of impairment were the market condition in the PRC is not as expected by the management. The intangible asset belongs to the health care services segment CGUs. The Group performed its impairment assessment for intangible assets in the health care services CGUs by estimating the recoverable amount of the health care services CGUs and comparing its recoverable amount to its carrying amount as at the end of the reporting period. The recoverable amount of the CGUs 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 until 2034 since the management expected the license agreement for the EEG diagnosis detection and analysis technology will be ended in 2034, and thereafter the patent protection period will be ended. The annual growth rate of 0% for the next 5 years (31 December 2020: 3%) and licensing income of 4% (31 December 2020: 3%), do not exceed the long-term growth rate for the industry in the PRC. 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 to licensing business, the processing income is budgeted to maintain at the same level over the five-year period in the forecast. 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 2022 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. As at 31 December 2021, the recoverable amount of the intangible asset was RMB37,000 (31 December 2020: RMB2,036,000), determined based on the value in use of the health care services CGUs. The decrease in recoverable amount of the intangible asset was due to the scale of business and the current financial performance of the health care services CGUs were below the expectation of the Group's management during the year. Further, in 2021, the CGUs had suspended its operations due to COVID-19 pandemic.

Other income and losses, net

For the year ended 31 December 2021, other income and losses, net amounted to RMB4,119,271 (31 December 2020: (RMB6,772,125)). Other income and losses, net for the year ended 31 December 2021 mainly comprised the fair value gain of profit guarantee receivable of RMB2,340,000 (31 December 2020: fair value loss of profit guarantee receivable of RMB633,919) arising from acquisition of subsidiaries and are carried at fair value and government grant income of RMB497,408 (31 December 2020: RMB581,746).

Selling and distribution costs

For the year ended 31 December 2021, selling and distribution costs of the Group amounted to RMB17,289,282 (31 December 2020: RMB16,673,866), representing an increase of 3.69% as compared to the corresponding period last year.

Administrative expenses

For the year ended 31 December 2021, administrative expenses of the Group were RMB31,466,638 (31 December 2020: RMB23,659,940), representing an increase of 33.00% as compared to the corresponding period last year. The increase is due to the increase in depreciation expenses on property, plant and equipment and right-of-use assets, and the increase in administrative salaries expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Research and development expenses

For the year ended 31 December 2021, research and development expenses of the Group were RMB3,498,792 (31 December 2020: RMB5,516,185), representing a decrease of 36.57% as compared to the corresponding period last year. The decline is mainly due to the decrease in research and development projects and research and development investment in 2021, and the corresponding decrease in material consumption.

Finance costs

For the year ended 31 December 2021, finance costs of the Group were RMB5,467,070 (31 December 2020: RMB1,635,933), representing an increase of 234.19% as compared to the corresponding period last year. The increase in finance costs was contributed by the increase in bank borrowings of RMB47,400,000 in 2021 (31 December 2020: RMB15,800,000) and interest expense on lease liabilities.

Loss for the year

For the year ended 31 December 2021, loss attributable to the owners of the Company was RMB42,255,043 (31 December 2020: RMB47,998,435). For the year ended 31 December 2021, loss per share of the Company was RMB2.23 cents (31 December 2020: RMB2.53 cents).

Structure of Share Capital

As at 31 December 2021, the structure of the share capital of the Company was as follows:

Name of shareholders	Number of shares held	Percentage of shareholding (%)
Tianjin Economic and Technological Development Area State Asset Operation Company ("State Asset Operation")	182,500,000	9.63
Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment")	180,000,000	9.50
Guangdong Jiamei Ecological Technology Co., Ltd. ("Guangdong Jiamei")	180,000,000	9.50
Dongguan Lvye Fertilisers Company Limited ("Lvye Fertilisers")	120,000,000	6.33
Other domestic shares	35,000,000	1.86
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. As of 31 December 2021, the aforementioned fund raised of HK$41,530,094 from the additional issuance of shares was utilised and the remaining HK$7,694,906 is expected to be fully utilised in 2022.

As of 31 December 2021, the Group had utilised the net proceeds from issuance of new H shares in the following manners:

Unit: HK$	Actual amount used as of 31 December 2021
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.	33,744,547
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.	14,748,020
Total	48,492,567

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

Purposes	Descriptions	Intended use of proceeds HK$
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.	712,953
Improve the EEG detection services	To purchase EEG detection equipment for the nursing home 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.	19,480
Total		732,433

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.

The Company intends to utilise the balance of the net proceeds according to the following schedule:

	From 1 January 2022 to 30 June 2022 HK$
Elderly care and health care business	712,953
EEG detection services	19,480
Total	732,433

BACKGROUND AND CURRENT STATUS OF THE PROFIT GUARANTEE FROM SJKGC

On 16 April 2016, the Company, Shu Ju Ku Inc. (referred to as the "SJK") 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 acquire, and SJK agreed to sell 51% of the entire issued shares of SJKGC (referred to as the "Shares for Sale") 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 HONGKONG Teda Biomedical Investment Limited, an indirect wholly owned subsidiary of the Company, as its nominee to hold the Shares for Sale on its behalf.

According to the Agreement, SJK 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, SJK irrevocably agrees and guarantees that whilst SJKGC's audited after tax profit is less than US$5,390,000, SJK 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 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. For details, please refer to the supplemental announcement of the Company dated 26 April 2018 published on the GEM website. SJK 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 Company confirmed SJK has fulfilled the profit guarantee commitment in 2017.

In respect of the fulfillment 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 years ended 31 December 2018 and 31 December 2019 had not been fulfilled. As of now, SJK had not effected the payment of guaranteed cash dividend to the Company. The Company has initiated the arbitration proceeding at the Hong Kong International Arbitration Centre on 3 September 2019, reached a settlement agreement with SJK on 31 December 2020, revised the settlement agreement, adjusted the Shareholders' Agreements and the Share Acquisition Agreement on 26 March 2021, and convened a special general meeting on 9 September 2021, on which the revised settlement agreement and the revised or supplemented Shareholders' Agreements and Share Acquisition Agreement were considered and approved. For details, please refer to the announcements of the Company dated 4 September 2019, 17 July 2020, 7 January 2021, 26 March 2021, 26 July 2021 and 9 September 2021 published on the GEM website.

GENERAL MANDATE TO ISSUE SHARES

On 18 May 2021, 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 18 May 2021 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 2021 published on the GEM website, and the announcement of results of the annual general meeting dated 18 May 2021 published on the GEM website.

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 2021 and 31 December 2020 are disclosed in note 6 to the consolidated financial statements.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the year ended 31 December 2021, the Group financed its operations mainly by internally generated cash and banking facilities.

As at 31 December 2021, the Group's current assets and net current assets were RMB208,748,747 (31 December 2020: RMB260,172,869) and RMB16,724,862 (31 December 2020: RMB65,856,565) respectively. The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was 1.09 (31 December 2020: 1.34). The Group's current assets as at 31 December 2021 comprised mainly cash and bank balances of RMB26,439,100 (31 December 2020: RMB13,531,995), trade and bills receivables of RMB32,081,750 (31 December 2020: RMB43,892,498), prepayments and other receivables of RMB65,932,999 (31 December 2020: RMB85,272,882) and inventories of RMB75,221,355 (31 December 2020: RMB91,642,179).

As at 31 December 2021, total bank and other borrowings of the Group amounted to RMB47,400,000 (31 December 2020: RMB15,800,000). As at 31 December 2021, the bank borrowings are denominated in Renminbi and provided by various licensed banks in China with fixed interest rate of 5.84% per annum (31 December 2020: fixed interest rate of 6.20% per annum).

As at 31 December 2021, the Group's consolidated total assets and net assets were RMB347,595,412 (31 December 2020: RMB392,918,507) and RMB110,359,172 (31 December 2020: RMB155,143,579) respectively. The Group's consolidated gearing ratio, represented by the ratio of total liabilities to total assets, was 0.68 (31 December 2020: 0.61). As at 31 December 2021, the Group's consolidated gearing ratio, represented by the ratio of total bank and other borrowings to total assets, was 0.14 (31 December 2020: 0.04).

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2021, banking facilities of approximately RMB63,400,000 (31 December 2020: RMB21,600,000) were granted to the Group and the Group utilised approximately RMB40,400,000 (31 December 2020: RMB6,800,000) during the year ended 31 December 2021.

As at 31 December 2021, the Group did not have any material contingent liabilities (31 December 2020: Nil).

EMPLOYEE AND REMUNERATION POLICIES

As of 31 December 2021, the Group had 344 employees (31 December 2020: 408 employees). The remuneration 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

With the gradual control of the global COVID-19 pandemic, the demand brought by the economic recoveries of China, the United States and Europe has improved. The rapid rise in bulk commodity prices may have ended, and has entered the stage of high level consolidation and diversification. Hence, the rapid rise in the price of compound fertiliser raw materials will also gradually come to an end. In addition, faced with a significant increase in raw materials prices, a large number of small-scale compound fertiliser enterprises gradually withdrew from the market, and the upstream and downstream markets of compound fertiliser will gradually recover. Under the backdrop of the global COVID-19 pandemic, the food safety issue has led to a certain increase in food prices, in which the corn prices have soared under the influence of supply and demand factors. The increase in food prices has driven farmers' willingness to farm, from which there has been considerable recovery and improvement in agricultural material consumptions and the farming industrial chain has been more prosperous. Under the big picture of currency over-issue, food prices are likely to remain high, which will considerably support the demands for compound fertilisers. The Company will strengthen marketing management, adjust product structure according to market demand, promote the production of compound fertilisers with high efficiency and intelligence, and strive to increase the market share.

On 11 May 2021, the National Bureau of Statistics released the seventh census data, with the population of aged 60 and above in China reached 264,000,000, accounting for 18.7%. Among which, the population of aged 65 and above reached 191,000,000, accounting for 13.5%. China's aging population is becoming increasingly prominent and has become an inevitable social issue. In the meantime, China is facing the reality of a declining birth rate. Low birth rate and aging population have formed a distinct "population scissors", showing the impending issue of aging population in China. On 17 June 2021, the National Development and Reform Commission, the Ministry of Civil Affairs and the National Health Commission jointly issued the "14th Five-Year Plan for Actively Responding to Population Aging Projects and Nursery Education Construction Implementation Plan" which promotes the implementation of the national strategy to actively respond to the aging population. With the continuous deepening of the aging population in China and the government's emphasis on elderly care services, the elderly care service industry has become one of the "sunrise industries" with the greatest potential. For the elderly care business, 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. In addition, the Group will continue to vigorously expand the assistive equipment rental business. By leveraging on the numerous elderly care institutions entrusted to the Group in Shanghai, 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.

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 26 March 2021, the Supervisory Committee convened the first meeting in 2021, at which the consolidated financial report of the Group for the year 2020 audited by BDO Limited was reviewed and approved;

2. On 10 May 2021, the Supervisory Committee convened the second meeting in 2021, at which the first quarterly report of the unaudited results of the Company for the three months ended 31 March 2021 was reviewed and approved;

3. On 9 August 2021, the Supervisory Committee convened the third meeting in 2021, at which the half-year report of the unaudited results of the Company for the six months ended 30 June 2021 was reviewed and approved;

4. On 10 November 2021, the Supervisory Committee convened the fourth meeting in 2021, at which the third quarterly report of the unaudited results of the Company for the nine months ended 30 September 2021 was reviewed and approved;

5. On 20 December 2021, the Supervisory Committee convened the fifth meeting in 2021, at which the proposed appointment of Mr. Zhao Zhiyou as an independent supervisor of the Company to fill the vacancy following the resignation of Ms. Feng Ling as an independent supervisor for a term commencing from the date of passing this resolution until the expiration of the seventh session of the Supervisory Committee was reviewed and approved.

2. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE OPERATION OF THE COMPANY IN 2021:

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. 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
31 March 2022

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 2021.

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 43 to the consolidated financial statements enclosed.

CHANGE OF SHARE CAPITAL

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 78 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 2021 calculated under the Company's bye-laws amounted to nil (2020: 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 81 of this annual report and Note 34 to the consolidated financial statements enclosed respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 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 2021 is set out on page 5 of this annual report.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2021, banking facilities of approximately RMB63,400,000 (2020: RMB21,600,000) were granted to the Group and the Group utilised approximately RMB40,400,000 (2020: RMB6,800,000) during the year ended 31 December 2021. Details of banking facilities are set out in Note 31 to the consolidated financial statements enclosed.

As at 31 December 2021, the Group did not have any material contingent liabilities (2020: 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	7.96%
— Five largest suppliers combined	25.79%

SALES

—Largest customer	5.93%
—Five largest customers combined	14.37%

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. Li Xueying (was appointed on 18 May 2021)
Dr. Li Ximing
Ms. Gai Li (resigned on 26 March 2021)

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
Mr. Zhao Zhiyou (was appointed on 8 February 2022)
Ms. Feng Ling (resigned on 20 December 2021)

Senior Management

Chief Executive Officer

Ms. Sun Li

Company Secretary

Mr. Ng Ka Kuen Raymond

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

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Ms. Sun Li ("Ms. Sun"), aged 49, 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 graduated from City University of Hong Kong with a doctorate degree in Business Administration in 2021. 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 January 2019 and from 30 December 2019, she concurrently served as Chief Executive Officer of the Company.

Mr. Hao Zhihui ("Mr. Hao"), aged 61, 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 from April 2011 to present.

Mr. He Xin ("Mr. He"), aged 52, 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 Beijing Yingguxinye 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 59, 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 from 2010 to present, during which he has accumulated extensive experience in business operation and marketing. Mr. Cao was appointed as a non-executive director of the Company from November 2017 to present.

Dr. Li Ximing ("Dr. Li"), aged 61, 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. Li Xueying ("Ms. Li"), aged 44, a member of the Communist Party of China, holds a master's degree from Nanjing Forestry University and is a deputy senior engineer. She has been engaged in management work for 15 years. In July 2006, she worked as the project manager of the planning department in Modern Industrial Park. In May 2008, she was the project manager of the commercial department of Modern Industrial Park. In June 2014, she was the secretary and supervisor of the general office of Modern Industrial Park. In 2019, she was the person-in-charge of the general office of Modern Industrial Park. From July 2020 to date, she has been serving as the deputy director of the business service department of Tianjin TEDA Industrial Development Corporation. Ms. Li was appointed as a non-executive director of the Company from 18 May 2021 to present.

Independent Non-Executive Directors

Mr. Li Xudong ("Mr. Li"), aged 52, 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 Main Board 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.

Mr. Wang Yongkang ("Mr. Wang"), aged 53, 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 52, 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 46, 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 49, 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 40, 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, the investment banking strategic customer department and the NEEQ business department of China Merchants Securities, as well as an executive director and the deputy managing director in the investment banking quality control department at Great Wall Securities. Mr. Liang currently serves as the responsible person of the international business department at Great Wall Securities, and is responsible for the establishment of the Hong Kong subsidiary and carryingout cross-border investment and financing business. Mr. Liang has been appointed as an independent supervisor of the Company since August 2015.

Mr. Zhao Zhiyou ("Mr. Zhao"), aged 40, holds a bachelor's degree. He served as an accountant and finance manager at the financial department of Wuhan Iron and Steel Construction Group Limited Electricity Company* (武漢鋼鐵建工集團有限責任公司電氣分公司) and Wugang Group International Economic and Trading Company Limited* (武鋼集團國際經濟貿易有限公司) from August 2004 to January 2017. He served as a foreign exchange business manager in Hubei Daye Non-ferrous Metal Company Limited* (湖北大冶有色金屬 有限責任公司) from January 2017 to January 2018. He was a finance officer at the offshore business department of Zhejiang Fuye Group Co., Ltd* (浙江富冶集團有限公司) from April 2018 to October 2018. He has been serving as a deputy financial controller in Beijing Yingguxinye Investment Co., Ltd* (北京盈谷信曄投資有限公司) from October 2018 to June 2020. He has been the financial controller of Xinjiang Changyuan Yinggu Coal Sales Company Limited* (新疆昌源盈谷煤炭銷售有限公司) from June 2020 to August 2021. He has been a director at Ningxia Yinggu Industry Company Limited* (寧夏盈谷實業股份有限公司), a company listed on the National Equities Exchange and Quotations System (stock code: 830855), since May 2021.Mr. Zhao was appointed as an independent supervisor of the Company on 8 February 2022.

Qualified Accountant and Company Secretary

Mr. Ng Ka Kuen Raymond ("Mr. Ng"), aged 62, 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, 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 2021, 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 2021, 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 2021, 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
State Asset Operation	Beneficial owner	182,500,000 (Note)	9.63%
Xiangyong Investment	Beneficial owner	180,000,000 (Note)	9.50%
Guangdong Jiamei	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 2021, 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 2021, 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 2021.

SHARE OPTION SCHEME

For the year ended 31 December 2021, 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 2021.

CORPORATE GOVERNANCE

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The report on the Environmental, Social and Governance of the Group is set out on pages 44 to 70 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 20 December 2021, the Board resolved, on the recommendation of the Audit Committee, to suggest the appointment of Fan, Chan & Co. Limited ("Fan, Chan & Co.") as the new auditor of the Company with effect from 20 December 2021 to fill the casual vacancy following the resignation of BDO Limited and to hold office until the conclusion of the next annual general meeting of the Company. The shareholders approved the appointment of Fan, Chan & Co as auditor of the Company and to hold office until the conclusion of the forthcoming annual general meeting of the Company in the special general meeting held on 8 February 2022.

The financial statements of the Group for the year ended 31 December 2021 have been audited by Fan, Chan & Co.. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Fan, Chan & Co. as the auditor of the Company.

On behalf of the Board
Sun Li
Chairman

Tianjin, China, 31 March 2022

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 2021, the Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all directors, the directors of the Company have complied with such code of conduct and the required standard of dealings.

BOARD OF DIRECTORS AND BOARD MEETING

Board Composition and Board Practices

The Board comprises nine directors of the Company including three executive directors, three non-executive directors and three independent non-executive directors. All executive directors have given tremendous efforts, time and attention to the affairs of the Group. Each director has sufficient experience to hold the position. There is no financial, business, family or other material/relevant relationship amongst the directors. The directors' biographical information is set out on pages 25 to 29 under the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report.

The Board, currently headed by the Chairman, Ms. Sun Li, is responsible for overall corporate development strategy, annual and interim results, implementation of corporate plans, risk management, major acquisitions, disposals and capital raising, and other significant operational and financial matters. The Chairman of the Board has focused on the effective operation of the Board, and encouraged all the directors to devote themselves to the affairs of the Board, perform their own duties, formulate, review and monitor issuers and directors to obey legal regulatory rules and code of conduct and discuss all the important issues in a timely manner. The Chairman also supervised the implementation and review of good corporate governance practices and procedures. Major corporate matters that are specifically delegated by the Board of Directors to the management include the preparation of annual and interim financial statements for Board approval before publication, execution of business strategies and initiatives adopted by the Board of Directors, effective implementation of full risk management procedures and internal controls system, and compliance with relevant statutory requirements and rules and regulations. Pursuant to the requirements set out in Code, the 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 2021 were:

Executive Directors

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

Non-Executive Directors

Ms. Li Xueying
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.

During the period under review, as the role of chief executive of the company is assumed by Ms. Sun Li who is concurrently serving as the chairman of the Board, the requirements of provision A.2.1 of the Code were not fulfilled. The Board is of the view that it is of the best interest of the Company at this stage for Ms. Sun Li to assume both positions since it will help to maintain the policy continuity and operating stability of the Company as well as the transformation and upgrade of elderly health-care business. The Company has been selecting candidates for the position of chief executive through various channels in order to comply with the requirements of provision A.2.1 of the Code as soon as possible and enhance the transparency and independence of corporate governance.

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

BOARD OF DIRECTORS AND BOARD MEETING *(continued)*

Board Composition and Board Practices *(continued)*

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 2021, 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, 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 have 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 63th and 64th 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	7/7	3/3	1/1
Mr. Hao Zhihui	7/7	2/3	1/1
Mr. He Xin	7/7	3/3	1/1
Non-Executive Directors			
Ms. Li Xueying (was appointed on 18 May 2021)	5/7	2/3	1/1
Mr. Cao Aixin	7/7	0/3	1/1
Mr. Li Ximing	7/7	0/3	1/1
Ms. Gai Li (resigned on 26 March 2021)	1/7	0/3	0/1
Independent Non-Executive Directors			
Mr. Li Xudong	7/7	0/3	1/1
Mr. Wang Yongkang	7/7	0/3	1/1
Ms. Gao Chun	7/7	0/3	1/1

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

RISK MANAGEMENT AND INTERNAL CONTROL

According to the requirements of 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. The audit committee is comprised of three independent non-executive directors. 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 there onto 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 2021 and the 2021 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

Fan, Chan & Co., Certified Public Accountant, had been appointed by the shareholders as the external auditor of the Company and its subsidiaries with effect from 8 February 2022 until the conclusion of the forthcoming annual general meeting of the Company.

The annual financial statements for the financial year ended 31 December 2021 have been audited by Fan, Chan & Co..

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 2018, 2019 and 2020 was BDO Limited.

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 2021 is set out as follows:

Types of Services	Fees Received For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2020 RMB'000
Audit services		
– Annual audit of the financial statement of the Company and its subsidiaries	**409**	1,101
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 members	Attendance/ Number of Meetings held
Ms. Sun Li	1/1
Mr. Wang Yongkang	1/1
Ms. Gao Chun	1/1

During the year under review, the nomination committee conscientiously performed its duties. One meeting was 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	2/2
Ms. Sun Li	2/2
Ms. Gao Chun	2/2

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

	2021			2020		
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**	**129,060**	**749,112**	620,052	77,673	697,225
Mr. Hao Zhihu	**481,863**	**40,088**	**521,951**	594,537	58,680	653,217
Mr. He Xin	**–**	**–**	**–**	40,000	–	40,000
Non-Executive Directors						
Ms. Gai Li (note (i))	**–**	**–**	**–**	–	–	–
Mr. Cao Aixin	**40,000**	**–**	**40,000**	40,000	–	40,000
Mr. Li Ximing	**40,000**	**–**	**40,000**	40,000	–	40,000
Ms. Li Xueying (note (ii))	**–**	**–**	**–**	–	–	–
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	2021 Fee emoluments/ Salaries, allowances and benefits in kind RMB	2021 Retirement benefits scheme contributions RMB	2021 Total RMB	2020 Fee emoluments/ Salaries, allowances and benefits in kind RMB	2020 Retirement benefits scheme contributions RMB	2020 Total RMB
Chief Executive Officer Ms. Sun Li	620,052	129,060	749,112	620,052	77,673	697,725
Qualified Accountant and Company Secretary Mr. Ng Ka Kuen Raymond	150,000	–	150,000	150,000	–	150,000

Note:

(i) Ms. Gai Li resigned as non-executive director on 26 March 2021.

(ii) Ms. Li Xueying was appointed as non-executive director on 18 May 2021.

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, Fan, Chan & Co. as to its reporting responsibilities on the financial statements of the Group is set out in the Auditor's Report on pages 71 to 77 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 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 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 18 May 2021, some of the executive directors and independent nonexecutive 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 sets out 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.

A. THE ENVIRONMENT

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 detection technology 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.

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.

A. THE ENVIRONMENT *(continued)*

A1: Emissions

A1.1 Category and data of emissions

(I) 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 + bag-type 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 is mainly the dust collected from dust collector, waste packaging bags and domestic waste; and hazardous waste made by Shandong Fulilong is used engine oil and oily waste cloth and gloves. The existing general solid waste and hazardous waste are 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): CODCr≤400mg/L、BOD5≤180mg/L、SS≤200mg/L、NH3-N≤20mg/L.

A. THE ENVIRONMENT *(continued)*

A1: Emissions *(continued)*

A1.1 Category and data of emissions (continued)

(I) Shandong Fulilong *(continued)*

Exhaust gas: exhaust gas from hot blast stoves executes Table 1 of the 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/m3, SO2≤-100mg/m3, NOx≤200mg/m3; 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/m3; 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".

A. THE ENVIRONMENT *(continued)*

A1: Emissions *(continued)*

A1.1 Category and data of emissions (continued)

(I) Shandong Fulilong *(continued)*

Table of Category and Data of Emissions of Shandong Fulilong in 2021

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	12.8	0.64	0.01
	Rotary drum compound and mixed fertiliser dust	11	0.55	0.021
	SO_2	0.0454	0.0454	0.0005
	NOx	3.24	3.24	0.036
	Ammonia	0.58	0.58	0.0064
	Greenhouse gas (CO_2)	5,679.78	5,679.78	63.1
Waste water	Domestic sewage	2,200	2,200	24.444
	COD	0.294	0.294	0.003
	Ammonia and nitrogen	0.029	0.029	0.0003
General solid waste	Domestic waste	45.2	45.2	0.502
	Dust collection by dust collectors	135.09	2.1	0.023
	Waste packaging bags	12.87	0	0
Hazardous waste	Used engine oil	0	0	0
	Oily waste cloth and gloves	0	0	0

A. THE ENVIRONMENT *(continued)*

A1: Emissions *(continued)*

A1.1 Category and data of emissions (continued)

(II) Guangdong Fulilong

Guangdong 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 has complied with mainly include:

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≤250mg/L, BOD≤200 mg/L.

Exhaust gas: crushing, sludge storage, deodorization and fermentation, mixing of mixed materials, fermentation of auxiliary materials, secondary high-temperature fermentation, fuel combustion, conveying, weighing, pelletising, melt-mixing, cooling process exhaust vent: the ammonia and hydrogen sulfide execute the table 2 emission standard value of odor pollutants of the Emission Standard for Odour Pollutants (《惡臭污染物排放標準》(GB14554-93)), and the remaining executes 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.

Exhaust gas at factory boundary: the ammonia and hydrogen sulphide execute the second stage limits in table 1 standard value of new reconstruction and expansion at factory boundary of the Emission Standard for Odour Pollutants (《惡臭污染物排放標準》(GB14554-93)), with hydrogen sulphide ≤0.06 mg/m3, ammonia ≤1.5 mg/m3; particulates execute the requirements of second period for monitoring concentration limits for unorganized emissions of Emission Limits of Air Pollutants (《大氣污染物排放限值》(DB44/27-2001)) of Guangdong Province with particulates ≤1.0 mg/m3.

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.

A. THE ENVIRONMENT *(continued)*

A1: Emissions *(continued)*

A1.1 Category and data of emissions (continued)

(II) Guangdong Fulilong *(continued)*

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).

Emissions Category and Emissions Data Table of Guangdong Fulilong in 2021

Waste category	Waste description	Pollutant output (t)	Pollutant emission volume (t)	Emission per unit product
Waste water	Domestic sewage	14,127.75	14,127.75	31,050kg/head/year
	CODcr	2.825	2.825	6.21kg/head/year
	BOD5	1.695	1.695	3.73kg/head/year
	SS	1.695	1.695	3.73kg/head/year
	NH_3-N	0.2825	0.2825	0.621kg/head/year
	Animal and vegetable oil	0.1765	0.1765	0.388kg/head/year
Exhaust gas	Dust	169.35	169.35	0.028 kg/t
	Ammonia	1.2309	1.2309	0.00007 kg/t
	Hydrogen sulphide	0.1171	0.1171	0.000014 kg/t
	Sulfur dioxide	0.0625	0.0625	0.0004 kg/t
	NOx	0.4127	0.4127	0.000252 kg/t
	Soot dust	0.1572	0.1572	0.000096 kg/t
	Greenhouse gas (CO_2)	176,130.89	176,130.89	107.53 kg/t
Solid waste	Domestic waste	68.25	0	150kg/head/year
	Dust collection by dust collectors	766.53	0	0
	Waste packaging bags	373.1	0	0

1. Domestic waste includes waste papers, cleaning cloth, gloves and other supplies used in the production process;
2. Waste packaging bags are recycled by recycling companies.

A. THE ENVIRONMENT *(continued)*

A1: Emissions *(continued)*

A1.2 Emission of greenhouse gas

(I) Shandong Fulilong

Shandong Fulilong's emission sources of greenhouse gas mainly include fuel combustion emission, industrial production process emission, CO2 recycling, CO2 emission and other greenhouse gas emissions caused by net-purchased electricity and heat consumption. According to Shandong Fulilong's actual situation, the emission sources of greenhouse gas are mainly gas-powered hot blast stoves and CO2 emissions caused by net-purchased electricity and heat consumption.

① The greenhouse gas emissions from fuel combustion are:

$$E_{CO_2\text{-combustion}} = 20.02 \times (389.1 \times 15.30 \times 10^{-3}) \times 99\% \times \frac{44}{12} = 447.98\text{t}$$

② The greenhouse gas emissions from net-purchased electricity consumption are:

$$E_{CO_2\text{-net purchased electricity}} = (87.782 + 61.251 + 4.745) \times 10^4 \times \frac{0.9419 + 0.4819}{2} \times 10^{-3} = 1094.746\text{t}$$

③ The greenhouse gas emissions from net-purchased heat consumption are:

$$E_{CO_2\text{-net purchased heat}} = (11{,}956.8 + 3{,}350.13) \times 2.77 \times 0.11 = 4{,}664.022\text{t}$$

According to Shandong Fulilong's actual production situation, Shandong Fulilong's greenhouse gas emission is carbon dioxide (CO2) emission, and the sources of emissions are mainly gas-powered hot blast stoves and net-purchased electricity and heat consumption. After comparing and referring to the reference materials, the calculated greenhouse gas emission in 2021 was 6,206.748 tons and the product output in 2021 was 89,580 tons, which is equivalent to 69.29kg CO2/t product of greenhouse gas emissions per unit product.

A. THE ENVIRONMENT *(continued)*

A1: Emissions *(continued)*

A1.2 Emission of greenhouse gas (continued)

(II) Guangdong Fulilong

Guangdong Fulilong's emission sources of greenhouse gas mainly include fuel combustion emission, industrial production process emission, CO2 emission and other greenhouse gas emissions caused by net-purchased electricity and heat consumption.

① The emissions from net-purchased electricity consumption are:

$$E_{CO_2\text{-net purchased electricity}} = 682.5 \times 10^4 \times \frac{0.8959 + 0.3648}{2} \times 10^{-3} = 4{,}302.14t$$

② The emissions from net-purchased heat consumption are:

$$E_{CO_2\text{-net purchased heat}} = 98{,}280 \times 2.79 \times 0.11 = 30{,}162.132t$$

③ The emissions from fuel combustion are:

$$E_{CO_2\text{-combustion}} = 65.52 \times 389.31 \times 0.0153 \times 99 \times \frac{44}{12} = 141{,}666.616t$$

According to Guangdong Fulilong's actual production situation, Guangdong Fulilong's greenhouse gas emission is carbon dioxide (CO2) emission, and the sources of emissions are mainly consumption of net purchased electricity and heat. After comparing and referring to the reference materials, the calculated greenhouse gas emission of Guangdong Fulilong in 2021 was 193,550.43 tons and the product output of Guangdong Fulilong in 2020 was 1.8 million tons, which is equivalent to 107.53kg CO2/t product of greenhouse gas emissions per unit product.

A. THE ENVIRONMENT *(continued)*

A1: Emissions *(continued)*

A1.3 Hazardous wastes

(I) Shandong Fulilong

The main hazardous wastes are used engine oil and oily waste cloth and gloves.

Oily cloth and labour protection gears abandoned according to the List of Hazardous Waste Exempt from Management are not managed as hazardous waste throughout the process.

As the hazardous waste (i.e. used engine oil) has low production and can be used as equipment corrosion protection internally on a down-grading basis, the local environmental protection authority has removed Shandong Fulilong from the list of enterprises under hazardous waste management. In order to properly manage and prevent hazardous waste that is not used up from polluting the environment, Shandong Fulilong actively signed the hazardous waste disposal agreement as a backup.

(II) Guangdong Fulilong

There was no hazardous waste generated in the operation process of Guangdong Fulilong.

A1.4 Non-hazardous wastes

(I) Shandong Fulilong

The non-hazardous wastes generated by Shandong Fulilong are shown in the table below:

Pollutant		Annual output (t)	Annual emission volume (t)
Exhaust gas	Tower compound and mixed fertiliser dust	12.8	0.64
	Rotary drum compound and mixed fertiliser dust	11	0.55
	Greenhouse gas (CO_2)	5,679.78	5,679.78
	Ammonia	0.58	0.58
Waste water	Domestic sewage	2,200	2,200
General solid waste	Domestic waste	45.2	45.2
	Dust collection by dust collectors	135.09	2.1
	Waste packaging bags	12.87	0

A. THE ENVIRONMENT *(continued)*

A1: Emissions *(continued)*

A1.4 Non-hazardous wastes (continued)

(II) Guangdong Fulilong

The non-hazardous wastes generated by Guangdong Fulilong are shown in the table below:

Pollutant		Annual output (t)	Annual emission volume (t)
Exhaust gas	Dust	169.35	169.35
	Greenhouse gas (CO_2)	176,130.89	176,130.89
	Ammonia	1.2309	1.2309
Waste water	Domestic sewage	14,127.75	14,127.75
General solid waste	Domestic waste	68.25	0
	Dust collection by dust collectors	766.53	0
	Waste packaging bags	373.1	0

A1.5 Measures to reduce emissions

(I) Shandong Fulilong

Please refer to A1.1 for details of the emission targets set by Shandong Fulilong and the procedures taken for achieving these targets.

A. THE ENVIRONMENT *(continued)*

A1: Emissions *(continued)*

A1.5 Measures to reduce emissions (continued)

(II) Guangdong Fulilong

Please refer to A1.1 for details of the emission targets set by Guangdong Fulilong, and refer to the following table for the procedures taken for achieving these targets:

Environmental management			Effect
Pollution prevention	Exhaust gas	Gravity sedimentation chamber	Meeting the emissions standard
		Gravity sedimentation + acid spray	Meeting the emissions standard
		Bag dust removal	Meeting the emissions standard
		Water spray + alkali liquor spray biological purification tower integrated equipment	Meeting the emissions standard
	Waste water	/	/
	Noise	Mechanical acoustic enclosure, construction of sound insulation room and other noise control	Reducing noise pollution
	Solid waste	Dust	Reusing for production after collection
		Raw materials sludge of acid spray tower	Reusing for production after collection and being naturally dried
		Scum of raw materials	Reusing for production after collection
		Waste packaging	Recycling by waste collection station regularly after collection
		Domestic waste	Processing by environmental sanitation department after collection
		Calcium carbonate powder after moisture absorption	Selling to a professional company for recycling after collection

A. THE ENVIRONMENT *(continued)*

A1: Emissions *(continued)*

A1.6 Waste treatment and waste reduction measures

(I) Shandong Fulilong

Please refer to A1.1 for details on Shandong Fulilong's methods in handling hazardous and non-hazardous wastes, the established waste reduction targets and the procedures taken to achieve these goals.

(II) Guangdong Fulilong

Please refer to A1.1 and A1.5 for details on Guangdong Fulilong's methods in handling hazardous and non-hazardous wastes, the established waste reduction targets and the procedures taken to achieve these goals.

A2: Use of Resources

A2.1 Energy consumption

(I) Shandong Fulilong

Shandong Fulilong's main energy consumption is electricity, steam and natural gas. In 2021, steam was provided by Changle Golden Age Thermoelectricity Power Co., Ltd. Natural gas is used in hot blast stoves. Please see the table below for details:

Auxiliary materials generation unit	Main energy	Annual consumption (t)	Per unit product consumption (kg/t)
Tower workshop	Electricity	877,821 kWh	33.8kWh/t
	Steam from external purchase	11,956.8t	188
Rotary drum workshop	Electricity	612,506 kWh	9.6kWh/t
	Steam from external purchase	3,350.13t	129
	Natural gas	207,326m3	3.3m3/t
Domestic and office space	Electricity	47,452.73 kWh	

A. THE ENVIRONMENT *(continued)*

A2: Use of Resources *(continued)*

A2.1 Energy consumption (continued)

(II) Guangdong Fulilong

The main energy required for production in Guangdong Fulilong is water, electricity, steam and natural gas, and the steam was purchased from Guangdong Lvzhou Fertiliser Industry Company Limited.

Main energy	Auxiliary materials generation unit	Annual consumption	Per unit product consumption
Water	Office space and domestic	156,975 tons	52.3 t/head/year
Water	Water for production	42,322.28 tons	23.478 kg/t/product
Electricity	Office space, production and domestic	6.825 million kWh	22,750 kWh//head/year
Steam	Production	98,280 tons	54.6 kg/t
Natural gas	Fuel of hot drying oven	655,200 m3	0.364 m3/t

Note: The per unit product consumption of domestic and office space is calculated based on per capita consumption, and the water used for domestic and office space includes water for greening and dust suppression.

A2.2 Water consumption

(I) Shandong Fulilong

Shandong Fulilong's main water consumption comes from domestic and office space. During the reporting period, the total water consumption was 2,750 m3.

(II) Guangdong Fulilong

Main energy	Auxiliary materials generation unit	Annual consumption	Per unit product consumption
Water	Office space and domestic	156,975 tons	52.3 t/head/year
Water	Water for production	42,322.28 tons	23.478 kg/t/product

Note: The per unit product consumption of domestic and office space is calculated based on per capita consumption, and the water used for domestic and office space includes water for greening and dust suppression.

A. THE ENVIRONMENT *(continued)*

A2: Use of Resources *(continued)*

A2.3 Energy efficiency goals and measures taken

(I) Shandong Fulilong

Title of scheme	Investment (In RMB0,000)	Implementation effect: Environmental effect	Implementation effect: Economic effect
Rotary drum feeding system reformation	28.1	Removing old feeding platforms and reducing the quantity of crushers from 5 to 1, which reduced crushed dust generation and electricity consumption	Addition of a drying system which improved product quality
Exhaust gas treatment facilities reformation (including exhaust pipes reformation)	12	Real-time monitoring of particulate matters emissions to ensure stable and up-to-standard emission	Nil
A new rotary drum production line	36	Addition of a hot blast stove, a rotary drum production line and ancillary exhaust gas treatment pipelines and facilities	During normal production, one is spare and one is in use. In case of huge demand for shipments, production capacity can be doubled

(II) Guangdong Fulilong

Title of scheme	Scheme introduction	Investment (In RMB0'000)	Implementation effect: Environmental effect	Implementation effect: Economic effect
Bag dust removal + washing tower + activated carbon adsorption + washing tower	Repair and maintenance of exhaust, tower wall and other facilities	7.28	Effectively reduce the emission of particulates and ammonia, reduce solid waste generation	Save steam and fees and expenses
	Place a new dust removal equipment and replace the bag of old equipment	5.46	Better dust collection, block dust, so that the filtered gas is more purified	Recycle more dust for production to save cost
	Regular repair and maintenance of washing tower and activated carbon adsorption	2.73	Repair and maintenance may avoid malfunction of bag dust removal + washing tower + activated carbon adsorption + washing tower and reduce environmental pollution caused by malfunction	Recycle more dust for production to save cost
Electricity saving reformation	Inspection, repair and maintenance of energy-saving lamps and other environmentally-friendly and energy-saving lighting equipment	0.273	Energy-conservation and consumption-reduction	Save electricity, energy and relevant expenses

A. THE ENVIRONMENT *(continued)*

A2: Use of Resources *(continued)*

A2.4 Water efficiency targets and measures adopted

The business operation of the Group does not involve using large volume of water, and the consumption of water resources is only generated by domestic and office use. Therefore, the data is not presented in this report.

A2.5 Packaging materials

(I) Shandong Fulilong

During the reporting period, the packaging materials used by Shandong Fulilong's finished products are as follows:

Auxiliary materials generation unit	Major raw and auxiliary materials	Annual consumption (t)	Per unit product consumption (kg/t)
Tower workshop	Packaging bags	1,280,000 pieces	49.3 pieces/t
Rotary drum workshop	Packaging bags	520,000 pieces	20.05 pieces/t

(II) Guangdong Fulilong

During the reporting period, the packaging materials used by Guangdong Fulilong's finished products are as follows:

Major raw and auxiliary materials and energy	Product	Annual consumption
Packaging bags	Product packaging	1,383,200 pieces

A. THE ENVIRONMENT *(continued)*

A3: Environment and Natural Resources

(I) Shandong Fulilong

Shandong Fulilong has all along been committed to the development of fertiliser industry, and it 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. While constantly improving the equipment healthy standard, it will increase its efforts in pollution control, energy conservation and emission reduction. At the same time, the company will further strengthen operation management, enhance the operation standard of operators and strengthen equipment management to ensure reliable operation of equipment and the standard and stable operation of pollutants control facilities and strive for achieving a social development with blue sky and clear water.

Shandong Fulilong's management attaches great importance to environmental protection, actively participates in various special trainings and conferences, and conducts environmental protection education to employees from time to time to popularize the environmental protection knowledge. The company's environmental technicians participate in training classes on environmental facilities, and can only take up job position after obtaining the management qualification for environmental facilities, and shall attend internal training on a regular basis.

(II) Guangdong Fulilong

Guangdong Fulilong has a relatively comprehensive environmental management system, a sound internal environmental management system, complete daily environmental management work, and timely inspection of the environments of production, storage, office and other work areas. It implements the whole-process environmental management during the entire production process to prevent environmental pollution issue from happening during the production process.

In 2021, Guangdong Fulilong's production lines were mainly equipped with the granulation method with high tower and stirring fermentation 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. The stirring fermentation production device had characteristics of high degree of automation, high technical content and stable product quality, and thus reducing consumption of raw materials and energy, and the amount of pollutants produced is controlled strictly for the sake of meeting clean production. In general, all the Guangdong Fulilong's production lines have reached the international advanced standard of clean production.

A. THE ENVIRONMENT *(continued)*

A3: Environment and Natural Resources *(continued)*

(II) Guangdong Fulilong (continued)

Guangdong Fulilong attaches great importance to environmental management training, and regularly dispatches personnel to participate in training on corporate environmental credit evaluation, hazardous chemical management technology business, hazardous waste management technology business and environmental emergency management, so as to keep abreast of new national environmental protection policies, regulations and technologies standardization in a timely manner, and improve the Guangdong Fulilong's comprehensive environmental protection management capabilities.

A4: Climate change

As the pollution is getting more and more serious, extreme weather phenomena will occur frequently and the frequency will increase significantly. Extreme climates include droughts, floods, high temperature, heat wave, and low temperature damages. After such an extreme situation occurs, individuals, companies and countries should take timely actions to respond. Extreme climate changes will have a serious impact on agricultural products, which in turn may cause slight impact on the Company's compound fertiliser business. The Company will promptly adjust its product structure and production volume according to market conditions.

B. SOCIETY

EMPLOYMENT AND LABOUR PRACTICES

B1: EMPLOYMENT

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.

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.

B. SOCIETY *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B1: EMPLOYMENT (continued)

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.

B1.1 Total number of employees

Total number of employees in the Group by geographic region and type of employment in 2021										
	Headquarters		Guangdong Fulilong		Shandong Fulilong		Shanghai Muling		Total	Percentage
Employee category	Number of employees	Percentage	Number of employees	Percentage	Number of employees	Percentage	Number of employees	Percentage		
Contract employees	9	69%	127	100%	130	91%	61	100%	327	95.1%
Employees under the labour system	4	31%	0	0	13	9%	0	0	17	4.9%
Total	13	100%	127	100%	143	100%	61	100%	344	100%

B. SOCIETY *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B1: EMPLOYMENT (continued)

B1.1 Total number of employees *(continued)*

<table>
<tr><th colspan="6">Total number of employees in the Group by gender in 2021 (Contract employees)</th></tr>
<tr><th colspan="2" rowspan="2">Department</th><th colspan="3">The Group</th><th rowspan="2">Total</th></tr>
<tr><th>Male</th><th>Female</th><th>Total</th></tr>
<tr><td colspan="2">Persons in charge of companies</td><td>3</td><td>2</td><td>5</td><td>5</td></tr>
<tr><td rowspan="2">Office & Finance</td><td>Persons in charge of departments</td><td>5</td><td>11</td><td>16</td><td rowspan="2">101</td></tr>
<tr><td>Staff</td><td>22</td><td>63</td><td>85</td></tr>
<tr><td rowspan="2">Procurement & Storage</td><td>Persons in charge of departments</td><td>3</td><td>1</td><td>4</td><td rowspan="2">34</td></tr>
<tr><td>Staff</td><td>22</td><td>8</td><td>30</td></tr>
<tr><td rowspan="2">Quality management & Technology</td><td>Persons in charge of departments</td><td>1</td><td>1</td><td>2</td><td rowspan="2">6</td></tr>
<tr><td>Staff</td><td>1</td><td>3</td><td>4</td></tr>
<tr><td rowspan="2">Marketing & Market</td><td>Persons in charge of departments</td><td>2</td><td>0</td><td>2</td><td rowspan="2">67</td></tr>
<tr><td>Staff</td><td>61</td><td>4</td><td>65</td></tr>
<tr><td rowspan="2">Production & Engineering</td><td>Persons in charge of departments</td><td>3</td><td>0</td><td>3</td><td rowspan="2">114</td></tr>
<tr><td>Staff</td><td>106</td><td>5</td><td>111</td></tr>
<tr><td rowspan="3">Total</td><td>Persons in charge of companies</td><td>3</td><td>2</td><td>5</td><td rowspan="3">327</td></tr>
<tr><td>Persons in charge of departments</td><td>14</td><td>13</td><td>27</td></tr>
<tr><td>Staff</td><td>212</td><td>83</td><td>295</td></tr>
<tr><td colspan="2">Total</td><td>229</td><td>98</td><td>327</td><td></td></tr>
<tr><td colspan="2">Percentage</td><td>70%</td><td>30%</td><td>100%</td><td></td></tr>
</table>

B. SOCIETY *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B1: EMPLOYMENT (continued)

B1.1 Total number of employees *(continued)*

Total number of employees of the Group by age in 2021 (Contract employees)								
		The Group						
Department		Aged 25 and below	Aged 26-35	Aged 36-45	Aged 46-55	Aged 55 and above	Total	Total
Persons in charge of companies		0	1	1	0	3	5	5
Office & Finance	Persons in charge of departments	2	5	5	2	2	16	101
	Staff	8	14	13	40	10	85	
Procurement & Storage	Persons in charge of departments	0	2	2	0	0	4	34
	Staff	0	9	11	10	0	30	
Quality management & Technology	Persons in charge of departments	0	0	2	0	0	2	6
	Staff	0	1	2	1	0	4	
Marketing & Market	Persons in charge of departments	0	0	1	1	0	2	67
	Staff	5	26	23	11	0	65	
Production & Engineering	Persons in charge of departments	0	0	1	1	1	3	114
	Staff	0	24	15	63	9	111	
Total	Persons in charge of companies	0	1	1	0	3	5	327
	Persons in charge of departments	2	7	11	4	3	27	
	Staff	13	74	64	125	19	295	
Total		15	82	76	129	25	327	
Percentage		5%	25%	23%	39%	8%	100%	

B. SOCIETY *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B1: EMPLOYMENT (continued)

B1.2 Employee turnover rate

Employee turnover rate of the Group by geographic region in 2021										
Department	Headquarters		Guangdong Fulilong		Shandong Fulilong		Shanghai Muling		Total	
	Increased by	Decreased by	Increased by	Decreased by	Increased by	Decreased by	Increased by	Decreased by	Increased by	Decreased by
Office & Finance	0	2	1	3	5	9	22	17	28	31
Procurement & Storage	0	0	2	6	3	2	0	0	5	8
Quality management & Technology	0	0	1	1	0	4	0	0	1	5
Marketing & Market	0	0	10	24	8	9	0	0	18	33
Production & Engineering	0	0	14	58	10	4	0	0	24	62
Total	0	2	28	92	26	28	22	17	76	139
Turnover rate	0.00%	0.61%	8.56%	28.14%	7.95%	8.56%	6.73%	5.20%	23.24%	42.51%

Employee turnover rate of the Group by age and gender in 2021									
Company Name	Analysis of department turnover		Total	Analysis of department turnover					Total
Item	(Male)	(Female)		≤25	26~35	36~45	46~55	>55	
Headquarters	2	0	2	0	1	0	0	1	2
Guangdong Fulilong	82	10	92	0	12	39	39	2	92
Shandong Fulilong	22	6	28	4	13	5	6	0	28
Shanghai Muling	3	14	17	2	5	2	4	4	17
Total	109	30	139	6	31	46	49	7	139
Employee turnover rate	33.33%	9.174%	42.51%	1.835%	9.480%	14.067%	14.985%	2.141%	42.51%

B. SOCIETY *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B2: Health and 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.

B2.1 Number and proportion of work-related deaths

Proportion of work-related injury leave and number of work-related deaths			
Year	Number of work-related injuries (person)	Number of work-related injury leave (day)	Number of work-related deaths (person)
2019	0	0	0
2020	9	467	0
2021	3	341	0
Proportion	N/A	N/A	0%

B2.2 Number of work days lost due to work-related injuries

Please see B2.1 for details.

B2.3 Occupational Safety and Safety Measures

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.

B. SOCIETY *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B3: Development and Training

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 953 hours with 86 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.

B3.1 Employee training ratio

Training statistics categorised by employee category in 2021					
Department	Training headcount (person)	Total training hours (hour)	Number of employees of the Company	Average training hours (hour/person)	Proportion of trainees
Persons in charge of companies	1	1	5	0.2	20%
Persons in charge of departments	7	136	27	5.0	26%
General Staff	78	816	295	2.8	26%
Total	86	953	327	2.9	26%

Training statistics categorised by gender in 2021					
Category	Training headcount (person)	Total training hours (hour)	Number of employees of the Group	Average training hours (hour/person)	Proportion of trainees
Male staff	65	651.67	229	2.8	28%
Female staff	21	301.33	98	3.1	21%
Total	86	953	327	2.9	26%

B3.2 Average Training Hours

Please refer to B3.1 for details on the average training hours completed by each employee categorised by gender and category.

B. SOCIETY *(continued)*

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

B4: Labour Standards

Being fully aware that exploitation of child and forced labour violates the PRC labor law, the Group strictly prohibits the employment of any child labour and forced labour in any form. New employees are required to provide true and accurate personal data when they are on board. Recruiters should strictly review the entry documents including personal date such as medical examination certificates, academic certificates and identity cards.

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.

OPERATION PRACTICE

B5: Supply Chain Management

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.

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.

The number of suppliers by region is approximately 849 in total.

Region	Northeast	North China	East China	Central China	Southwest	Northwest
Number	13	55	645	45	85	6

B. SOCIETY *(continued)*

OPERATION PRACTICE *(continued)*

B6: Product Liability

(I) Biological compound fertiliser

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.

To ensure the interests of the distributors and users, the Company has formulated rules and regulations such as Consumer Data Protection and Privacy Policy, Non-conforming Product Management System, Product Inspection Regulations and Return Process etc.. These would expose the Company to certain economic losses but can guarantee the interests of dealers and users to a maximum extent.

According to the above-mentioned documents, the Company has not received any complaints for its products and services in 2021, and in terms of the products sold or shipped, there was no case of recall due to safety and health reasons.

(II) Elderly care and health care business

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.

B. SOCIETY *(continued)*

OPERATION PRACTICE *(continued)*

B7: 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. During the period under review, no lawsuit related to corruption against the Company and its employees were filed and concluded.

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.

B8: Community investment

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.

B. SOCIETY *(continued)*

OPERATION PRACTICE *(continued)*

B8: Community investment (continued)

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. Ms. Sun Li, the Chairman of the Board of the Company, is 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. 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. The Company has signed up to Business for Nature ("BfN")'s Call to Action of "Nature is everyone's business". It has promised and taken practical actions to protect nature and biodiversity, and put green and sustainable development into practise. BfN is a global coalition that comprises influential organizations and forward-thinking companies, including corporate membership organizations, industry associations, research institutions and other non-governmental organisations. Its strategic goal is to promote sustainable development and make changes through the use of business models that protect nature. 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.

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.

INDEPENDENT AUDITOR'S REPORT

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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 (collectively referred to as the "Group") set out on pages 78 to 160, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(continued)*

Key audit matter

Impairment assessment of trade receivables

The Group has trade receivables with the balance of approximately RMB32.1 million as at 31 December 2021 and accounted for 15.8% 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 audit procedures in relation to the management's impairment assessment of trade receivables included:

- understanding the key controls on how the loss allowance for trade receivables is estimated by the management;
- 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 current economic conditions and forward-looking information specific to the customers used in determining estimated loss rates, 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.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of intangible asset	
As at 31 December 2021, the net carrying amounts of intangible asset before recognition of impairment loss for the year then ended were approximately RMB2.0 million 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 intangible asset in accordance with the Group's accounting policies and concluded that impairment loss of approximately RMB1.8 million was provided for the intangible asset for the year ended 31 December 2021. This assessment was based on the value-in-use calculations. We have identified impairment assessment of 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.	Our procedures in relation to management's impairment assessment of intangible asset included: • understanding the management's internal control and assessment process of impairment assessment of intangible asset; • 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.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment ("PPE") and right-of-use assets ("ROU")	
We have identified impairment assessment of PPE and ROU 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. As at 31 December 2021, the net carrying amounts of PPE assets and right-of-use assets before recognition of impairment loss for the year then ended were approximately RMB82.7 million and RMB76.1 million respectively. Management has performed impairment test on PPE and the ROU in accordance with the Group's accounting policies and concluded that impairment losses of approximately RMB3.2 million and RMB16.8 million were provided for the PPE and ROU in relation to one of the CGUs within the segment of fertiliser products for the year ended 31 December 2021 respectively. This assessment was based on the recoverable amount which is determined based on the higher of the value-in-use and fair value less costs of disposal. The value-in-use is calculated from cash flow projections for the remaining lease periods using data from the Group's internal forecasts and as such relies upon management assumptions, such as the estimates of future performance and the discount rate.	Our procedures in relation to management's impairment assessment of PPE and ROU included: • understanding the management's internal control and assessment process of impairment assessment of PPE and ROU; • considering and assessing the historical accuracy of management's budgeting processes; • conducting in-depth discussions with management 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 MATTERS

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 26 March 2021.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 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.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

We communicate with those charged with governance 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 those charged with governance 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, actions taken to eliminate threats or safeguards applied.

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

From the matters communicated with those charged with governance, 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.

Fan, Chan & Co. Limited
Certified Public Accountants

Rooms 1007-1012
10/F., K. Wah Centre
191 Java Road
North Point
Hong Kong

31 March 2022

Leung Kwong Kin
Practising Certificate Number: P03702

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 RMB	2020 RMB
Revenue	7	**476,384,723**	369,355,184
Cost of sales and services		**(430,779,976)**	(328,963,499)
Gross profit		**45,604,747**	40,391,685
Other income, gains and losses, net	8	**4,119,271**	(6,772,125)
Selling and distribution expenses		**(17,289,282)**	(16,673,866)
Administrative expenses		**(31,466,638)**	(23,659,940)
Research and development expenses	9	**(3,498,792)**	(5,516,185)
Impairment losses on:			
– goodwill		**(420,000)**	(7,980,000)
– intangible asset		**(1,842,385)**	(1,566,854)
– interest in an associate		**–**	(1,369,826)
– right-of-use assets		**(16,842,000)**	–
– property, plant and equipment		**(3,158,000)**	–
Impairment losses under expected credit loss model, net of reversal:			
– trade receivables		**(11,739,422)**	(20,112,975)
– other receivables		**(3,840,186)**	(3,230,000)
– amount due from an associate		**–**	(233,266)
Gain on deregistration of a subsidiary		**–**	357
Gain on liquidation of an associate		**–**	296,230
Share of profits (losses) of associate		**1,000,646**	(1,937,890)
Finance costs	10	**(5,467,070)**	(1,635,933)
Loss before tax	10	**(44,839,111)**	(50,000,588)
Income tax credit/(expense)	11	**54,704**	(362,768)
Loss for the year		**(44,784,407)**	(50,363,356)
Total comprehensive expense for the year		**(44,784,407)**	(50,363,356)
Loss for the year attributable to:			
Owners of the Company		**(42,255,043)**	(47,998,435)
Non-controlling interests		**(2,529,364)**	(2,364,921)
		(44,784,407)	(50,363,356)
Loss per share – basic (RMB cents)	13	**(2.23)**	(2.53)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB	2020 RMB
Non-current assets			
Property, plant and equipment	15	**79,572,550**	58,560,890
Right-of-use assets	16	**59,237,115**	67,780,900
Goodwill	17	**–**	420,000
Intangible asset	18	**37,000**	2,036,000
Interest in an associate	19	**–**	3,947,848
		138,846,665	132,745,638
Current assets			
Inventories	21	**75,221,355**	91,642,179
Trade receivables	22	**32,081,750**	43,892,498
Prepayments and other receivables	23	**65,932,999**	85,272,882
Amount due from an associate	24	**785,049**	3,833,315
Financial assets at fair value through profit or loss ("FVTPL")	25	**1,000,000**	22,000,000
Other financial assets	20	**2,340,000**	–
Cash and cash equivalents	26	**26,439,100**	13,531,995
		203,800,253	260,172,869
Asset held-for-sale	19	**4,948,494**	–
		208,748,747	260,172,869
Current liabilities			
Trade payables	27	**29,532,859**	43,768,089
Contract liabilities	28	**67,707,911**	78,967,149
Other payables and accruals	29	**48,167,886**	59,194,072
Amount due to non-controlling interests	30	**–**	1,120,528
Bank and other borrowings – due within one year	31	**41,400,000**	9,400,000
Lease liabilities	32	**3,730,654**	1,791,388
Tax liabilities		**1,484,575**	75,078
		192,023,885	194,316,304
Net current assets		**16,724,862**	65,856,565
Total assets less current liabilities		**155,571,527**	198,602,203

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB	2020 RMB
Non-current liabilities			
Bank borrowings	31	**6,000,000**	6,400,000
Lease liabilities	32	**39,212,355**	37,058,624
		45,212,355	43,458,624
NET ASSETS		**110,359,172**	155,143,579
Capital and reserves			
Share capital	33	**189,450,000**	189,450,000
Reserves		**(88,669,380)**	(46,414,337)
Equity attributable to owners of the Company		**100,780,620**	143,035,663
Non-controlling interests	35	**9,578,552**	12,107,916
TOTAL EQUITY		**110,359,172**	155,143,579

The consolidated financial statements on pages 78 to 160 were approved and authorised for issue by the Board of Directors on 31 March 2022 and are signed on its behalf by:

Sun Li
Director

Hao Zhihui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital RMB	Share premium RMB	Surplus reserve fund RMB	Capital reserve RMB	Other reserve RMB	Accumulated losses RMB	Attributable to owners of the Company RMB	Non-controlling interests RMB	Total RMB
At 1 January 2020	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
Loss and total comprehensive expense for the year	–	–	–	–	–	(47,998,435)	(47,998,435)	(2,364,921)	(50,363,356)
At 31 December 2020	189,450,000	275,317,438	3,717,696	2,541,404	(19,382,403)	(308,608,472)	143,035,663	12,107,916	155,143,579
At 1 January 2021	189,450,000	275,317,438	3,717,696	2,541,404	(19,382,403)	(308,608,472)	143,035,663	12,107,916	155,143,579
Loss and total comprehensive expense for the year	–	–	–	–	–	(42,255,043)	(42,255,043)	(2,529,364)	(44,784,407)
At 31 December 2021	189,450,000	275,317,438	3,717,696	2,541,404	(19,382,403)	(350,863,515)	100,780,620	9,578,552	110,359,172

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 RMB	2020 RMB
OPERATING ACTIVITIES		
Loss before tax	(44,839,111)	(50,000,588)
Adjustments for:		
Gain on deregistration of a subsidiary	–	(357)
Gain on liquidation of an associate	–	(296,230)
Gain on disposal of property, plant and equipment	(154,770)	(234,767)
Interest income	(430,834)	(831,395)
Amortisation of intangible assets	156,615	294,110
Depreciation of property, plant and equipment	3,964,620	3,758,164
Depreciation of right-of-use assets	5,392,050	3,051,882
Fair value (gain)/loss on other financial assets	(2,340,000)	633,919
Interest expense	5,467,070	1,635,933
Impairment losses on:		
– goodwill	420,000	7,980,000
– intangible asset	1,842,385	1,566,854
– interest in an associate	–	1,369,826
– property, plant and equipment	3,158,000	–
– right-of-use assets	16,842,000	–
Impairment losses under expected credit loss model, net of reversal		
– trade receivables	11,739,422	20,112,975
– other receivables	3,840,186	3,230,000
– amount due from an associate	–	233,266
Share of (profits)/losses of associate	(1,000,646)	1,937,890
Operating cash flows before movements in working capital	4,056,987	(5,558,518)
Decrease/(Increase) in inventories	16,420,824	(2,709,119)
Decrease/(Increase) in trade receivables	71,326	(4,299,191)
Decrease/(Increase) in prepayments and other receivables	15,499,697	(19,184,717)
(Decrease)/Increase in trade payables	(14,235,230)	24,484,410
(Decrease)/Increase in contract liabilities	(11,259,238)	41,503,874
(Decrease)/Increase in other payables and accruals	(11,829,778)	3,718,240
Cash (used in)/generated from operations	(1,275,412)	37,954,979
Income tax refund/(paid)	58,514	(331,454)
Interest paid	(5,467,070)	(1,635,933)
Net cash (used in)/generated from operating activities	(6,683,968)	35,987,592

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 RMB	2020 RMB
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(27,597,419)**	(6,119,834)
Proceeds from disposal of property, plant and equipment	**706,660**	364,583
Loan to an independent third party	**–**	(3,100,000)
Purchases of financial assets at fair value through profit or loss	**(22,780,000)**	(22,000,000)
Proceeds from disposal of financial assets at fair value through profit or loss	**43,780,000**	–
Proceeds from repayment of amounts due from associate	**3,048,266**	10,332,438
Additions of right-of-use assets	**(6,099,233)**	(7,903,916)
Proceeds from liquidation of an associate	**–**	1,083,001
Interest received	**430,834**	831,395
Net cash used in investing activities	**(8,510,892)**	(26,512,333)
FINANCING ACTIVITIES		
Drawdown of bank borrowings	**47,600,000**	15,800,000
Repayment of bank borrowings	**(16,000,000)**	(31,200,000)
Repayment of lease liabilities – principal portion	**(3,498,035)**	(4,790,568)
Net cash generated from/(used in) financing activities	**28,101,965**	(20,190,568)
Net increase/(decrease) in cash and cash equivalents	**12,907,105**	(10,715,309)
Cash and cash equivalents at beginning of the year	**13,531,995**	24,247,304
Cash and cash equivalents at end of the year	**26,439,100**	13,531,995
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	**26,439,100**	13,531,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL 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 43 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.

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

a. Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are first effective for the current accounting period of the Group:

- *Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2*

  In addition, the Group has early applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021.

  Except as described below, the application of the amendments to the standards listed above in the current year has had no material effect on the Group's financial performance and positions for the current and prior year and on the disclosures set out in these consolidated financial statements.

  Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

  The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 Leases ("HKFRS 16") by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

  The application of the amendment has had no impact to the opening retained profits at 1 January 2021.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

b. New and amendments to HKFRSs in issue but not yet effective

The Group has not applied the following new and amendments to HKFRSs that have been issued but are not yet effective for the current accounting period. The Group has already commenced an assessment of the impact of these new and amendments to HKFRSs but is not yet in a position to state whether these new and amendments to HKFRSs would have a material impact on its results of operations and financial position:

	Effective for accounting periods beginning on or after
• HKFRS 17, *Insurance Contracts and the Related Amendments*	1 January 2023
• Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
• Amendments to HKFRS 10 and HKAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
• Amendments to HKAS 1, *Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020)*	1 January 2023
• Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
• Amendments to HKAS 8, *Definition of Accounting Estimates*	1 January 2023
• Amendments to HKAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
• Amendments to HKAS 16, *Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
• Amendments to HKAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
• Amendments to HKFRSs, *Annual Improvements to HKFRSs 2018-2020*	1 January 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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 in note 4.

Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equal the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

4. SIGNIFICANT ACCOUNTING POLICIES

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 profit or loss and other 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.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

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

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

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. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combination and basis of consolidation *(continued)*

When the Group loses control of a subsidiary, the gain 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 on the same basis as would be required if the relevant assets or liabilities were disposed of.

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: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) 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.

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is 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 are eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred, they are recognised immediately in profit or loss.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Non-current assets held-for-sale

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

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, 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 first allocated to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on a pro-rata basis on the carrying amount at 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.

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)*

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%
Furniture, fixtures and equipment	5% – 33%
Motor vehicles	10% – 20%
Plant and machinery	5% – 20%

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 classes 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.

Intangible assets

(i) Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its 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.

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. Amortisation is provided on a straight-line basis over their useful lives as follows.

Licenses	16 years

(ii) *Impairment*

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

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 in profit or loss 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, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 written 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 written 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.

Financial instruments

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. 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Debt instruments *(continued)*

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.

Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables and financial assets measured at amortised cost, except for other financial assets measured at FVTPL. ECLs are measured on either of the following bases:

- 12 months ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

- 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.

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 measured 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 debt financial assets, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-months 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 assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment loss on financial assets (continued)

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

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities (continued)

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals, amount due to an associate, amount due to non-controlling interests, lease liabilities and bank and other 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.

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.

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.

Equity instruments

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

The Group as a lessee

All 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 of 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 is initially 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 that are held for rental or capital appreciation purpose under HKAS 40 and are carried at cost, less any accumulated depreciation and any impairment losses. 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 buildings and plant and machinery under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the buildings and plant and machinery which is held for own use. As a result, the right-of-use asset arising from the building and plant and machinery 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessee (continued)

Lease liability *(continued)*

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 lease 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) 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, 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 modification, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessee (continued)

Lease liability *(continued)*

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated term increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient for COVID-19-Related Rent Concessions applies, if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

COVID-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 it is probably will 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.

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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

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 not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries, associates and joint ventures 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, deferred tax liabilities are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. 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, and reflects any uncertainty related to income taxes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other revenue, rather than reducing the related expense.

Foreign currencies

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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.

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.

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)*

Revenue recognition *(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 and leasing 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.

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

In accordance with the rules and regulations in the PRC, the PRC-based employees of the Group shall participate in various defined contribution retirement benefit plans managed by the relevant and provincial and municipal governments in the PRC, under which the Group and its employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The provincial and municipal governments undertake to assume the retirement benefit obligations of all existing and future retired PRC-based employees payable under the plans described above. Other than the monthly contributions, the Group is not required to assume obligation for other pension payments or and other post-retirement benefits in respect of its employees.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A person or an entity is related to the Group if:

(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 the key management personnel of the Group or the Group's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either 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 the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company'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. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make 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 may 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.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainties at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(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. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(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;

– intangible assets;

– right-of-use asset; 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.

(vi) Fair value measurement of other financial assets

At the end of reporting date, the Group has estimated the fair value of other financial assets in relation to profit guarantee amounted to RMB2,340,000 (2020: Nil) as set out in note 20 in the financial statements. The fair value measurement of profit guarantee is subject to high degree of uncertainties in relation to projections of cash flows for the cash generating unit and estimation of default rate of counterparty to contract.

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 2021 and 2020, 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, including active fertiliser, mixture with nitrogen, phosphorus and potassium with various formula

- Elderly care & health care services – Provision of integrated elderly care and health care services, including the leasing of elderly equipment

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

	2021 **RMB**	2020 RMB
Revenue from sales of biological compound fertilisers	**475,645,743**	368,786,426
Income from provision of integrated elderly care and health care services	**738,980**	568,758
	476,384,723	369,355,184

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 2021

	Fertiliser products RMB	Elderly care & health care services RMB	Total RMB
Revenue from external customers	475,645,743	738,980	476,384,723
Inter-segment revenue	–	–	–
Reportable segment revenue	475,645,743	738,980	476,384,723
Reportable segment loss	(36,611,427)	(2,453,222)	(39,064,649)
Amounts included in the measure of segment profit or loss or segment assets:			
Loss on disposal of property, plant and equipment	299,143	–	299,143
Research and development expenses	3,498,792	–	3,498,792
Bank interest income	(47,919)	(327)	(48,246)
Other interest income	(229,940)	–	(229,940)
Interest expenses	5,442,085	9,371	5,451,456
Depreciation and amortisation for the year	8,577,808	198,758	8,776,566
Impairment loss of trade and other receivables	12,078,179	3,501,429	15,579,608
Impairment loss of goodwill	–	420,000	420,000
Impairment loss of intangible assets	–	1,842,385	1,842,385
Impairment loss of right-of-use assets	16,842,000	–	16,842,000
Impairment loss of property, plant and equipment	3,158,000	–	3,158,000
Reportable segment assets	329,605,911	4,452,391	334,058,302
Additions to non-current assets during the year	31,242,252	–	31,242,252
Reportable segment liabilities	167,379,282	48,074,611	215,453,893

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For the year ended 31 December 2021

6. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Year ended 31 December 2020

	Fertiliser products RMB	Elderly care & health care services RMB	Total RMB
Revenue from external customers	368,786,426	568,758	369,355,184
Inter-segment revenue	–	–	–
Reportable segment revenue	368,786,426	568,758	369,355,184
Reportable segment loss	(27,731,519)	(7,151,205)	(34,882,724)
Amounts included in the measure of segment profit or loss or segment assets:			
Gain on disposal of property, plant and equipment	234,767	–	234,767
Research and development expenses	5,516,185	–	5,516,185
Bank interest income	(45,234)	(7,628)	(52,862)
Interest expense	1,617,959	7,038	1,624,997
Depreciation and amortisation for the year	6,595,197	177,017	6,772,214
Impairment loss of trade and other receivables	20,112,975	3,230,000	23,342,975
Impairment loss of goodwill	–	7,980,000	7,980,000
Impairment loss of intangible assets	–	1,566,854	1,566,854
Reportable segment assets	349,278,702	12,471,387	361,750,089
Additions to non-current assets during the year	10,348,561	705,345	11,053,906
Reportable segment liabilities	203,378,839	21,488,585	224,867,424

6. SEGMENT INFORMATION *(continued)*

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

	2021 RMB	2020 RMB
Revenue		
Total reportable segments' revenue	**476,384,723**	369,355,184
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**476,384,723**	369,355,184
Loss before income tax expense		
Total reportable segments' loss	**(39,064,649)**	(34,882,724)
Unallocated gain on disposal of property, plant and equipment	**453,913**	–
Unallocated bank interest income	**20,845**	27,908
Unallocated other interest income	**131,803**	750,625
Unallocated interest expense	**(15,614)**	(10,936)
Unallocated depreciation and amortisation	**(736,719)**	(331,942)
Share of profit/(loss) of associate	**1,000,646**	(1,937,890)
Gain on deregistration of a subsidiary	**–**	357
Gain on liquidation of an associate	**–**	296,230
Impairment loss of investment in associate	**–**	(1,369,826)
Impairment loss of amount due from an associate	**–**	(233,266)
Fair value gain/(loss) on other financial assets	**2,340,000**	(633,919)
Unallocated corporate expenses	**(8,969,336)**	(11,675,205)
Consolidated loss before income tax expense	**(44,839,111)**	(50,000,588)
Assets		
Total reportable segments' assets	**334,058,302**	361,750,089
Interest in associate/asset held-for-sale	**4,948,494**	3,947,848
Amount due from associate	**785,049**	3,833,315
Unallocated corporate assets	**7,803,567**	23,387,255
Consolidated total assets	**347,595,412**	392,918,507
Liabilities		
Total reportable segments' liabilities	**215,453,893**	224,867,424
Unallocated corporate liabilities	**21,782,347**	12,907,504
Consolidated total liabilities	**237,236,240**	237,774,928

6. SEGMENT INFORMATION *(continued)*

(c) Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by primary geographical markets, 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 revenue.

	Fertiliser products		Elderly care & health care services		Total	
	2021 RMB	2020 RMB	**2021 RMB**	2020 RMB	**2021 RMB**	2020 RMB
Primary geographical markets						
PRC	**475,645,743**	368,786,426	**738,980**	568,758	**476,384,723**	369,355,184
Major products/services						
Sales of biological compound fertiliser products						
– Ordinary fertilisers	**447,556,397**	357,996,985	**–**	–	**447,556,397**	357,996,985
– Organic fertilisers	**28,089,346**	10,789,441	**–**	–	**28,089,346**	10,789,441
Provision of integrated elderly care & health care services						
– Processing income	**–**	–	**97,864**	89,709	**97,864**	89,709
– Leasing of elderly equipment	**–**	–	**172,839**	329,049	**172,839**	329,049
– Consultation service income	**–**	–	**468,277**	150,000	**468,277**	150,000
	475,645,743	368,786,426	**738,980**	568,758	**476,384,723**	369,355,184
Timing of revenue recognition						
At a point in time	**475,645,743**	368,786,426	**–**	–	**475,645,743**	368,786,426
Transferred over time	**–**	–	**738,980**	568,758	**738,980**	568,758
	475,645,743	368,786,426	**738,980**	568,758	**476,384,723**	369,355,184

(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 2021 and 2020.

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:

	2021 RMB	2020 RMB
Fertiliser products	**475,645,743**	368,786,426
Elderly care and health care services	**738,980**	568,758
Total revenue from contracts with customers	**476,384,723**	369,355,184

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

	2021 RMB	2020 RMB
Trade receivables (note 22)	**32,081,750**	43,892,498
Contract liabilities (note 28)	**67,707,911**	78,967,149

Contract liabilities mainly relate to the advance consideration received from customers. RMB71,180,182 (2020: RMB33,774,389) of the balance at beginning of the year has been recognised as revenue for the year ended 31 December 2021 from performance obligations satisfied during the year when the goods were sold or the services were rendered during the year.

As at 31 December 2021, the aggregated amount of unsatisfied or partially unsatisfied performance obligations under the Group's existing contracts was approximately RMB67,707,911 (2020: RMB78,967,149). This amount represents revenue expected to be recognised in the future from delivery of biological compound fertilisers in accordance to the expected date of delivery and provision of leasing of elderly equipment in accordance to the remaining performance over the lease term, which is expected to occur in the next 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

8. OTHER INCOME, GAINS AND LOSSES, NET

	2021 RMB	2020 RMB
Gain on disposal of property, plant and equipment	154,770	234,767
Government grants (note (i))	497,408	581,746
Bank interest income	69,091	80,770
Other interest income	361,743	750,625
Fair value gain/(loss) on other financial assets	2,340,000	(633,919)
Foreign exchange gain	75,668	168,684
Other losses (note (ii))	(9,984)	(7,480,136)
Others	630,575	(474,662)
	4,119,271	(6,772,125)

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) In 2020, the other losses related to the Group's subsidiary, Guangdong Fulilong which performed testing of planting trees for sale. However, most of the trees were withered by frost weather in Guangdong Province, the PRC in December 2020. The related costs of planting trees were considered as losses for the year ended 31 December 2020. The amount included cost of plants, management fee and fertilisers consumed.

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 the costs were incurred for these projects that were currently in the research and initial development stage and should not be capitalised as assets.

10. LOSS BEFORE TAX

	2021 RMB	2020 RMB
Loss before tax is arrived at after charging/(crediting) the following items:		
Auditor's remuneration	**408,800**	1,123,655
Cost of inventories recognised as expense (note (i))	**430,609,810**	328,182,700
Depreciation of property, plant and equipment	**3,964,620**	3,758,164
Amortisation of intangible asset	**156,615**	294,110
Depreciation of right-of-use assets	**5,392,050**	3,051,882
Short-term leases expenses	**1,226,056**	1,001,668
Travelling and transportation expenses	**7,360,168**	6,503,259
Legal and professional fee	**1,080,585**	2,456,551
Promotion expenses	**2,518,125**	1,610,052
Employee costs (including emoluments of directors and supervisors):		
– Wages and salaries	**26,573,752**	26,211,030
– Bonus	**27,500**	1,972,995
– Retirement benefit scheme contributions	**3,797,506**	1,386,599
– Staff welfare and other benefits	**2,452,408**	1,637,553
	32,851,166	31,208,177
Finance costs		
Interest expense on bank and other borrowings	**2,219,937**	1,355,903
Interest expense on other financial liabilities	**158,804**	–
Interest expense on lease liabilities	**3,088,329**	280,030
	5,467,070	1,635,933

Notes:

(i) Cost of inventories recognized as expense mainly includes raw materials and consumables used.

11. INCOME TAX EXPENSE

	2021 RMB	2020 RMB
Current tax		
– tax for the year	**3,810**	291,978
– (Over)/under provision in respect of prior years	**(58,514)**	70,790
	(54,704)	362,768

(a) China Corporate income tax

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% (2020: 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% (2020: 15%). In accordance with public announcement made by Ministry of Science and Technology of the PRC dated 9 December 2020, Guangdong Fulilong Compound Fertilisers Co., Ltd. has been approved to extend its High and New-Tech enterprise qualification for a further 3 years.

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 2021 (2020: Nil).

11. INCOME TAX EXPENSE *(continued)*

(b) Reconciliation between tax expenses and accounting loss

	2021 RMB	2020 RMB
Loss before tax	**(44,839,111)**	(50,000,588)
Calculated at statutory rate of 25% (2020: 25%)	**(11,209,778)**	(12,500,147)
Tax effects of:		
Share of results of associate	**(250,162)**	484,473
Income not taxable for tax purposes	**(1,842,665)**	(222,356)
Expenses not deductible for taxation purposes	**9,600,071**	8,855,238
Unused tax losses not recognised	**3,755,713**	2,420,948
Effects of differential tax rate and preferential tax treatment	**(34,295)**	1,253,822
Utilisation of deductible temporary difference previously not recognised	**(15,074)**	–
(Over)/Under provision in prior years	**(58,514)**	70,790
Taxation (credit)/charge	**(54,704)**	362,768

(c) At 31 December 2021, the Group has unused tax losses of RMB94.8million (2020: RMB95.2 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 RMB22.3 million, RMB31.0 million, RMB17.5 million, RMB9.7 million and RMB14.3 million will be expired in 2022, 2023, 2024, 2025 and 2026 respectively (2020: RMB14.7 million, RMB22.3 million, RMB31.0 million, RMB17.5 million and RMB9.7 million will be expired in 2021, 2022, 2023, 2024 and 2025 respectively). No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

There is no deferred tax asset or liability recognised arising from deductible or taxable temporary differences.

12. DIVIDEND

No dividend has been paid nor declared by the Company during the year (2020: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13. LOSS PER SHARE

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

	2021 **RMB**	2020 RMB
Loss for the purpose of basic loss per share	**(42,255,043)**	(47,998,435)
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,894,500,000**	1,894,500,000

No diluted loss per share is presented as there was no potential ordinary shares in issue during the years ended 31 December 2021 and 2020.

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:

	2021 **RMB**	2020 RMB
Fees	**381,609**	420,000
Salaries and other benefits	**1,349,815**	1,462,489
Retirement benefits scheme contributions	**263,843**	188,873
	1,995,267	2,071,362

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:

	Fee emoluments RMB	Salaries and other benefits RMB	Retirement benefits scheme contributions RMB	Total RMB
2021				
Ms Sun Li	**–**	**620,052**	**129,060**	**749,112**
Mr Hao Zhihui	**–**	**481,863**	**40,088**	**521,951**
Mr He Xin	**–**	**–**	**–**	**–**
	–	**1,101,915**	**169,148**	**1,271,063**
2020				
Ms Sun Li	–	620,052	77,673	697,725
Mr Hao Zhihui	–	594,537	58,680	653,217
Mr He Xin	40,000	–	–	40,000
	40,000	1,214,589	136,353	1,390,942

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
2021			
Mr Li Ximing	**40,000**	**–**	**40,000**
Mr Cao Aixin	**40,000**	**–**	**40,000**
Ms Gai Li (note (i))	**–**	**–**	**–**
Ms Li Xueying (note (ii))	**–**	**–**	**–**
	80,000	**–**	**80,000**
2020			
Mr Li Ximing	40,000	–	40,000
Mr Cao Aixin	40,000	–	40,000
Ms Gai Li	–	–	–
	80,000	–	80,000

Note:

(i) Ms. Gai Li resigned as non-executive director on 26 March, 2021.

(ii) Ms. Li Xueying was appointed as non-executive director on 18 May, 2021.

Independent non-executive directors:

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

	2021 RMB	2020 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
2021			
Ms Yang Chunyan	**141,500**	**54,053**	**195,553**
Ms Liu Jinyu	**106,400**	**40,642**	**147,042**
	247,900	**94,695**	**342,595**
2020			
Ms Yang Chunyan	141,500	29,111	170,611
Ms Liu Jinyu	106,400	23,409	129,809
	247,900	52,520	300,420

Independent supervisors:

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

	2021 RMB	2020 RMB
Mr Liang Weitao	**30,000**	30,000
Ms Feng Ling (note (i))	**31,609**	30,000
	61,609	60,000

Note:

(i) Ms Feng Ling resigned as independent supervisor on 20 December 2021.

No performance related incentive payments were determined and paid to any of the directors and supervisors for the year ended 31 December 2021 (2020: nil).

No directors waived any emoluments during the year ended 31 December 2021 (2020: nil).

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries. The independent non-executive directors emoluments shown above were mainly for their services as directors of the Company.

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

(b) Five highest paid individuals

The five highest paid individuals of the Group included two (2020: two) executive directors, whose emoluments are reflected in note (a).

The analysis of the emoluments of the remaining three (2020: three) highest paid individuals are set out below:

	2021 RMB	2020 RMB
Salaries, other benefits	**738,900**	327,900
Retirement benefits scheme contributions	**198,526**	52,520
Salaries, housing and other allowances	**937,426**	380,420

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

	Number	
	2021	2020
Nil – RMB816,835 (2020: RMB841,534) (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 (2020: nil).

None of the directors and supervisors waived any emoluments during the year (2020: nil).

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 2020	66,571,172	70,229,300	5,407,291	5,957,621	2,030,166	150,195,550
Additions	1,517,262	2,165,472	133,676	857,140	1,446,284	6,119,834
Transfers	–	1,666,114	–	–	(1,666,114)	–
Disposals	–	–	(607,794)	–	–	(607,794)
At 31 December 2020	68,088,434	74,060,886	4,933,173	6,814,761	1,810,336	155,707,590
Additions	7,406,109	6,577,513	119,469	588,271	13,994,808	28,686,170
Transfers	–	2,597,474	–	–	(2,597,474)	–
Disposals	–	(2,947,041)	(1,421,715)	(1,934,546)	–	(6,303,302)
At 31 December 2021	**75,494,543**	**80,288,832**	**3,630,927**	**5,468,486**	**13,207,670**	**178,090,458**
Accumulated depreciation and impairment						
At 1 January 2020	21,801,118	61,061,258	4,359,420	4,834,382	1,810,336	93,866,514
Charge for the year	1,969,950	1,083,283	353,585	351,346	–	3,758,164
Written back on disposal	–	–	(477,978)	–	–	(477,978)
At 31 December 2020	23,771,068	62,144,541	4,235,027	5,185,728	1,810,336	97,146,700
Charge for the year	423,542	2,986,994	210,444	343,640	–	3,964,620
Impairment	3,158,000	–	–	–	–	3,158,000
Written back on disposal	–	(2,635,020)	(1,380,513)	(1,735,879)	–	(5,751,412)
Transfer	–	1,810,336	–	–	(1,810,336)	–
At 31 December 2021	**27,352,610**	**64,306,851**	**3,064,958**	**3,793,489**	**–**	**98,517,908**
Carrying amount						
At 31 December 2021	**48,141,933**	**15,981,981**	**565,969**	**1,674,997**	**13,207,670**	**79,572,550**
At 31 December 2020	44,317,366	11,916,345	698,146	1,629,033	–	58,560,890

Notes:

(i) At 31 December 2021, the carrying amount of buildings under property, plant and equipment pledged as security for certain of the Group's banking facilities amounted to approximately RMB43.3 million (2020: RMB9.7 million) (note 31).

At 31 December 2021, costs of fully depreciated plant and machinery, motor vehicles and furniture, fixtures and equipment that were still in use by the Group were RMB45.0 million (2020: RMB46.2 million), RMB2.3 million (2020: RMB2.5 million) and RMB4.4 million (2020: RMB3.2 million) respectively.

(ii) The Group carried out impairment assessment reviews of its property, plant and equipment in 2021 as a result of the market conditions in the fertiliser markets whereby increased competition amongst the suppliers had led to decreases in the gross profit margins of the Group's fertiliser products. Based on the results of the impairment assessments made by the management, impairment loss of RMB3,158,000 (2020: RMB Nil) for the year ended 31 December 2021 has been recognised to write down the carrying amounts to the recoverable amounts of property, plant and equipment belonging to one of the cash-generating units (the "CGUs") which operates the Group's fertilisers factories in Guangdong province of the PRC. The CGUs is one of the cash generating units within the business segment of fertiliser products. The estimated future business performance of the CGUs is assessed to be unable to achieve the previous expectations of management taking into account the revised budgeted gross margins and estimated growth rates of the sales of the CGUs into consideration. The management estimated the recoverable amount of the CGUs, to which the assets belonged to be RMB31,922,000. The recoverable amounts of the cash-generating units have been determined based on value in use calculations. The discount rate in measuring the amount of value in use was 12.8%.

16. RIGHT-OF-USE ASSETS

The Group as a lessee

The Group leases a number of properties in the jurisdictions in which it operates.

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

Right-of-use assets	Buildings, other structures and improvement (Note (a)) RMB	Prepaid land lease (Note (b)) RMB	Prepaid land lease relating to property, plant and equipment (Note (c)) RMB	Total RMB
At 1 January 2020	–	–	12,992,063	12,992,063
Modification of lease contract	37,422,127	–	–	37,422,127
Additions	–	1,829,852	6,074,064	7,903,916
Transfer from non-current prepayments	–	12,514,676	–	12,514,676
Depreciation	(2,381,586)	(215,168)	(455,128)	(3,051,882)
At 31 December 2020	35,040,541	14,129,360	18,610,999	67,780,900
At 1 January 2021	35,040,541	14,129,360	18,610,999	67,780,900
Modification of lease contract	7,591,032	–	–	7,591,032
Additions	–	–	6,099,233	6,099,233
Impairment	(16,842,000)	–	–	(16,842,000)
Depreciation	(4,335,416)	(286,891)	(769,743)	(5,392,050)
At 31 December 2021	21,454,157	13,842,469	23,940,489	59,237,115

Notes:

(a) The Group leases various production facilities for its manufacturing operations. The lease contract was entered into for fixed term without extension and termination options and the lease term will end in 2030. The lease payments are calculated by the summation of 2 components: (i) fixed minimum lease payments and (ii) variable lease payments based on the quantity of production volume in each month. However, the management assessed that the projected production quantity would not exceed the benchmark production quantity set out in the lease contract during the lease period, and in the opinion of the management of the Group, no impact from the variable lease payment component to the total lease payments is expected. A subsidiary of the Company and the lessor signed a supplementary agreement in 2021 to modify the lease term by changing the lease expiry date. Therefore, the carrying amounts of the right-of-use assets and lease liabilities were increased to reflect the modification of the lease using the revised discount rate at the date of modification.

As a result of the impairment assessment made by the management on the CGUs within the segment of fertiliser products as disclosed in note 15(ii), impairment loss of RMB16,842,000 (2020: RMB Nil) has been recognised on right-of-use assets belonging to the CGUs for the year ended 31 December 2021.

16. RIGHT-OF-USE ASSETS *(continued)*

The Group as a lessee *(continued)*

Notes: *(continued)*

(b) The balance represented a piece of land held by the Group under medium term lease in the PRC.

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"). Direct costs incurred by the Group for obtaining the land use right certificate were recognised as cost of acquisition of the land use rights and to be reimbursed by the Acquirer. On 20 April 2020, the land use right certificate was obtained by the Group but due to the identity of the designated holder of the land use right certificate was yet to be determined by the Acquirer and there was no specific timeline for transferring the land use right certificate in accordance to the original agreement and subsequently, a supplemental agreement dated 10 March 2021, the land use right was yet to be transferred to the Acquirer as at 31 December 2020. On 8 December 2021, the Group signed a Demolition and Compensation Agreement with the People's Government of Hongmei Town, Dongguan City (the "People's Government"), whereby the Group will transfer the piece of land to the People's Government in exchange for another piece of land. Accordingly, the transaction with the previous Acquirer was cancelled. As at 31 December 2021, the timing that the Group would replace and transfer the land to the People's Government is uncertain. The land is being depreciated over the term of the land use right.

As at 31 December 2021, the recoverable amount of the right-of-use asset was determined by reference to valuation carried out on a Market Value basis. Market Value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

The fair value of the land as at 31 December 2021 was estimated to be above its carrying amount. The fair value was determined by the directors of the Company, with reference to recent market prices of similar properties as inputs. At the end of the reporting period, no impairment of the right-of-use asset was considered necessary.

The fair value of the land was determined based on the market observable comparable prices of similar properties ranging from RMB605 to RMB1,245 per sq. m and adjusted to RMB700 per sq. m taking into account differences in locations and size. The higher the comparable prices, the higher the fair value of the land. The fair value was based on observable inputs other than unadjusted quoted prices and corroborated by observable market data, and is under level 3 fair value measurement hierarchy.

(c) The lease terms of the prepaid land leases are ranged from 13 years to 20 years.

17. GOODWILL

	2021 **RMB**	2020 RMB
Cost		
At 1 January and 31 December	**12,149,807**	12,149,807
Accumulated impairment losses		
At 1 January	**(11,729,807)**	(3,749,807)
Impairment loss recognised in the year	**(420,000)**	(7,980,000)
At 31 December	**(12,149,807)**	(11,729,807)
Carrying amount	**–**	420,000

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

For the purpose of impairment testing, goodwill is identified as belonging to the following CGUs:

	2021 **RMB**	2020 RMB
Elderly care services, including leasing of elderly equipment	**–**	420,000

17. GOODWILL *(continued)*

The elderly care and health care services segment includes two CGUs, which are the elderly care services CGUs and health care services CGUs. The goodwill is classified under the elderly care services CGUs. 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 periods. The Group forecasted the cash flow projections based on latest available information and business plan. An impairment loss of RMB420,000 (2020: RMB7,980,000) was recognised for the year ended 31 December 2021. The recoverable amount of the CGUs was determined based on value-in-use calculations. These calculations used cash flow projections based on the five-year financial budgets approved by management. Cash flows beyond the five-year period have been extrapolated with an estimated general annual growth rate of 3% (2020: 3%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Details of the variables and assumptions were as follows:

	2021	2020
Pre-tax discount rate	**11.7%**	8.54%
Operating margin	**(50%)-(51%)**	(22.67%)-7.76%
Growth rate of sales revenue within the five-year period	**(33%)-3%**	(11.99%)-8.02%

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

The recoverable amount of the elderly care services CGUs was RMB Nil (2020: RMB420,000).

18. INTANGIBLE ASSET

	2021 RMB	2020 RMB
Cost		
At 1 January and 31 December	**276,085,998**	276,085,998
Accumulated amortisation and impairment losses		
At 1 January	**274,049,998**	272,189,034
Amortisation	**156,615**	294,110
Impairment	**1,842,385**	1,566,854
At 31 December	**276,048,998**	274,049,998
Carrying amount	**37,000**	2,036,000

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 the exclusive right to use the 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 in Asia Pacific include the PRC, Hong Kong, Macau, Japan and Korea. The exclusive medical 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. Licencing income would be generated from sub-licensing of the exclusive right to use the license and processing income would be generated from self-operated detection centre and share of revenue from detection performed by sub-licensees.

18. INTANGIBLE ASSET *(continued)*

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

	2021 RMB	2020 RMB
Health care services	**37,000**	2,036,000

The elderly care and health care services segment includes two CGUs, which are the elderly care services CGU and health care services CGUs. The intangible asset belongs to the health care services CGUs, which provide EEG detection services. The scale of business and the current financial performance of the health care services CGUs were below the expectation of the Group's management during the year. Further, in 2021, the CGUs had suspended its operations due to COVID-19 pandemic. The Group performed its impairment assessment for intangible assets in the health care services CGUs by estimating the recoverable amount of the health care services CGUs and comparing its recoverable amount to its carrying amount as at the end of the reporting periods. The Group forecasted the cash flow projections based on latest available information and impairment loss of RMB1,842,385 (2020: RMB1,566,854) was recognised for the year ended 31 December 2021. The recoverable amount of the CGUs has been determined from value in use calculations based on cash flow projections from formally approved budgets by management covering a five-year period. (2020: five-year period). Cash flows beyond the five-year period are extrapolated until 2034 since the management expected the license agreement for the EEG diagnosis detection and analysis technology will be ended in 2034, and thereafter the patent protection period will be ended. The annual growth rate of 0% for the next 5 years (2020: 3%) and 4% (2020: 3%) thereafter for the licensing income, do not exceed the long-term growth rate for the industry in the PRC.

Details of the variables and assumptions were as follows:

	2021	2020
Pre-tax discount rate	**22%-24%**	23.69%
Operating margin	**90%**	27.37%-89.75%
Growth rate within the five-year period (2020: five-year period) – processing Income	**0%**	0%
Growth rate within the five-year period (2020: five-year period) – licensing income	**0%**	(88.59%)-5%

The discount rate used is pre-tax and reflects specific risks relating to the relevant CGUs.

The growth rate within the five-year period (2020: 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 over the five-year period in the forecast.

18. INTANGIBLE ASSET *(continued)*

The growth rate within the five-year period (2020: 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 2022 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.

As at 31 December 2021, the recoverable amount of the intangible asset was RMB37,000 (2020: RMB2,036,000), determined based on the value-in-use of the health care services CGUs.

19. INTEREST IN AN ASSOCIATE/ASSET HELD-FOR-SALE

	2021 **RMB**	2020 RMB
Group's share of net assets of the associate	**4,948,494**	3,947,848
Goodwill	**3,084,764**	3,084,764
Accumulated impairment loss	**(3,084,764)**	(3,084,764)
	4,948,494	3,947,848
Reclassified as asset held-for-sale	**(4,948,494)**	–
Interest in an associate under equity method	**–**	3,947,848
Asset held-for-sale	**4,948,494**	–

19. INTEREST IN AN ASSOCIATE/ASSET HELD-FOR-SALE *(continued)*

Details of the Group's associate 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% (2020: 30.27%)	Manufacture and sale of sugar-reducing and sugar-free health care products in the PRC

* English translation is for identification purposes only.

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

	2021 RMB	2020 RMB
As at 31 December/date of reclassification to asset held-for-sale		
Current assets	**61,377,737**	47,344,823
Non-current assets	**22,395,255**	9,650,387
Current liabilities	**(67,425,143)**	43,953,099
Non-current liabilities	**–**	–
For the year ended 31 December/period up to date of reclassification to asset held-for-sale		
Revenue	**82,025,571**	74,650,200
Profit/(loss) from continuing operations	**3,305,737**	(6,389,411)
The Group's share of profit/(loss) of Tianjin Alpha for the year/period	**1,000,646**	(1,937,890)

19. INTEREST IN AN ASSOCIATE/ASSET HELD-FOR-SALE *(continued)*

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

	2021	2020
Proportion of the Group's interest in Tianjin Alpha	**30.27%**	30.27%

	2021 RMB	2020 RMB
Group's share of net assets of Tianjin Alpha	**4,948,494**	3,947,848
Goodwill	**3,084,764**	3,084,764
Impairment loss	**(3,084,764)**	(3,084,764)
	4,948,494	3,947,848

The balance of asset held-for-sale as at 31 December 2021 represents the Group's 30.27% equity interest in Tianjin Alpha which is principally engaged in healthcare business. On 28 December, 2021, the Group entered into an Equity Transfer Agreement, pursuant to which the Group agreed to sell 30.27% equity interest in Tianjin Alpha to the purchaser at a cash consideration of RMB10,860,000. As at 31 December 2021, the carrying amount of the Group's investment in Tianjin Alpha amounting to HK$5.2 million was classified as asset held-for-sale as the Group intended to recover the carrying amount through a sale transaction and the investment met the criteria to be classified as held for sale. The carrying amount as at 31 December 2021 represents the carrying amount of the interest in associate determined using the equity method of accounting immediately before the classification of asset held-for-sale, which is lower than the fair value less costs to sell. The disposal of the investment in Tianjin Alpha was completed in January 2022, and thereafter the Group no longer held any equity interest in Tianjin Alpha.

20. OTHER FINANCIAL ASSETS

	2021 RMB	2020 RMB
At 1 January	–	633,919
Fair value change (Note(a))	2,340,000	–
Fair value change (Note(b))	–	(633,919)
At 31 December	2,340,000	–

	2021 RMB	2020 RMB
Represented by:		
Current assets	2,340,000	–
Non-current assets	–	–
	2,340,000	–

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

(a) Shu Ju Ku Greater China Ltd. ("SJKGC")

Pursuant to the profit guarantee agreement agreed with the vendor, which is currently a non-controlling interest in SJKGC, in accordance with the acquisition agreement of SJKGC, the Company was eligible to preferential appropriation of 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 of USD5,390,000 for each year.

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 USD2,750,000 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.

20. OTHER FINANCIAL ASSETS *(continued)*

(a) Shu Ju Ku Greater China Ltd. ("SJKGC") *(continued)*

On 31 December 2020, the Group entered into a settlement agreement in respect of the above mentioned profit guarantee. Under the terms set out in the settlement agreement, (i) both parties agreed to extend the duration for the fulfilment of profit guarantee from three financial years to six financial years (2017, 2018, 2019, 2020, 2021 and 2022) and (ii) 2 alternative mechanisms were provided for fulfilment of the profit guarantee. Details of the revised terms of the profit guarantee arrangement are set out in the Announcement issued by the Company on 7 January 2021. On 26 March 2021, the Group has entered into a second settlement agreement that has suspended the previous settlement agreement dated 31 December 2020. Under the terms set out in the second settlement agreement, (i) both parties agreed to extend the duration for the fulfilment of profit guarantee from three financial years to six financial years (2017, 2018, 2019, 2020, 2021 and 2022) and (ii) 2 alternative mechanisms were provided for fulfilment of the profit guarantee and (iii) the settlement terms were revised by incorporating an option to return the consideration shares as part of the settlement if neither the 2 mechanisms could be fulfilled. Details of the revised terms in the profit guarantee arrangement are set out in the Announcement issued by the Company on 26 March 2021. The fair value of profit guarantee arising from acquisition of SJKGC at 31 December 2021 was determined based on valuation performed by independent professional qualified valuer and based on the latest revised terms as set out in the second settlement agreement. The fair value measurement of the profit guarantee was determined using discounted cash flow technique, based on projections of future profits of SJKGC, contractual terms and performance probability of alternative mechanisms and default rate of 70% as estimated by the management of the Group.

(b) Shanghai Muling Elderly Care Investment Management Company Ltd. ("Shanghai Muling")

Pursuant to the profit guarantee agreed with the vendor which became a non-controlling interest in a subsidiary in accordance with the acquisition agreement of Shanghai Muling, the Company was eligible to obtain cash compensation calculated 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. Such profit guarantee was fully derecognised in other financial assets as at 31 December 2020 as profit guarantee has been expired.

The audited profits after tax of Shanghai Muling for the years ended 31 December 2017, 2018, 2019 and 2020 were below the profit guarantee benchmark. The actual amount of profit guarantee based on the financial performance of Shanghai Muling was RMB243,626, RMB593,970, RMB781,603 and RMB1,018,697 for the years ended 31 December 2017, 2018, 2019 and 2020 respectively. The directors of the Company are in the opinion that the recovery of such profit guarantee was not highly probable from the vendor and no profit guarantee receivables and compensation were recognised.

21. INVENTORIES

	2021 RMB	2020 RMB
Raw materials	**38,352,777**	53,614,127
Finished goods	**27,694,824**	31,379,246
Packaging materials	**13,896,345**	13,209,422
	79,943,946	98,202,795
Less: Provision for inventory obsolescence	**(4,722,591)**	(6,560,616)
	75,221,355	91,642,179

22. TRADE RECEIVABLES

	2021 RMB	2020 RMB
Trade receivables	**121,645,753**	121,717,079
Allowance for expected credit losses	**(89,564,003)**	(77,824,581)
	32,081,750	43,892,498

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:

22. TRADE RECEIVABLES *(continued)*

	2021 **RMB**	2020 RMB
Within 3 months	**11,088,864**	23,608,030
More than 3 months but less than 6 months	**10,330,033**	12,162,620
More than 6 months but less than 1 year	**7,866,644**	4,605,773
Over 1 year	**2,796,209**	3,516,075
	32,081,750	43,892,498

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

	2021 **RMB**	2020 RMB
At 1 January	**77,824,581**	57,711,606
Expected credit losses provided	**11,739,422**	20,112,975
At 31 December	**89,564,003**	77,824,581

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 2021 and 2020 using a provision matrix to measure expected credit losses. The provision rates are based on aging from 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.

22. TRADE RECEIVABLES *(continued)*

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:

2021	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	18.56%	25.97%	61.77%	96.20%	
Gross carrying amount	13,616,009	13,953,847	20,577,148	73,498,749	121,645,753
Expected credit losses	2,527,145	3,623,814	12,710,504	70,702,540	89,564,003

2020	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	18.76%	24.67%	59.56%	94.60%	
Gross carrying amount	29,060,747	16,144,883	11,390,068	65,121,381	121,717,079
Expected credit losses	5,452,717	3,982,263	6,784,295	61,605,306	77,824,581

23. PREPAYMENTS AND OTHER RECEIVABLES

	2021 RMB	2020 RMB
Current		
Prepayments		
Advanced deposits to suppliers	55,925,130	74,033,265
Other receivables (note (i))	19,741,433	17,132,995
Less: allowance for doubtful debts (note (ii))	(9,733,564)	(5,893,378)
	10,007,869	11,239,617
	65,932,999	85,272,882

23. PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

Notes:

(i) Included in other receivables is an amount due from a wholly owned subsidiary of a shareholder of the Company ("the Borrower") of RMB7,000,000 as at 31 December 2021 (2020: RMB7,000,000). The amount is unsecured and interest bearing at 4% per annum. The repayment date has been extended for one year from 30 September 2020 to 30 September 2021. There is significant increase in credit risk due to further extension of the advance and such balance is considered as credit impaired. The other receivables are fully impaired by RMB7,000,000 as at 31 December 2021 (2020: RMB3,645,500).

(ii) Allowance for doubtful debts:

	2021 **RMB**	2020 RMB
At 1 January	**5,893,378**	2,663,378
Allowance for impairment loss	**3,840,186**	3,230,000
At 31 December	**9,733,564**	5,893,378

Details of credit risk assessment refer to Note 40(a).

24. AMOUNT DUE FROM AN ASSOCIATE

Amount due from an associate as at 31 December 2021 and 31 December 2020 represented:–

(i) three borrowing and respective interest receivable with Tianjin Alpha in total of carrying amount of RMB785,049 (2020: RMB3,119,149), after deducting accumulated impairment loss of RMB299,444 (2020: RMB1,066,680). In 2020, 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, whereby 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. In 2021, the borrowing was not fully settled yet, the residual amount would be repayable on demand and bearing interest at 30% above the 1-year lending rate in the People's Bank of China. Subsequent to the year ended 31 December 2021, the Group received RMB130,000 repayment for the borrowing from Tianjin Alpha; and

(ii) advance to Tianjin Alpha of gross carrying amount RMB767,236 (2020: RMB714,166) which is interest-free, unsecured and repayable on demand, and fully impaired by RMB767,236 as at 31 December 2021 (2020: Nil).

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss as at 31 December 2021 represented wealth management products issued by a PRC banking institution in total of RMB1,000,000 on 31 July 2020 (2020: RMB22,000,000), and subsequently measured at fair value as at 31 December 2021.

These financial products do not have specified maturity dates. These wealth management products include bond and equity investments and are not principal-guaranteed.

The fair value of the financial products has been determined by reference to the unquoted market price from bank at the end of reporting period.

26. CASH AND CASH EQUIVALENTS

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

As at 31 December 2021, the total cash and bank balances is RMB26,439,100 (2020: RMB13,531,995), which the amount denominated in RMB is RMB26,422,971 (2020: RMB13,506,686). 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 RMB538,025 (2020: RMB877,298) which was restricted for research and development purposes of a subsidiary, Guangdong Fulilong Soil Conditioning and Remediation Institute.

27. TRADE PAYABLES

	2021 RMB	2020 RMB
Trade payables	**29,532,859**	43,768,089

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

	2021 RMB	2020 RMB
Within 3 months	**13,954,850**	35,043,729
More than 3 months but less than 6 months	**7,711,732**	110,089
More than 6 months but less than 1 year	**3,228,002**	1,481,881
Over 1 year	**4,638,275**	7,132,390
Trade payables	**29,532,859**	43,768,089

28. CONTRACT LIABILITIES

	2021 RMB	2020 RMB
Contract liabilities arising from:		
Sale of biological compound fertiliser products	**67,681,371**	78,967,149
Elderly care and health care services	**26,540**	–
	67,707,911	78,967,149

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 in cash from its customers in advance of the transfer of goods. In such situation, contract liabilities would arise.

Elderly care and health care services

It is common practice for the Group to receive leasing of elderly equipment revenue from its customers in advance of the lease.

28. CONTRACT LIABILITIES *(continued)*

Movements in contract liabilities

	2021 RMB	2020 RMB
Balance as at 1 January	**78,967,149**	37,463,275
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)	**(71,180,182)**	(33,774,389)
Increase in contract liabilities as a result of receipts in advance	**59,920,944**	75,278,263
Balance at 31 December	**67,707,911**	78,967,149

29. OTHER PAYABLES AND ACCRUALS

	2021 RMB	2020 RMB
Other payables (note (i))	**30,585,052**	39,615,529
Accruals	**1,508,088**	3,553,797
Receipts in advance (note (ii))	**13,379,852**	13,329,852
Payable to Social Security Fund (note (iii))	**2,694,894**	2,694,894
	48,167,886	59,194,072

Note:

(i) Other payables are due to third party vendors, relating to operating expenses, purchase of plant and equipment, social insurance funds, and staff payroll.

(ii) These related to the deposits received from a purchaser for purchasing the land (see Note 16 (b) for details).

(iii) 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 National Council for the Social Security Fund (全國社會保障基金理事會).

30. AMOUNT DUE TO NON-CONTROLLING INTERESTS

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

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31. BANK AND OTHER BORROWINGS

	2021 RMB	2020 RMB
Current		
Interest bearing		
Secured		
– Short-term bank loans (note (i))	34,400,000	400,000
Unsecured		
– Short-term other loans (note (ii))	7,000,000	9,000,000
	41,400,000	9,400,000
Non-current		
Interest bearing		
Secured		
– Long-term bank loans (note (i))	6,000,000	6,400,000
	47,400,000	15,800,000

At end of reporting period, total current and non-current bank and other borrowings were scheduled to repay as follows:

	2021 RMB	2020 RMB
Within one year	41,400,000	9,400,000
More than one year, but not exceeding two years	6,000,000	6,400,000
	47,400,000	15,800,000

Note:

(i) The bank borrowings were secured against property, plant and equipment with a total carrying amount as at 31 December 2021 of approximately RMB43.3 million (2020: RMB9.7 million). Certain bank borrowings were also guaranteed by a director of the subsidiary and an independent third party.

(ii) Short-term unsecured other loans as at 31 December 2021 represented borrowings granted from two independent third parties in total of RMB7.0 million (2020: RMB9.0 million). Other loans of RMB6.0 million (2020: RMB3.0 million) guaranteed by a subsidiary's director, carried fixed interest rate of 12% per annum and repayable on demand and RMB1.0 million (2020: Nil) carried fixed interest rate of 18% per annum and repayable on demand, while the remaining RMB6.0 million as at 31 December 2020 was interest free and repayable on demand.

31. BANK AND OTHER BORROWINGS *(continued)*

Note: *(continued)*

(iii) As at 31 December 2021, the bank borrowings of the Group bear interest at fixed interest rate and the effective interest rate was 5.84% (2020: 6.2%).

(iv) As at 31 December 2021, banking facilities of approximately RMB63.4 million (2020: RMB21.6 million) were granted to the Group and the Group utilised approximately RMB40.4 million during the year ended 31 December 2021 (2020: RMB6.8 million).

32. LEASES LIABILITIES

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

	2021 RMB	2020 RMB
As at 1 January	**38,850,012**	6,218,453
Interest expense	**3,088,329**	280,030
Modification of lease contract	**7,591,032**	37,422,127
Lease payments	**(6,586,364)**	(5,070,598)
As at 31 December	**42,943,009**	38,850,012

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

	2021 RMB	2020 RMB
Minimum lease payments		
Not later than one year	**6,586,364**	1,989,431
Later than one year and not later than two years	**6,586,364**	4,747,620
Later than two years and not later than five years	**19,759,091**	19,777,135
Over five years	**25,247,726**	31,849,128
	58,179,545	58,363,314
Less: Interest payment	**(15,236,536)**	(19,513,302)
	42,943,009	38,850,012

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32. LEASES LIABILITIES *(continued)*

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

	2021 **RMB**	2020 RMB
Current	**3,730,654**	1,791,388
Non-current	**39,212,355**	37,058,624
As at 31 December	**42,943,009**	38,850,012

	2021 **RMB**	2020 RMB
Short term lease expense	**1,226,056**	1,001,868

33. SHARE CAPITAL

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

	2021		2020	
	Number (million)	**RMB**	Number (million)	RMB
Ordinary shares of RMB0.10 each:				
Domestic shares				
At 1 January and 31 December	**698**	**69,750,000**	698	69,750,000
H shares				
At 1 January and 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

33. SHARE CAPITAL *(continued)*

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

Note:

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 2021, none of the directors or supervisors, employees or other participants of the Scheme had any rights to acquire the H Shares in the Company (2020: nil).

34. 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 2020	275,317,438	(2,312,483)	(333,308,069)	(19,382,403)	(79,685,517)
Loss and total comprehensive expense for the year	–	–	(17,134,155)	–	(17,134,155)
At 31 December 2020 and 1 January 2021	275,317,438	(2,312,483)	(350,442,224)	(19,382,403)	(96,819,672)
Loss and total comprehensive expense for the year	–	–	(4,713,241)	–	(4,713,241)
Deemed contribution arising from imputed interest on amounts due from subsidiaries	–	–	–	(14,450,774)	(14,450,774)
At 31 December 2021	275,317,438	(2,312,483)	(355,155,465)	(33,833,177)	(115,983,687)

34. RESERVES *(continued)*

Notes:

(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 2021 and 2020.

(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 income, 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 and the deemed contribution arising from imputed interest on amounts due from subsidiaries.

35. NON-CONTROLLING INTERESTS

Summarised financial information in respect of subsidiaries with material non-controlling interests

As at and for the year ended 31 December 2021 and 2020, 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 subsidiaries with material NCI, before intra-group elimination, is presented below:

(a) Shandong Fulilong

	2021 RMB	2020 RMB
For the year ended 31 December		
Revenue	**284,825,400**	243,121,131
Loss for the year	**(1,131,742)**	(1,014,082)
Total comprehensive expense for the year	**(1,131,742)**	(1,014,082)
Loss and total comprehensive expense allocated to NCI	**(554,554)**	(496,900)
For the year ended 31 December		
Cash flows (used in)/generated from operating activities	**(14,534,492)**	21,936,257
Cash flows used in investing activities	**(808,390)**	(23,283,970)
Cash flows generated from/(used in) financing activities	**27,600,000**	(3,400,000)
Net cash inflow/(outflow)	**12,257,118**	(4,747,713)
As at 31 December		
Current assets	**135,507,216**	137,130,703
Non-current assets	**85,006,903**	67,372,730
Current liabilities	**(179,324,396)**	(161,781,968)
Non-current liabilities	**(6,000,000)**	(6,400,000)
Net assets	**35,189,723**	36,321,465
Accumulated non-controlling interests	**17,242,964**	17,797,518

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35. NON-CONTROLLING INTERESTS *(continued)*

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

(b) Shu Ju Ku Greater China

	2021 RMB	2020 RMB
For the year ended 31 December		
Revenue	8,808	8,074
Loss for the year	(2,048,384)	(1,862,117)
Total comprehensive loss for the year	(2,048,384)	(1,862,117)
Loss and total comprehensive loss allocated to NCI	(1,003,708)	(912,437)
For the year ended 31 December		
Cash flows generated from operating activities and net cash inflow	–	–
As at 31 December		
Current assets	6,671,856	7,302,338
Non-current assets	–	2,036,000
Current liabilities	(20,610,503)	(21,228,601)
Net liabilities	(13,938,647)	(11,890,263)
Accumulated non-controlling interests	(6,829,937)	(5,826,229)

35. NON-CONTROLLING INTERESTS *(continued)*

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

(c) Shanghai Muling

	2021 RMB	2020 RMB
For the year ended 31 December		
Revenue	641,116	479,049
Loss for the year	(3,237,007)	(3,185,281)
Total comprehensive loss for the year	(3,237,007)	(3,185,281)
Loss and total comprehensive loss allocated to NCI	(971,102)	(955,584)
For the year ended 31 December		
Cash flows used in operating activities	(1,031,194)	(1,013,680)
Cash flows generated from/(used in) investing activities	228,552	(1,697,859)
Cash flows generated from financing activities	–	–
Net cash outflow	(802,642)	(2,711,539)
As at 31 December		
Current assets	1,483,346	360,451
Non-current assets	503,167	837,081
Current liabilities	(4,768,097)	(742,109)
Net (liabilities)/assets	(2,781,584)	455,423
Accumulated non-controlling interests	(834,475)	136,627

36. DEREGISTRATION OF A SUBSIDIARY

On 27 October 2020, Beijing Hongdi Pension Investment Management Co., Ltd. ("Beijing Hongdi"), a wholly-owned subsidiary of the Company, was completed deregistration. The net liabilities of Beijing Hongdi at the date of deregistration were as follows:

	RMB	RMB
Other receivables	13	
Other payables	(370)	(357)
Gain on deregistration of a subsidiary		357
Total cash consideration		–

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

	RMB
Net cash outflow arising from deregistration of a subsidiary:	
Cash consideration received	–
Cash and cash equivalents deregistered of	–
	–

37. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2021 RMB	2020 RMB
Authorised and contracted for		
– Acquisition of property, plant and equipment	**2,403,000**	595,120

38. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Except for those transactions disclosed elsewhere in these financial statements, there are no other related party transactions for the years ended 31 December 2021 and 2020. 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.

39. CAPITAL RISK MANAGEMENT

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group actively and regularly reviews and manages its capital structure to maintain a balance between higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debts as total debt (which includes interest-bearing loans and borrowings), less cash and cash equivalents. Adjusted capital comprises all components of equity. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt-to-adjusted equity ratio at 31 December 2021 and 2020 was as follows:

	2021 RMB	2020 RMB
Total debts – Bank and other borrowings	**47,400,000**	15,800,000
Less: Cash and bank balances	**26,439,100**	13,531,995
Net debts	**20,960,900**	2,268,005
Total equity	**110,359,172**	155,143,579
Net debt-to-adjusted equity ratio	**19.0%**	1.5%

40. FINANCIAL RISK MANAGEMENT

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

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

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

(a) Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 5% (2020: 9%) and 17% (2020: 43%) of the total carrying amount of trade receivables was due from the Group's largest customer and the five largest customers respectively, which are in the fertiliser industry. 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. The quantitative assessment of expected credit losses of trade receivable is set out in Note 22 in consolidated financial statements.

The Group determined that other receivables do not have low credit risk at reporting date and there is significant increase in credit risk since initial recognition (as it is credit impaired due to extension of expiry date), which the ECLs is recognized at lifetime basis. As such, other receivables are assessed for impairment individually at each reporting date and accumulated impairment losses of the Group amounting to approximately RMB9.7 million (2020: RMB5.9 million) has been made as at 31 December 2021. The individually impaired receivables are recognized based on the indication of financial difficulties and default in payments. Consequently, specific impairment provision was recognized. Prepayments and other receivables are non-interest bearing and the Group does not hold any collateral over these balances.

40. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk

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

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

	Carrying amount RMB	Total contractual undiscounted cash flows RMB	Within 1 year or on demand RMB	More than 1 year RMB
2021				
Bank and other borrowings	**47,400,000**	**56,889,423**	**50,168,160**	**6,721,263**
Trade payables	**29,532,859**	**29,532,859**	**29,532,859**	**–**
Other payables and accruals	**34,788,034**	**34,788,034**	**34,788,034**	**–**
Lease liabilities	**42,943,009**	**58,179,545**	**6,586,364**	**51,593,181**
	154,663,902	**179,389,861**	**121,075,417**	**58,314,444**
2020				
Bank and other borrowings	15,800,000	17,306,209	10,484,609	6,821,600
Trade payables	43,768,089	43,768,089	43,768,089	–
Other payables and accruals	43,169,326	43,169,326	43,169,326	–
Amount due to non-controlling interests	1,120,528	1,120,528	1,120,528	–
Lease liabilities	38,850,012	58,363,314	1,989,431	56,373,883
	142,707,955	163,727,466	100,531,983	63,195,483

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40. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank and other borrowings and lease liabilities. Bank and other borrowings were issued at fixed rates for years ended 31 December 2021 and 2020, which exposed the Group to fair value interest rate risk. The Group has no significant interest bearing assets apart from cash and bank deposits and loans to associate/asset held-for-sale. 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.

	2021		2020	
	Effective interest rate % per annum	RMB	Effective interest rate % per annum	RMB
Borrowings				
Fixed rate borrowings	**5.98%-18%**	**47,400,000**	4.95%	15,800,000
Lease liabilities	**6.65%**	**42,943,009**	6.65%	38,850,012
		90,343,009		54,650,012

No sensitivity analysis of effects of changes in interest rates is presented as the Group does not have significant exposure to cash flow interest rate risk.

(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.

40. FINANCIAL RISK MANAGEMENT *(continued)*

(e) Other price risk

Other price risk is the risk that the fair values of wealth management products is changed due to the values of the underlying investments in the wealth management products is changed. The Group is exposed to price risk arising from wealth management products classified as FVTPL as at 31 December 2021, the fair value of which is determined by the market price as disclosed by the financial institution which the financial products were issued.

The sensitivity analysis below has been determined based on the Group's exposure to price risks at the reporting date.

If the price of the respective wealth management products classified as FVTPL had been 5% higher/lower, the post-tax loss for the year ended 31 December 2021 would decrease/increase by approximately RMB50,000 (2020: RMB1,375,000) for the Group, as a result of the changes in fair value of financial assets classified as FVTPL.

41. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(i) Financial instruments not measured at fair value

Summarised in the following table are the carrying amounts of financial assets and financial liabilities not measured at fair value, which include cash and cash equivalents, trade receivables, other receivables, amount due from associate, trade payables, other payables and accruals, amount due to non-controlling interests and bank and other borrowings. Due to their short-term nature, the carrying values of cash and cash equivalents, trade and other receivables, amount due from associate, trade payables, other payables and accruals, amount due to non-controlling interests and bank and other 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.

	2021 **RMB**	2020 RMB
Financial assets		
Amortised cost		
– Cash and bank balances	**26,439,100**	13,531,995
– Trade receivables	**32,081,750**	43,892,498
– Other receivables	**10,007,869**	11,239,617
– Amount due from an associate	**785,049**	3,833,315
	69,313,768	72,497,425
Financial liabilities		
Financial liabilities measured at amortised cost	**121,210,316**	103,857,943

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

(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 2021 was determined by the market price as disclosed by the financial institution which the financial products were issued. Therefore, it is classified under level 2 hierarchy.

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.

The financial assets and financial liabilities measured at fair value as at 31 December 2021 and 2020 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 2021				
Other financial assets				
– Profit guarantee	**–**	**–**	**2,340,000**	**2,340,000**
Financial assets at fair value through profit or loss				
– Financial products	**–**	**1,000,000**	**–**	**1,000,000**
As at 31 December 2020				
Financial assets at fair value through profit or loss				
– Financial products	–	22,000,000	–	22,000,000

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 2021.

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

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

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

Profit guarantee

	2021 **RMB**	2020 RMB
At beginning of the year	**–**	633,919
Change in fair value during the year	**2,340,000**	–
Total loss recognised in profit or loss	**–**	(633,919)
At end of the year	**2,340,000**	–
Gain/(Loss) recognised in consolidated profit or loss relating to financial instruments held by the Group at the reporting date	**2,340,000**	(633,919)

The fair value of profit guarantee receivable was determined using the discounted cash flow model and is within level 3 fair value measurement. Significant inputs for the fair value measurement of profit guarantee include market value of the consideration shares and the probability of counterparty default which is unobservable. A significant increase/(decrease) in the probability of counterparty default would result in a significant decrease/(increase) in the fair value of the profit guarantee receivable. The sensitivity analysis below has been determined based on the management's estimate of the possible range of probability of counterparty default.

A 30% increase in the probability of counterparty default holding all other variables constant would decrease the carrying amount of the profit guarantee receivable by RMB1,638,000 and vice versa.

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42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank and other borrowings RMB	Lease liabilities RMB
At 1 January 2020	31,200,000	6,218,453
Modification of lease contract	–	37,422,127
Interest expenses	1,355,903	280,030
Changes from cash flows:		
Proceeds from new bank and other borrowings	15,800,000	–
Repayment of bank borrowings	(31,200,000)	–
Repayment of lease liabilities – principal portion	–	(4,790,568)
Interest paid	(1,355,903)	(280,030)
Total changes from financing cash flows:	(16,755,903)	(5,070,598)
At 31 December 2020 and 1 January 2021	15,800,000	38,850,012
Modification of lease contract	–	7,591,032
Interest expenses	2,378,741	3,088,329
Changes from cash flows:		
Proceeds from new bank and other borrowings	47,600,000	–
Repayment of bank borrowings	(16,000,000)	–
Repayment of lease liabilities – principal portion	–	(3,498,035)
Interest paid	(2,378,741)	(3,088,329)
Total changes from financing cash flows:	29,221,259	(6,586,364)
At 31 December 2021	47,400,000	42,943,009

43. PARTICULARS OF SUBSIDIARIES

Particulars of the Group's subsidiaries as at 31 December 2021 are as follows:

	Form of business structure	Place of incorporation/ establishment	Attributable equity interest held by the Group		Place of operation and principal activities
			Directly	Indirectly	
Fulilong (Shandong) Fertilisers Co., Ltd. [2] ("Shandong Fulilong")	Corporation	PRC	–	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	100%	–	Principally engaged in the research, development, manufacture and sales of biological compound fertilisers
Ningxia Hongdi Biotechnology Co., Ltd. [2] ("Ningxia Hongdi")	Corporation	PRC	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	–	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	–	100%	Principally engaged in conducting regional soil resources conditioning and remediation research, and soil environmental quality standards research
Shanghai Muling Elderly Care Investment Management Company Ltd. [2] ("Shanghai Muling")	Corporation	PRC	70%	–	Principally engaged in the provision of elderly care consulting, advisory, management and assessment services and research and development of elderly care business
Shu Ju Ku Greater China Ltd. ("SJKGC")	Corporation	Cayman Islands	51%	–	Principally conducting quantitative EEG detection and diagnosis technology to carry out related products and services
TEDA Health Management Services (Dongguan) Company Limited.[2] ("TEDA Dongguan")	Corporation	PRC	100%	–	Dormant

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

44. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	2021 RMB	2020 RMB
Non-current assets		
Property, plant and equipment	–	126,189
Investments in subsidiaries	2,606,000	2,456,000
Investment in an associate	–	7,523,663
Amounts due from subsidiaries	68,813,212	100,644,000
	71,419,212	110,749,852
Current assets		
Prepayments and other receivables	3,208,525	4,348,024
Amount due from associate	785,049	3,833,315
Other financial assets	2,340,000	–
Cash and cash equivalents	210,175	5,008,595
	6,543,749	13,189,934
Asset held-for-sale	7,523,663	–
	14,067,412	13,189,934
Current liabilities		
Trade payables	–	26,918
Other payables and accruals	12,020,311	31,282,540
	12,020,311	31,309,458
Net current assets/(liabilities)	2,047,101	(18,119,524)
NET ASSETS	73,466,313	92,630,328
Capital and reserves		
Share capital	189,450,000	189,450,000
Reserves	(115,983,687)	(96,819,672)
TOTAL EQUITY	73,466,313	92,630,328

Approved and authorized for issue by the Board of Directors on 31 March 2022 and are signed on its behalf by.

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

45. LITIGATION

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. The Agreement included certain provisions (the "Provisions") that 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. With respect to the Equity Interest, a Mediation Agreement was signed by the Company, one of the 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 with the Mediation Agreement in 2018. On 18 September 2020, the Equity Interest was transferred to an existing shareholder as determined by the New Investor (the "Trustee"), but the Entrusted Shareholding Agreement was yet to be concluded between the New Investor and the Trustee. On 15 January 2021, the Shareholding Agreement had been concluded between the New Investor and the Trustee. Therefore, the legal obligation of the buyback was released and the procedures of the transfer of Equity Interest were considered as completed.

46. EVENT AFTER THE REPORTING PERIOD

On 28 December 2021, the Group entered into an Equity Transfer Agreement, pursuant to which the Group agreed to sell 30.27% equity interest in Tianjin Alpha to the Purchaser at a cash consideration of RMB10,860,000. The transfer was completed in January 2022, the Group no longer held any equity interest in Tianjin Alpha.

47. THE ASSESSMENT OF THE IMPACT OF THE CORONAVIRUS DISEASE 2020

The World Health Organisation declared coronavirus and COVID-19 a global health emergency on 30 January 2020. Since then, the Group has experienced significant disruptions to its operations in the following aspects:

- interruptions to provision of elderly care and health care services due to social distancing and protective measures;

- significant uncertainty concerning when government lockdowns would be lifted, social distancing requirements would be eased and the long-term effects of the pandemic on the demand for the Group's primary products, which is biological compound fertilisers.

The government of the PRC in which the Group operates also implemented various measures which might mitigate some of the impacts of the COVID-19 pandemic to the results and liquidity position of the Group. To an appropriate extent, the Group applied for such government financial assistance. Details of financial assistance from the Government available throughout the period remain subject to uncertainty.

The Directors will continue to assess the implications of COVID-19 pandemic to the Group's business from time to time. Depending on the duration of the COVID-19 pandemic and continued negative impact on economic activities, the Group might experience further negative results, and liquidity restraints and incur additional impairments on its assets in 2021. However, the exact impact(s) in the remaining period of 2022 and thereafter cannot be predicted at the moment.

48. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2022.