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天津泰達生物醫學工程股份有限公司

Tianjin TEDA Biomedical Engineering Company Limited

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

(Stock code: 8189)

ANNOUNCEMENT ON UNAUDITED ANNUAL RESULTS FOR 2019

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

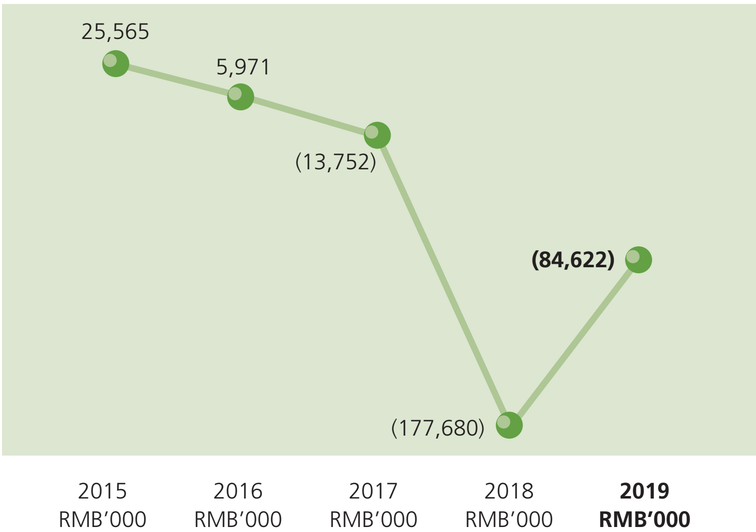
FINANCIAL HIGHLIGHTS

Financial Summary

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

	As at 31 December				
	2015	2016	2017	2018	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
	(Audited)	(Audited)	(Audited)	(Audited)	**(Unaudited)**
Assets & Liabilities					
Total assets	458,505	459,628	707,878	448,980	**356,313**
Total liabilities	114,072	110,244	133,078	157,312	**150,806**
Equity attributable to the shareholders	319,937	325,908	422,954	273,006	**191,034**

Profit/(loss) attributable to the shareholders



For the reasons explained below under "Review of Unaudited Annual Results", the auditing process for the annual results of Tianjin TEDA Biomedical Engineering Company Limited ("TEDA Biomedical" or the "Company") and its subsidiaries (collectively, the "Group") has not been completed. In the meantime, The Board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2019 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** ***RMB*** **(Unaudited)**	2018 *RMB* (Audited)
Revenue	*2*	**358,751,734**	351,897,658
Cost of sales		**(323,756,023)**	(350,190,803)
Gross profit		**34,995,711**	1,706,855
Other income and losses, net		**(7,937,281)**	(3,680,687)
Selling and distribution costs		**(18,561,353)**	(21,726,586)
Administrative expenses		**(27,606,878)**	(28,333,237)
Research and development expenses		**(8,298,309)**	(11,667,239)
Finance costs	*4*	**(4,636,152)**	(2,762,567)
Impairment loss on:			
– goodwill		**(3,749,807)**	–
– intangible asset		**(12,881,908)**	(227,361,866)
– trade receivables		**(19,161,085)**	(3,817,278)
– other receivables		**(384,599)**	(44,626)
– right-of-use assets		**(4,766,091)**	–
– property, plant and equipment		**(8,754,679)**	–
– investment in associates		**(3,051,805)**	–
– amounts due from associates		**(833,414)**	–
Gain on disposal of a subsidiary		**1,918,826**	–
Loss on modification of leases contract		**(1,491,079)**	–
Share of loss of associates		**(3,615,929)**	(2,792,016)
Loss before income tax	*4*	**(88,815,832)**	(300,479,247)
Income tax	*5*	**5,136**	(158,686)
Loss for the year		**(88,810,696)**	(300,637,933)
Loss and total comprehensive income for the year		**(88,810,696)**	(300,637,933)
Attributable to:			
Owners of the Company			
– Loss for the year		**(84,621,807)**	(177,679,819)
Non-controlling interests			
– Loss for the year		**(4,188,889)**	(122,958,114)
		(88,810,696)	(300,637,933)
Loss per share			
– Basic and diluted	*7*	**(4.47)**	(9.58)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB (Unaudited)	2018 RMB (Audited)
Non-current assets			
Property, plant and equipment		**56,329,036**	71,338,431
Right-of-use assets		**12,992,063**	–
Goodwill		**8,400,000**	12,149,807
Intangible asset	*8*	**3,896,964**	18,045,202
Interest in associates		**13,642,335**	17,660,069
Prepaid land lease payments		**–**	13,018,908
Prepayments and other receivables	*10*	**12,514,676**	12,401,826
Other financial assets		**–**	10,463,767
Total non-current assets		**107,775,074**	155,078,010
Current assets			
Inventories		**88,933,060**	85,618,751
Trade and bills receivables	*9*	**59,706,282**	76,699,301
Prepayments and other receivables	*10*	**66,218,178**	66,745,283
Amounts due from associates		**8,799,019**	12,683,044
Financial assets at fair value through profit or loss		**–**	9,025,622
Other financial assets		**633,919**	–
Cash and bank balances		**24,247,304**	43,129,493
Total current assets		**248,537,762**	293,901,494
Total assets		**356,312,836**	448,979,504
Current liabilities			
Trade payables	*11*	**19,283,679**	40,175,528
Contract liabilities		**37,463,275**	22,264,411
Other payables and accruals		**55,476,202**	42,121,228
Amount due to non-controlling interests		**1,120,528**	1,120,528
Other financial liabilities		**–**	1,633,200
Bank borrowings	*12*	**31,200,000**	49,500,000
Lease liabilities		**6,218,453**	–
Current tax liabilities		**43,764**	496,978
Total current liabilities		**150,805,901**	157,311,873
Net current assets		**97,731,861**	136,589,621
Total assets less current liabilities		**205,506,935**	291,667,631
NET ASSETS		**205,506,935**	291,667,631
Capital and reserves attributable to owners of the Company			
Share capital	*13*	**189,450,000**	189,450,000
Reserves		**1,584,098**	83,555,905
Equity attributable to owners of the Company		**191,034,098**	273,005,905
Non-controlling interests		**14,472,837**	18,661,726
TOTAL EQUITY		**205,506,935**	291,667,631

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital	Share premium	Surplus reserve	Capital reserve	Other reserve	(Accumulated losses)/ Retained earnings	Attributable to owners of the Company	Non–controlling interests	Total
	Note 13	*Note 14(i)*	*Note 14(ii)*	*Note 14(iii)*	*Note 14(v)*	*Note 14(iv)*			
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Balance as at 1 January 2018	169,500,000	255,466,214	3,717,696	2,541,404	(22,032,403)	(5,925,357)	403,267,554	150,357,314	553,624,868
Loss and total comprehensive income for the year	–	–	–	–	–	(177,679,819)	(177,679,819)	(122,958,114)	(300,637,933)
Issue of new shares	19,950,000	19,851,224	–	–	–	–	39,801,224	–	39,801,224
Acquisition of non-controlling interests of a subsidiary	–	–	–	–	–	(578,933)	(578,933)	578,933	–
Dividends declared to non-controlling interest in 2018 *(Note i)*	–	–	–	–	–	–	–	(1,120,528)	(1,120,528)
Transfer from non-controlling interests to owners of the Company *(Note i)*	–	–	–	–	–	8,195,879	8,195,879	(8,195,879)	–
Balance as at 31 December 2018 and 1 January 2019	189,450,000	275,317,438	3,717,696	2,541,404	(22,032,403)	(175,988,230)	273,005,905	18,661,726	291,667,631
Loss and total comprehensive income for the year	–	–	–	–	–	(84,621,807)	(84,621,807)	(4,188,889)	(88,810,696)
Put option exercised *(Note 14(v))*	–	–	–	–	2,650,000	–	2,650,000	–	2,650,000
Balance as at 31 December 2019	189,450,000	275,317,438	3,717,696	2,541,404	(19,382,403)	(260,610,037)	191,034,098	14,472,837	205,506,935

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

1. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

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

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

(i) Impact of the adoption of HKFRS 16

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

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

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

Consolidated statement of financial position as at 1 January 2019

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

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

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

Reconciliation of operating lease commitment to lease liabilities

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

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

(ii) The new definition of a lease

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

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

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

(iii) Accounting as a lessee

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

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

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

Right-of-use asset

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

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

Lease liability

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

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

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

(iv) Accounting as a lessor

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

(v) Transition

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

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

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrual lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019. For all these right-of-use assets, the Group has applied HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" immediately before the date of initial application as an alternative to perfuming an impairment review and assess if there was any impairment as on 1 January 2019.

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

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

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

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

Amendments to HKAS 19 – Plan Amendments, Curtailment or Settlement

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

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Amendments to HKFRS 3 – Definition of a Business

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

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

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

Amendments to HKAS 1 and HKAS 8 – Definition of Material

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

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

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

HKFRS 17 – Insurance Contracts

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

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

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

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

2. REVENUE

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

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

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

	2019	2018
	RMB	*RMB*
	(Unaudited)	(Audited)
Trade receivables *(note 9)*	**59,206,282**	76,499,301
Contract liabilities	**37,463,275**	22,264,411

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

3. SEGMENT INFORMATION

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

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

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

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

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

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

(a) Business segments

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

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

Year ended 31 December 2019

(Unaudited)

	Fertiliser products ***RMB***	**Elderly care & health care services** ***RMB***	**Total** ***RMB***
Revenue from external customers	353,356,662	5,395,072	358,751,734
Inter-segment revenue	–	–	–
Reportable segment revenue	353,356,662	5,395,072	358,751,734
Reportable segment loss	(47,483,695)	(14,167,134)	(61,650,829)
Interest income	(58,367)	(21,094)	(79,461)
Interest expense	4,636,152	–	4,636,152
Depreciation and amortisation for the year	13,184,855	1,355,484	14,540,339
Impairment loss on trade and other receivables	19,136,283	409,401	19,545,684
Impairment loss on goodwill	–	3,749,807	3,749,807
Impairment loss on intangible assets	–	12,881,908	12,881,908
Impairment loss on right-of-use assets	4,766,091	–	4,766,091
Impairment loss on property, plant and equipment	8,754,679	–	8,754,679
Loss on modification of leases contract	1,491,079	–	1,491,079
Provision for obsolete stock, net	1,039,851	–	1,039,851
Reportable segment assets	292,849,335	28,216,175	321,065,510
Additions to non-current assets during the year	1,310,437	26,440	1,336,877
Reportable segment liabilities	134,757,061	10,347,772	145,104,833

Year ended 31 December 2018

(Audited)

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

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

	2019 ***RMB*** **(Unaudited)**	2018 *RMB* (Audited)
Revenue		
Total reportable segments' revenue	**358,751,734**	351,897,658
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**358,751,734**	351,897,658

	2019	2018
	RMB	*RMB*
	(Unaudited)	(Audited)
Loss before income tax expense		
Total reportable segments' loss	**(61,650,829)**	(283,970,561)
Elimination of inter-segment profit	**–**	–
Interest income	**19,291**	8,690
Other interest income	**442,956**	1,404,420
Depreciation and amortisation	**(66,333)**	(101,838)
Share of loss of associates	**(3,615,929)**	(2,792,016)
Gain on disposal of a subsidiary	**1,918,826**	–
Impairment loss on investments in associates	**(3,051,805)**	–
Impairment loss on amounts due from associates	**(833,414)**	–
Unallocated corporate expenses	**(21,978,595)**	(15,027,942)
Consolidated loss before income tax expense	**(88,815,832)**	(300,479,247)
Assets		
Total reportable segments' assets	**321,065,510**	410,607,688
Interest in associates	**13,642,335**	17,660,069
Amounts due from associates	**8,799,019**	12,683,044
Unallocated corporate assets	**12,805,972**	8,028,703
Consolidated total assets	**356,312,836**	448,979,504
Liabilities		
Total reportable segments' liabilities	**145,104,833**	124,429,541
Other financial liabilities	**–**	1,633,200
Unallocated corporate liabilities	**5,701,068**	31,249,132
Consolidated total liabilities	**150,805,901**	157,311,873

(c) Disaggregation of revenue from contracts with customers

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

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

(d) Geographical information and major customers

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

4. LOSS BEFORE INCOME TAX

Loss before income tax is arrived after charging:

	2019	2018
	RMB	*RMB*
	(Unaudited)	(Audited)
Finance costs		
Interest expense on bank borrowings	**2,687,556**	2,762,567
Interest expense on other financial liabilities	**1,016,800**	–
Interest expense on lease liabilities	**931,796**	–
	4,636,152	2,762,567
Auditor's remuneration	**1,160,679**	1,204,310
Research and development expenses	**8,298,309**	11,667,239
Cost of inventories recognised as expense	**321,559,999**	333,337,369
Depreciation of property, plant and equipment	**7,424,121**	7,038,965
Amortisation of prepaid land lease payments	**–**	273,525
Amortisation of intangible asset (note (i))	**1,266,330**	16,738,133
Depreciation of right-of-use assets	**5,916,221**	–
Provision for inventory obsolescence	**1,039,851**	2,151,559
Short-term leases expenses (2018: Operating lease rentals)	**14,606,672**	5,131,293
Employee costs (including emoluments of directors and supervisors):		
– Wages and salaries	**26,223,656**	24,999,887
– Retirement benefit scheme contributions	**3,683,412**	3,667,652
– Staff welfare and other benefits	**1,748,772**	1,709,831
	31,655,840	30,377,370

Note:

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

5. INCOME TAX

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

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

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

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

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

	2019	2018
	RMB	*RMB*
	(Unaudited)	(Audited)
Loss before income tax	**(88,815,832)**	(300,479,247)
Calculated at statutory rate of 25% (2018: 25%)	**(22,203,958)**	(75,119,812)
Tax effect of share of loss of associates	**903,982**	698,004
Tax effect of non-taxable items	**(1,150,530)**	(537,604)
Tax effect of expenses not deductible for taxation purposes	**16,499,296**	40,876,219
Tax effect of unused tax losses not recognised	**4,582,517**	32,762,365
Tax rate of differential and preferential tax treatment	**1,776,731**	1,919,235
Utilisation of tax losses previously not recognised	**(408,038)**	–
Over provision in respect of prior years	**(5,136)**	(439,721)
Income tax	**(5,136)**	158,686

(b) Deferred taxation

At 31 December 2019, the Group has unused tax losses of RMB184.7 million (2018: RMB170.8 million) that are available for offsetting against future taxable profits of the companies in which the losses arose. The unused tax losses can be carried forward for 5 years, of which RMB14.7 million, RMB22.3 million, RMB131.0 million and RMB16.7 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.

6. DIVIDEND

No dividend has been paid nor declared by the Company during the year (2018: nil).

7. LOSS PER SHARE

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

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

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

8. INTANGIBLE ASSET

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

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

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

9. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

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

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

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

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

10. PREPAYMENTS AND OTHER RECEIVABLES

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

Notes:

(i) In October 2013, the Group started legal proceeding against a lessor and its associates for failure to assist the Group in applying for relevant certificate for a deposit of acquiring prepaid land lease. On 12 September 2017, the Group and the owner of the land lease signed a Cooperative Land Use Right Transfer Agreement in which the owner of the land lease agreed to transfer the land use right at a consideration of RMB10.8 million, before including the direct costs, with a lease period of 50 years. On 28 September 2019, the Group signed an agreement with an independent third party (the "Acquirer") to unconditionally transfer the land use right to the acquirer when the Group successfully obtained the land use right certificate at a consideration of RMB11,500,000 (the "Consideration"). The arrangement of transfer of the land use right certificate is in progress as at 31 December 2019. As at 31 December 2019, deposits and relevant prepayments including direct costs required for the acquisition of the land use right is recorded in the consolidated statement of financial position as prepayments and the Consideration was recorded in the consolidated statement of financial position as receipt in advance. The actual cost incurred for the acquisition of land use right, including the direct costs, would be confirmed once the land use right transfer is agreed.

(ii) Allowance for doubtful debts:

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

The Group determined that these other receivables do not have low credit risk at reporting date and there is significant increase in credit risk since initial recognition, which the ECLs is recognised at lifetime basis. As such, other receivables are assessed for impairment individually at each reporting date and impairment losses of the Group amounting to approximately RMB2.6 million (2018: RMB2.3 million) has been made as at 31 December 2019. The individually impaired receivables are recognised based on the indication of financial difficulties and default in payments. Consequently, specific impairment provision was recognised. Prepayments and other receivables are non-interest bearing and the Group does not hold any collateral over these balances.

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

11. TRADE PAYABLES

	2019	2018
	RMB	*RMB*
	(Unaudited)	(Audited)
Trade payables	**19,283,679**	40,175,528

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

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

12. BANK BORROWINGS

	2019	2018
	RMB	*RMB*
	(Unaudited)	(Audited)
Secured	**31,200,000**	49,500,000

Bank borrowings are repayable within one year.

Notes:

(i) In 2019, bank borrowings secured against property, plant and equipment with a total carrying amount of approximately RMB57.2 million (2018: RMB57.2 million). Certain bank borrowings were also guaranteed by a director of the subsidiary and an independent third party.

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

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

13. SHARE CAPITAL

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

	2019 (Unaudited)		2018 (Audited)	
	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	**1,197**	**119,700,000**	997	99,750,000
Issue of new shares *(note (i))*	**–**	**–**	200	19,950,000
At 31 December	**1,197**	**119,700,000**	1,197	119,700,000
Total at 31 December	**1,895**	**189,450,000**	1,895	189,450,000

Notes:

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

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

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

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

14. RESERVES

(i) Share premium

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

(ii) Surplus reserve

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

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

(iii) Capital reserve

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

(iv) Accumulated losses

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

(v) Other reserve

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Fertiliser Business

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

The Elderly Health-care Business

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

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

* *For identification only.*

2. Proactively expand the assistive equipment rental business. In recent years, the State Council, the Ministry of Civil Affairs and the Shanghai Municipal Government and other authorities have successively promogulated policies such as " The Several Opinions of the State Council on Accelerating the Development of Rehabilitation Assistive Equipment Industry"(《國務院關於加快發展康復輔助器具產業的若干意見》), "The Opinions of the Shanghai Municipal People's Government on Realising the Acceleration of the Development of Rehabilitation Assistive Equipment Industry" (《上海市人民政府關於加快發展康復輔助器具產業的實施意見》), "The Notice of the Ministry of Civil Affairs, the Development and Reform Commission, the Ministry of Finance and China Disabled Persons' Federation on Launching Pilot Points of Community Rehabilitation Assistive Equipment Rental Service" (《民政部、發展改革委、財政部、中國殘聯關於開展康復輔助器具社區租賃服務試點的通知》) and "the 2019 Product List of Community Rehabilitation Assistive Equipment Rental (Pilot Points) in Shanghai City" (《2019上海市康復輔具社區租賃(試點)產品目錄》), which promote the accessibility of rehabilitation assistive equipment to families, communities and organisations. On the other hand, the subsidy policy for assistive equipment rental was introduced in Shanghai City. To apply for the subsidy for rental service, one has to rent the products in "the 2019 Product List of Community Rehabilitation Assistive Equipment Rental (Pilot Points) in Shanghai City". The amount of subsidy shall be 50% of the price of the assistive equipment rental service, and each rental term shall be 6 months, and the amount of subsidy shall not exceed RMB1500 (inclusive). The introduction of the above policies, especially the subsidy policy, has greatly advance the development of assistive equipment rental business. On 28 June 2019, Shanghai City became the first pilot area of the nationwide rehabilitation assistive equipment community rental service. After the selection by the Shanghai Civil Affairs Bureau, it was confirmed that there were 16 district and 70 street and town rehabilitation assistive equipment community rental points in total for the first phase of pilot points. On 10 October 2019, Shanghai Muling, a subsidiary of the Company, was successfully shortlisted as the first batch of the qualified service providers of rehabilitation assistive equipment community rental service in Shanghai City, and executed merchant entry agreements with 11 street and town pilot points. Currently, the company has 38 rehabilitation assistive equipment rental service points in 7 districts in Shanghai City.

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

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

FINANCIAL REVIEW

Turnover, gross profit and gross margin

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

Impairment loss of intangible assets

During the year ended 31 December 2019, an impairment loss of intangible assets of RMB12,881,908 was recognised. 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 cash-generating unit ("CGU"). The Group performed its impairment assessment for intangible assets in the health care services CGU by estimating the recoverable amount of the health care services CGU and comparing its recoverable amount to its carrying amount as at the end of the reporting period. The recoverable amount of the CGU has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% for the licensing income, which does not exceed the long-term growth rate for the industry in the People's Republic of China.

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

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

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

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

For details of the variables and assumptions, please refer to note 8 of this announcement.

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

Other income and losses, net

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

Selling and distribution costs

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

Administrative expenses

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

Research and development expenses

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

Finance costs

For the year ended 31 December 2019, finance costs of the Group were RMB4,636,152 (31 December 2018: RMB2,762,567), representing an increase of 67.82% as compared to the corresponding period last year. The increase in finance costs was contributed by the increase in underprovided interest expense from other financial liabilities of RMB931,796 and interest expense from lease liabilities of RMB1,016,800 due to the initial application of HKFRS 16 "Leases" since 1 January 2019.

Loss for the year

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

STRUCTURE OF SHARE CAPITAL

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

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

USE OF PROCEEDS FROM ISSUANCE OF NEW H SHARES

On 14 March 2018, the Company issued an announcement in relation to the completion of subscribing new shares under general mandate, pursuant to which, the conditions set out in the subscription agreement had been fulfilled, and the subscription was completed on 14 March 2018. According to the subscription agreement, the Company had allocated and issued a total of 199,500,000 subscription shares at a subscription price of HK$0.25 per subscription share to the subscribers. The net proceeds from the subscription, net of relevant expenses incurred from the subscription, amounted to RMB49,225,000. On 31 December 2019, the Group has utilised net proceeds of approximately HK$27,429,307 from the subscription and there was a balance of approximately HK$21,795,693 not yet utilised.

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

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

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

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

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

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

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

BACKGROUND AND CURRENT STATUS OF THE PROFIT GUARANTEE FROM SJKGC

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

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

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

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

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

CHANGE OF CHIEF EXECUTIVE OFFICER

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

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

SEGMENTAL INFORMATION

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

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

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

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

As at 31 December 2019, the Group's current assets and net current assets were RMB248,537,762 (31 December 2018: RMB293,901,494) and RMB97,731,861 (31 December 2018: RMB136,589,621) respectively. The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was 2.54 (31 December 2018: 1.87). The Group's current assets as at 31 December 2019 comprised mainly cash and bank balances of RMB24,247,304 (31 December 2018: RMB43,129,493), trade and bills receivables of RMB59,706,282 (31 December 2018: RMB76,699,301), prepayments and other receivables of RMB66,218,178 (31 December 2018: RMB66,745,283) and inventories of RMB88,933,060 (31 December 2018: RMB85,618,751).

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

As at 31 December 2019, the Group's consolidated total assets and net assets were RMB356,312,836 (31 December 2018: RMB448,979,504) and RMB205,506,935 (31 December 2018: RMB291,667,631) respectively. The Group's consolidated gearing ratio, represented by the ratio of total liabilities to total assets, was 0.42 (31 December 2018: 0.35). As at 31 December 2019, the Group's consolidated gearing ratio, represented by the ratio of total bank borrowings to total assets, was 0.09 (31 December 2018: 0.11).

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

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

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

EMPLOYEE AND REMUNERATION POLICIES

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

EXPOSURE TO FOREIGN CURRENCY RISK

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

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

TREASURY POLICIES

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

FUTURE OUTLOOK

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

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

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

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the interests of the directors and supervisors of the Company and their respective associates in the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) were as follows:

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

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

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

Save as disclosed in this paragraph, as of 31 December 2019, none of the Directors or the Supervisors of the Company had interest in any securities and underlying shares and debentures of the Company or any of its associated corporations, which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors and the supervisors of the Company or their respective spouses or children under 18 years of age, to have the rights to subscribe for the Company's securities or to exercise any such rights.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, the following persons (other than the Directors and the Supervisors of the Company) had interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

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

Names of shareholders	Capacity	Number of ordinary shares	Percentage of the issued share capital
Incubator	Beneficial owner	182,500,000 *(Note)*	9.63%
Xiangyong Investment	Beneficial owner	180,000,000 *(Note)*	9.50%
Zhinong Fertilisers	Beneficial owner	180,000,000 *(Note)*	9.50%
Lvye Fertilisers	Beneficial owner	120,000,000 *(Note)*	6.33%

Note: All of the shares represent domestic shares.

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

MANAGEMENT CONTRACTS

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

COMPETING INTERESTS

During the year ended 31 December 2019, none of the Directors, the Supervisors, or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) competes or may compete with the business of the Group or has or may have any other conflicts of interest with the Group required to be disclosed pursuant to the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not redeem any of its shares during the year under review. Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2019.

SHARE OPTION SCHEME

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

AUDIT COMMITTEE

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

The audit committee held six meetings during the current financial year.

REVIEW OF UNAUDITED ANNUAL RESULTS

The Company's auditor informed the Company that the auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of China to combat the COVID-19 outbreak. Most of the audit work had been completed except for site visit, inventory count, inspections of original and source documents and collection of bank confirmations. An announcement relating to the audited results will be made after the remaining auditing process has been completed by the auditor in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants as soon as practicable.

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

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 period under review.

DIRECTORS' SECURITIES TRANSACTION

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

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

Tianjin, the PRC
26 March 2020

As at the date of this announcement, the executive directors of the Company are Ms. Sun Li, Mr. Hao Zhihui and Mr. He Xin; the non-executive directors of the Company are Mr. Cao Aixin, Dr. Li Ximing and Ms. Gai Li; the independent non-executive directors of the Company are Mr. Li Xudong, Mr. Wang Yongkang and Ms. Gao Chun.

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

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