天津泰達生物醫學工程股份有限公司
Tianjin TEDA Biomedical Engineering Company Limited

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 8189)

Annual Report
2018

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

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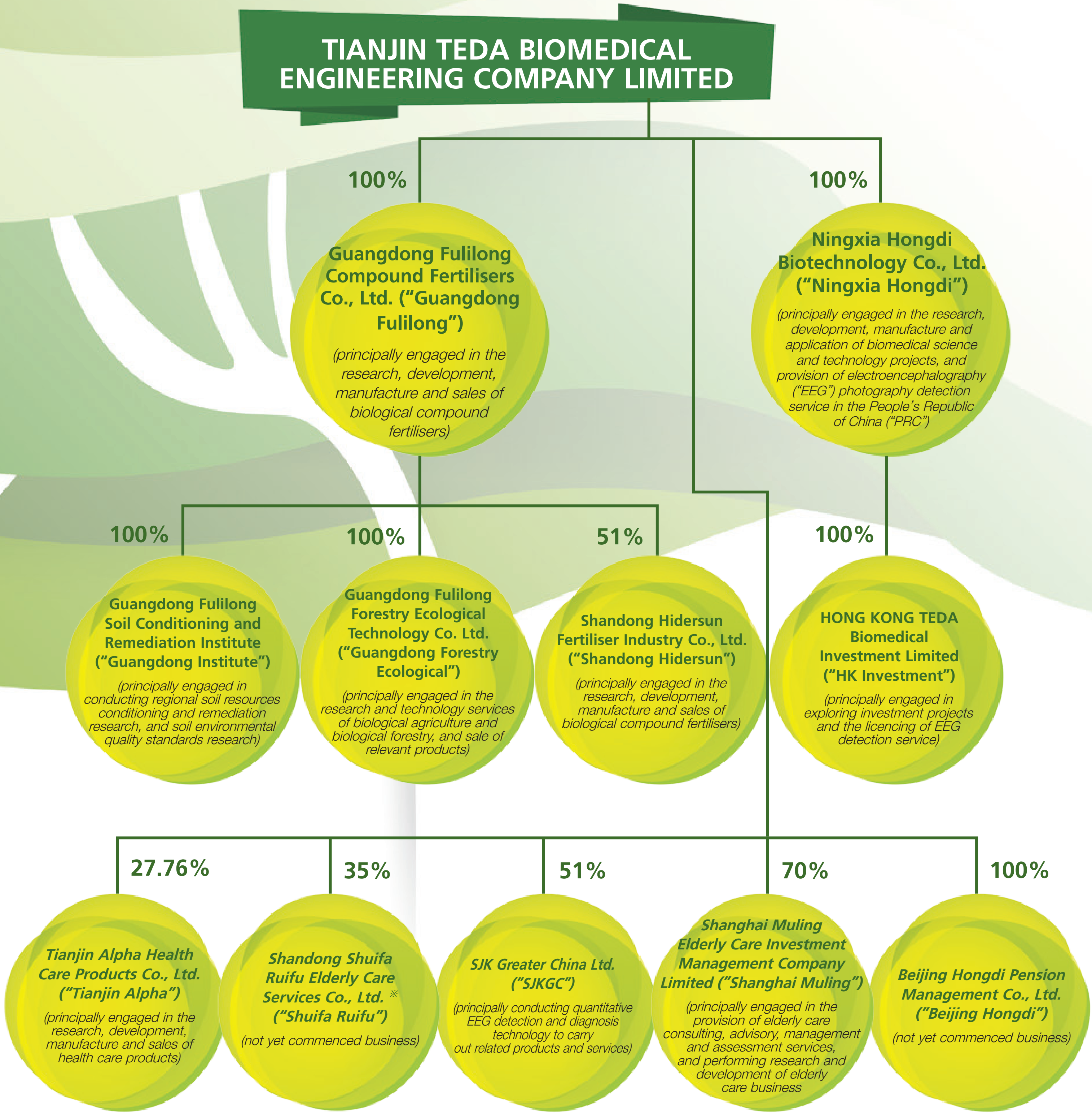
CORPORATE INTRODUCTION

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

GROUP STRUCTURE



※ Shuifa Ruifu is a limited company incorporated by the Company, Shuifa Zhongxing Group Co., Ltd. (水發眾興集團有限公司) ("Shuifa Zhongxing") and Shandong Runzhao Environmental Technology Co., Ltd. (山東潤昭環境科技有限公司) ("Runzhao Environmental") in the PRC on 21 December 2018.

CORPORATE INFORMATION

Executive Directors
Ms. Sun Li
Mr. Hao Zhihui
Mr. Liu Renmu (resigned on 20 September 2018)
Mr. He Xin (appointed on 20 December 2018)

Non-executive Directors
Mr. Cao Aixin
Mr. Feng Enqing (resigned on 9 August 2018)
Ms. Gai Li (appointed on 26 September 2018)
Dr. Li Ximing

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

Supervisors
Ms. Yang Chunyan
Ms. Liu Jinyu

Independent Supervisors
Mr. Liang Weitao
Ms. Feng Ling

Company Secretary
Mr. Ng Ka Kuen Raymond, CPA, FCIS

Compliance Officer
Ms. Sun Li

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

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

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

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

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

Auditor
BDO Limited

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

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

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

Company Website
www.bioteda.com

Stock Code
8189

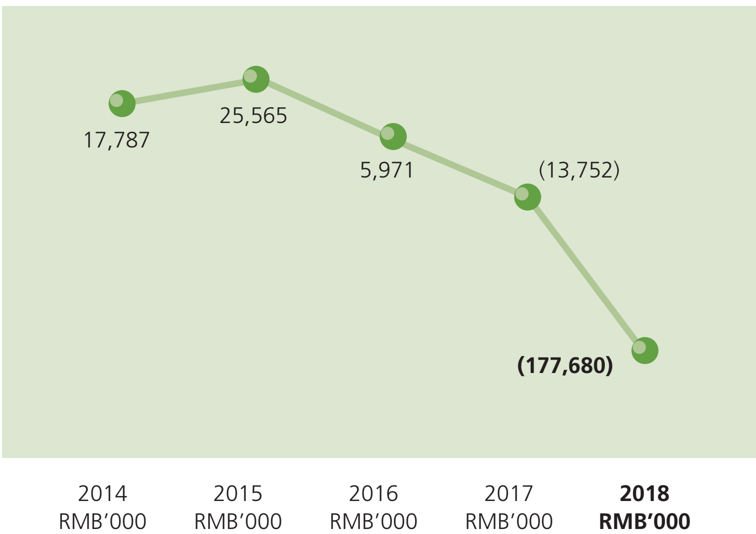
FINANCIAL HIGHLIGHTS

FINANCIAL SUMMARY

	For the year ended 31 December				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018 RMB'000**
Results					
Turnover	470,267	501,590	389,278	375,907	**351,898**
Gross profit	78,712	96,721	78,806	53,205	**1,707**
Gross margin	16.74%	19.28%	20.24%	14.15%	**0.49%**
Profit/(loss) attributable to the shareholders	17,787	25,565	5,971	(13,752)	**(177,680)**
Earnings/(loss) per share	1.46 cents	1.76 cents	0.37 cents	(0.82) cents	**(9.58) cents**

	As at 31 December				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018 RMB'000**
Assets & Liabilities					
Total assets	432,622	458,505	459,628	707,878	**448,980**
Total liabilities	188,924	114,072	110,244	133,078	**157,312**
Equity attributable to the shareholders	198,021	319,937	325,908	422,954	**273,006**

Profit/(loss) attributable to the shareholders



CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of directors (the "Board") of the Company, I would like to present the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018.

CHAIRMAN'S STATEMENT

OPERATIONAL REVIEW

During the year under review, the market performance of our compound fertiliser business was very tortuous. A large number of compound fertiliser enterprises had recorded poor performances, which were caused by the substantial fluctuations in raw material prices as well as adverse weather conditions, but the more important reason was the sharp fall of farmers' purchasing power. In addition to the price decline in agricultural products, the shrinkage of plantation area was also facing challenge. Guangdong Fulilong, a subsidiary of the Company, took precautionary measures to increase its investments in research and development, and conducted strategic cooperation with domestic authoritative technology research institutes, such as The Chinese Academy of Agricultural Sciences, to continuously develop new fertiliser products that meet the needs of green agriculture, especially the microbial agents that have multiple functions of supplementing calcium, preventing nematodes, blocking heavy metals, enhancing stress resistance, and improving crops quality. The microbial agent was overwhelmingly accepted by farmers due to its excellent trial performance and received wide market acclaim. During the year under review, Huaben Dongcheng Elderly Daytime Care Centre（花本東城老年人日間照護中心）in Pudong New Area, Shanghai was formally operated. It is managed by Shanghai Ruifu Elderly Service Centre（上海瑞福養老服務中心）which the elderly care management and consultation service provided by Shanghai Muling, a subsidiary of the Company. Among the 2018 Shanghai welfare tender projects, a total of 8 projects were being awarded. The projects will provide group rehabilitation and group therapy services to 1,000 elderly in the community. On 12 November 2018, Shanghai Muling signed a cooperative agreement with Beijing Real Estate Yijia Elderly Care Services Co., Ltd.（北京房地頤家養老服務有限公司）("Real Estate Yijia"), for which Shanghai Muling established the first nursing home to provide management and consulting services in Beijing. On 21 December 2018, the Company, Shuifa Zhongxing Group Co., Ltd.（水發眾興集團有限公司）("Shuifa Zhongxing") and Shandong Runzhao Environmental Technology Co., Ltd.（山東潤昭環境科技有限公司）("Runzhao Environmental") set up a limited company, Shandong Shuifa Ruifu Elderly Care Services Co., Ltd. ("Shuifa Ruifu"), which is endeavoured to develop the investment, design, management and operation of elderly care institutions, consulting and training of elderly care business and other services in Shandong. During the period under review, the Group's EEG detection service business had been developed with due consideration of its legal, highly efficient and sustainable promotion of EEG detection services, and continued to accumulate its safety, stable and controllable EEG databases. Currently, the EEG data management system has already been developed to connect multiple stand-alone versions of artificial intelligent EEG detection equipment, and will gradually achieve artificial intelligent cloud detection in EEG data onshore transmission in future. On 15 October 2018, the newly authorised network for quantitative EEG detection established by the Company, "Xiamen Detection Network", was officially put into operation.

RESULTS PERFORMANCE

During the year ended 31 December 2018, the Group achieved a turnover of RMB351,897,658 for the year, representing a year-on-year decrease of 6.39% as compared to last year. The consolidated gross profit margin of the Group was 0.49%, representing a decrease as compared to last year, and resulted a decrease in consolidated gross profit of 96.79% to RMB1,706,855 as compared to last year. During the year under review, loss attributable to owners of the Company was RMB177,679,819 with loss per share of RMB9.58 cents, representing a year-on-year increase of 1,068.29% as compared to last year of loss per share of RMB0.82 cents.

CORPORATE GOVERNANCE

The corporate governance functions are performed by the Board, the functions of which are to formulate and review the corporate governance policies and practices of the Group to comply with the Corporate Governance Code and other legal or regulatory requirements. During the period under review, the Board of the Company strictly regulated the relevant work processes of the Board, professional committees and internal issues of the Group in accordance with the code provisions as set out in the Corporate Governance Code under GEM Listing Rules, oversaw the Group's orientation program for new directors, reviewed and monitored the training and continuous professional development of Directors and senior management, and maintained a suitable and effective risk management and internal control system as always.

ENVIRONMENT, SOCIETY AND GOVERNANCE

The Board is of view that an enterprise should continue to enhance its responsibilities to stakeholders in the community and environment aspect, and improve its performance of responsibility and accountability to other stakeholders. The Group will closely cooperate with various stakeholders under the corporate social responsibility strategy of "caring for employees, caring for the environment and caring for the society" so as to integrate employee's human right protection, consumer care, environmental protection and social responsibility into the core business strategy of the Group, continue to fulfill its social responsibilities to promote the harmonious development of the economy, society and the environment. According to the Environmental, Social and Governance Reporting Guide issued by Hong Kong Stock Exchange, the Group will disclose its strategies and practices in four aspects during the year under review, including environmental protection, employment and labour practices, operating practices and community participation. Such move will enable shareholders, investors and the public to have a better comprehensive and in-depth understanding of the Group's governance and culture, so as to facilitate the continuous improvement of the Group's works in the environmental, social and governance aspects.

FUTURE OUTLOOK

At present, the international economic landscape and global governance system are undergoing thorough profound adjustments and changes with interwoven rivalries in politics, diplomacy, economy and security interests. The world is now experiencing tremendous changes that are yet to be seen in a hundred years with both challenges and opportunities emerging. This year, China's development environment will become more complicated with mounting economic downward pressure. The macroeconomic trend conditions will inevitably affect the development of relevant industries and sectors. In this regard, we must pay a high degree of attention.

Modern agricultural industry is pursuing a philosophy of energy conservation, low carbon, improved efficiency and green environmental protection and fertilisers that we have largely used in agricultural production, undertake tremendous responsibility to assure the quality and safety of agricultural products. Currently, functional fertiliser is the key and focus of the fertiliser industry, in particular the development of new type of fertilisers. The subsidiaries of the Company engaging in compound fertiliser production will establish an "enterprise-based, market-oriented and industry-university-research integrated" technological innovation system to form an open operating mechanism that can adapt to market, distribute internal forces and connect external resources. We will develop leading product and core technology with independent intellectual property right to fundamentally enhance the core-competitiveness and development strength, and achieve the goals of thriving agriculture, understanding rural conditions and caring farmers. In addition, with the help of internet and the development trend of big data, we will take health and elderly care as the main direction to endeavor developing new business model and pattern of the grand health industry, and propel its upgrading and transformation strongly as well. Under the tremendous support from the relevant national policies, the Company is engaged in elderly care business that integrates with medical and caring services, and target to serve those public with complete or partial disability or dementia that have strong demand. The sub-elderly care business units of the Company will conduct strategic cooperation with top European or even international standards elderly care agencies to jointly create a professional elderly care industrial chain in China, covering professional caring for the seniors with complete or partial disability or dementia, sporting-based rehabilitation, and professional design and manufacturing of elderly care products etc. In respect to the EEG detection business, no massive expansion will take place in the short-run due to the fact that artificial intelligence cloud terminal has yet to be developed maturely, as only the connection between the EEG data management system and the multiple standalone versions of EEG detection has been achieved currently in China, as well as the uncertainties brought by Sino-US trade war. However, the Group will engage active negotiation with Shu Ju Ku Inc. to establish an artificial intelligence cloud terminal in China as soon as possible, so as to provide technical support for the massive expansion of the EEG detection business and to avert the possible adverse effect brought by Sino-US trade war. At the current stage, the Group will establish its self-operated inspection offices based on the existing artificial standalone version or will actively expand our customer base and seek new business partners through exclusive franchising as authorised regional agents.

Sun Li
Chairman

25 March 2019


Advancing

BUSINESS REVIEW

During the year under review, the market performance of our compound fertiliser business was very tortuous. A large number of compound fertiliser enterprises had recorded poor performances, which were caused by the substantial fluctuations in raw material prices as well as adverse weather conditions, in particular, the direct landfall of the second strongest typhoon in history in Pearl River Delta had caused severe flooding and disaster in Guangdong, and Guangdong Fulilong also suffered heavy cargo losses. Furthermore, during the year under review, the purchasing power from most of farmers was dropping sharply. In addition to the price decline in agricultural products, the shrinkage of plantation area was also facing challenge. At present, the layout of a scalable but not strong China fertiliser industry is still not completely turnaround and a wide gap still exists when comparing with developed countries. For organic fertilisers, currently China's microbial fertilisers only accounts for about 7% of chemical fertilisers consumption, while it is nearly 50% when comparing with United States and other western countries. At present, China has introduced various preferential and encouragement policies, and started to endeavour vigorously in developing organic fertilisers and green agriculture, and advocate organic food and green consumption. In recent years, Guangdong Fulilong, a subsidiary of the Company, took precautionary measures to increase its investments in research and development, and conducted strategic cooperation with domestic authoritative technology research institutes, such as The Chinese Academy of Agricultural Sciences, China Agricultural University, South China Agricultural University and South China University of Technology to continuously develop new fertiliser products that meet the needs of green agriculture. During the year under review, new products including Zhilong (智龍) third-generation active fertiliser, active chitosan water-soluble fertiliser, Youbu (尤補) compound microbial fertiliser and Youjun (尤菌) bacteria microbial agents were developed, especially the microbial agents that have multiple functions of supplementing calcium, preventing nematodes, blocking heavy metals, enhancing stress resistance, and improving crops quality, which are genuine ecological fertiliser products that provides "correct and healthy nutrition for crops". The microbial agent was overwhelmingly accepted by farmers due to its excellent trial performance and received wide market acclaim. Guangdong Fuliong has invested in technological innovation activities for a long time with a technology-based development philosophy, which has also been highly appreciated by industry experts. In January 2018, Tang Huajun, the president of the Chinese Academy of Agricultural Sciences, set up his academician workshop in Guangdong Fulilong to provide technical support regarding the development of Guangdong Fulilong's new fertiliser products.

During the year under review, the health care and elderly care services and EEG detection services business of the Group are grouped under the grand health industry. According to the latest data survey, at this stage, China's grand health industry mainly focuses on pharmaceutical industry and elderly care industry, with market share reaching 50.05% and 33.04% respectively. The proportion of the health management service industry is the smallest, only 2.71%.

MANAGEMENT DISCUSSION AND ANALYSIS

In general, under the grand health strategy, the health management service industry will be the most important incremental market. In the health management service industry, the EEG detection service business of the Group can widely apply to a wide range of age groups (including adolescents, youth and elderly), including prone to mental illness detection, potential strength and personality detection, and neurodevelopmental maturity testing etc. During the year under review, Huaben Dongcheng Elderly Daytime Care Centre（花本東城老年人日間照護中心）in Pudong New Area, Shanghai was formally operated. It is managed by Shanghai Ruifu Elderly Service Centre（上海瑞福養老服務中心）which the elderly care management and consultation service provided by Shanghai Muling, a subsidiary or the Company. Among the 2018 Shanghai welfare tender projects, a total of 8 projects were being awarded. The projects will provide group rehabilitation and group therapy services to 1,000 elderly in the community. On 12 November 2018, Shanghai Muling signed a cooperative agreement with Beijing Real Estate Yijia Elderly Care Services Co., Ltd.（北京房地頤家養老服務有限公司）("Real Estate Yijia") for which Shanghai Muling shall provide elderly care business management and consulting services to the nursing home of Real Estate Yijia in Guanzhuang, Chaoyang District, Beijing. It is the first nursing home for Shanghai Muling to provide management and consulting services in Beijing. On 21 December 2018, the Company, Shuifa Zhongxing Group Co., Ltd.（水發眾興集團有限公司）("Shuifa Zhongxing") and Shandong Runzhao Environmental Technology Co., Ltd.（山東潤昭環境科技有限公司）("Runzhao Environmental") set up a limited company, Shandong Shuifa Ruifu Elderly Care Services Co., Ltd. ("Shuifa Ruifu"), which is endeavoured to develop the investment, design, management and operation of elderly care institutions, consulting and training of elderly care business and other services in Shandong, and vigorously promotes the "Shuifa Ruifu Elderly Care" brand. Considering the legitimate, efficient and sustainable promotion of the EEG detection business, the Company will engage in an active negotiation with the vendor, who is required to establish an artificial intelligence cloud terminal for EEG detection step by step in China. At present, SJK has completed the connection between the EEG data management system and the multiple standalone versions of EEG detection in China, and will gradually achieve the domestic EEG dada transmission for artificial intelligence cloud terminal. SJKGC's business training, staff recruitment and market expansion were greatly behind the schedule, resulting from EEG data collected by SJKGC were not able to interpret successfully and promptly to produce a detection report, and the artificial intelligence standalone version successfully developed was not able to support the simultaneous publishing of massive EEG reports during the technical development period. In addition, the development of the EEG detection business was lagged behind than expected due to the fact that the trade war between China and USA continued to ferment in 2018, which was considered to be an unpredictable significant risk, hence, the Company determined that SJKGC's development strategy is not to take massive market expansion as the Company's operating goal, but to urge the vendor to achieve mature EEG data processing system in China as the prerequisite for the massive business expansion.

FINANCIAL REVIEW

Turnover, gross profit and gross margin

For the year ended 31 December 2018, the Group achieved total annual turnover of RMB351,897,658, during the year representing a decrease of 6.39% as compared to last year (31 December 2017: RMB375,906,530). The consolidated gross profit was RMB1,706,855 (31 December 2017: RMB53,205,427) and consolidated gross profit margin was 0.49% (31 December 2017: 14.15%). The decrease in total annual turnover and consolidated gross profit margin was mainly driven by the combination effect of the establishment of rebate policy in Guangdong Fulilong which net-off the sales of RMB8,774,694 and the decrease in licensing income generated from EEG diagnosis detection services from installing the software during the year.

Impairment loss of intangible assets

During the year ended 31 December 2018, an impairment loss of intangible assets of RMB227,361,866 was recognised. The directors of the Company considered that the reasons of impairment were the change of market condition in the PRC and the change of business development strategy.

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 3.56% for the licensing income, which does not exceed the long-term growth rate for the industry in the People's Republic of China.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As there is no existing expansion plan for the self-operated inspection centre and the management of the Group selected to focus on the business development of the EEG diagnosis detection services to licensing business, the processing income is budgeted to maintain at the same level 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 since the financial year of 2021 as the management of the Group expected that future advanced technology would compete with the EEG diagnosis detection technology, while the licensees' processing income is forecasted based on the expected number of EEG diagnosis detection services provided by the licensees.

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

Details of the variables and assumptions were disclosed in Note 19 of this annual report.

As at 31 December 2018, the recoverable amount of the intangible asset was RMB18,045,202 (2017: RMB262,145,201), determined based on the value in use of the health care services CGU. The significant decrease in recoverable amount of the intangible asset is due to the EEG diagnosis detection market is not developed as expected in prior year.

Other income and losses, net

For the year ended 31 December 2018, other income and losses, net was RMB3,680,687 (31 December 2017: RMB5,377,946). Other income and losses, net for the year ended 31 December 2018 mainly comprised inventories write off of RMB13,070,185 due to the extraordinary impact from the direct hit of Super Typhoon Mangkhut to Guangdong Province in September 2018, exceeded the foreign exchange gain of RMB3,701,525 from conversion of subscription proceeds from Hong Kong dollar to Renminbi, the fair value gain of profit guarantee receivable of RMB2,200,055 mainly from the EEG diagnosis detection intangible assets, other interest income from an associate of RMB1,404,420 and government grant income of RMB1,039,281.

Selling and distribution costs

For the year ended 31 December 2018, selling and distribution costs of the Group was RMB21,726,586 (31 December 2017: RMB14,755,804), representing and increase of 47.24% as compared to last year. The increase was due to the extensive promotion activities for the sales team to maintain the turnover level during the year.

Administrative expenses

For the year ended 31 December 2018, administrative expenses of the Group were RMB32,195,141 (31 December 2017: RMB36,227,996), representing a decrease of 11.13% as compared to last year.

Research and development expenses

For the year ended 31 December 2018, research and development expenses of the Group were RMB11,667,239, representing and increase of 25.53% as compared to last year (31 December 2017: RMB9,294,266). The increase was due to the continuous effort of Guangdong Fulilong to perform researches and scientific projects for enhancing the quality of biological compound fertilisers and launching new biological compound fertilisers to the public.

Finance costs

For the year ended 31 December 2018, finance costs of the Group were RMB2,762,567, representing a decrease of 25.32% as compared to last year (31 December 2017: RMB3,699,137). The decrease in finance costs was contributed by no further interest expense for the other financial liabilities was charged during the year ended 31 December 2018 as the other financial liability has been considered to be offset from a consideration paid by a third party of RMB24,500,000 and the Company of RMB500,000 during the year, respectively.

Loss for the year

For the year ended 31 December 2018, loss attributable to the owners of the Company was RMB177,679,819 (2017: RMB13,752,052). For the year ended 31 December 2018, loss per share of the Company was RMB9.58 cents (2017: RMB0.82 cents).

STRUCTURE OF SHARE CAPITAL

As at 31 December 2018, the structure of share capital of the Company is set out in the section of "SUBSCRIPTION OF NEW H SHARES UNDER GENERAL MANDATE" below.

SUBSCRIPTION OF NEW H SHARES UNDER GENERAL MANDATE

On 9 February 2018, the Company and six subscribers entered into subscription agreements, pursuant to which the subscribers agreed to subscribe for, and the Company agreed to issue to the subscribers, an aggregate of 199,500,000 new H Shares at the subscription price of HK$0.25 each. The subscribers are independent institutional and/or individual investors who are independent of the Company and its connected persons under the GEM Listing Rules. The number of the subscription shares represented approximately 10.53% of the total number of shares of the Company in issue after the completion of the subscriptions on 14 March 2018. The net proceeds from the subscription, net of relevant expenses incurred from the subscription, amounted to RMB39,801,224. For details, please refer to the announcements of the Company published on the GEM website dated 9 February 2018, 12 February 2018 and 14 March 2018 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Name of shareholders	Before Completion of This Additional Issue		After Completion of This Additional Issue	
	Number of Shares Held	Percentage of Shares (%)	Number of Shares Held	Percentage of Shares (%)
Tianjin TEDA International Incubator ("Incubator")	182,500,000	10.77	182,500,000	9.63
Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment")	180,000,000	10.62	180,000,000	9.50
Shandong Zhinong Fertilisers Company Limited ("Zhinong Fertilisers")	180,000,000	10.62	180,000,000	9.50
Dongguan Lvye Fertilisers Company Limited ("Lvye Fertilisers")	120,000,000	7.08	120,000,000	6.33
Others	35,000,000	2.06	35,000,000	1.85
H Shares public shareholders	897,500,000	52.95	897,500,000	47.38
H Shares subscribers	–	–	199,500,000	10.53
Shu Ju Ku, Inc	100,000,000	5.90	100,000,000	5.28
Total	**1,695,000,000**	**100.00**	**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 RMB39,801,224. The Group proposed to utilise such fund to further develop its overall planning of the business fields including but not limited to elderly care services and the operation and management business integrating medical and care services, such as the improvement of the custodial services, facilities and information management of the elderly care institutions, etc. its comprehensive layout, including but not limited to, business sector integrating medical and caring services in elderly care services and operating management business, such as improving the trust services, facilities and information management of the nursing homes.

As of 31 December 2018, 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 2018
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 were gradually conducted. 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	14,409,945
About 30% were used 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.	14,767,500	2,940,366
Total	**49,225,000**	**17,350,311**

MANAGEMENT DISCUSSION AND ANALYSIS

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Company issued a supplemental announcement on 26 April 2018 to provide the following additional information in respect of its acquisition (the "Acquisition") of 51% stake of SJK Greater China Ltd. ("SJKGC"):

As disclosed in the circular of the Company dated 25 July 2016 in relation to the Acquisition, profit guarantees were provided to the Company by Shu Ju Ku Inc. ("SJK"), the vendor, that the audited profit after tax of SJKGC in each of the three financial years of 2017, 2018 and 2019 (from 1 January to 31 December of each year) would not be less than US$5,390,000, pursuant to the agreement (the "Agreement") dated 16 April 2016 (as amended and supplemented by the supplemental agreement dated 25 April 2016) entered into among the Company, SJK and SJKGC.

In view that 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 singing 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.

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 view that the audited net profit after tax of SJKGC for the year ended 31 December 2018 was approximately US$305,000, the above profit guarantee for the year ended 31 December 2018 had not been fulfilled. In order to comply with the terms of the Agreement, a board meeting will be held in 2019 for confirming whether the Company's right of priority and entitlement of cash dividend based on the audited net profit after tax for the year ended 31 December 2018, the injection of fund by SJK for settlement of profit guarantee and no dividends would be expected to declare to SJK for the year ended 31 December 2018.

For details of performance of SJKGC, please refer to note 37(b) of the consolidated financial statements enclosed.

GENERAL MANDATE TO ISSUE SHARES

On 17 May 2018, 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 2018 granting to the Board a general mandate to issue, allot and deal with additional domestic shares/H shares not exceeding 20% of the domestic shares in issue and 20% of the H shares in issue of the Company, and authorising the Board to make such amendments to the articles of association of the Company as it thinks fit to reflect the new share capital structure subsequent to the allotment or issue of additional shares. For details, please refer to the notice of the annual general meeting and circular of the Company both dated 29 March 2018 published on the GEM website, and the announcement of results of the annual general meeting dated 17 May 2018 published on the GEM website.

RESIGNATION AND APPOINTMENT OF DIRECTORS

The Company issued announcements on 10 August 2018 and 21 September 2018 respectively that the Board had accepted the resignation of Mr. Feng Enqing, a non-executive Director, and the resignation of Mr. Liu Renmu, an executive Director, with effect from 9 August 2018 and 20 September 2018 respectively.

The Board proposed to appoint Ms. Gai Li as a non-executive Director and appoint Mr. He Xin as an executive Director respectively for a term commencing on the date of approval by the shareholders of the Company and expiring on 31 December 2019. The aforesaid proposals became effective after being voted by poll as ordinary resolutions at the extraordinary general meetings of the Company convened on 26 September 2018 and 20 December 2018 respectively. For details, please refer to the announcements dated 10 August 2018 and 21 September 2018 respectively published on the GEM website, the notice of extraordinary general meeting and circular both dated 10 August 2018 and 27 September 2018 of the Company respectively, and the announcements of the results of the extraordinary general meetings dated 26 September 2018 and 20 December 2018 of the Company published on the GEM website respectively.

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 and dealing with the Company's corporate policies and major matters. Ms. Sun will remain as the Chairman of the Board, executive director, chairman of the nomination committee and member of the remuneration committee of the Company. At the same time, the Board announced to appoint Mr. Yang Junmin to replace Ms. Sun as the CEO of the Company with effect from 1 February 2019. For details, please refer to the announcement the Company dated 1 February 2019 published on the GEM website.

SEGMENTAL INFORMATION

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

The details of the analysis of the Group's segment results for the year ended 31 December 2018 and 31 December 2017 are disclosed in note 6 of the consolidated financial statements.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the year ended 31 December 2018, the Group financed its operations mainly by internally generated cash and banking facilities.

As at 31 December 2018, the Group's current assets and net current assets were RMB293,901,494 (31 December 2017: RMB307,618,425) and RMB136,589,621 (31 December 2017: RMB174,540,370) respectively. The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was 1.87 (31 December 2017: 2.31). The Group's current assets as at 31 December 2018 comprised mainly cash and bank balances of RMB43,129,493 (31 December 2017: RMB37,592,277), trade and bills receivables of RMB76,699,301 (31 December 2017: RMB107,490,288), prepayments and other receivables of RMB66,745,283 (31 December 2017: RMB69,342,030) and inventories of RMB85,618,751 (31 December 2017: RMB92,699,923).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2018, total bank borrowings of the Group amounted to RMB49,500,000 (31 December 2017: RMB40,000,000). The bank borrowings are denominated in Renminbi and provided by various licensed banks in China with fixed and floating interest rates ranging from 4.35% to 6.50% (31 December 2017: 4.52% to 7.40%) per annum. Out of all the bank borrowings, a total amount of RMB38,200,000 will mature in the first half of 2019, a total amount of RMB11,300,000 will mature in the second half of 2019.

As at 31 December 2018, the Group's consolidated total assets and net assets were RMB448,979,504 (31 December 2017: RMB707,877,846) and RMB291,667,631 (31 December 2017: RMB574,799,791) respectively. The Group's consolidated gearing ratio, represented by the ratio of total liabilities to total assets, was 0.35 (31 December 2017: 0.19). As at 31 December 2018, the Group's consolidated gearing ratio, represented by the ratio of total bank borrowings to total assets, was 0.11 (31 December 2017: 0.06).

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2018, banking facilities of approximately RMB62,900,000 (2017: RMB50,000,000) were granted to the Group and the Group utilised approximately RMB49,500,000 (2017: RMB40,000,000) during the year ended 31 December 2018.

As at 31 December 2018, the Group did not have any material contingent liabilities (2017: RMB Nil).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 531 employees (2017: 643 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.

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

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 present, the international economic landscape and global governance system are undergoing thorough profound adjustments and changes with interwoven rivalries in politics, diplomacy, economy and security interests. The world is now experiencing tremendous changes that are yet to be seen in a hundred years with both challenges and opportunities emerging. Given that the restructuring and upgrading of domestic economy have yet to be completed and the underlying structural problems of economic performance still exist, they pose certain pressure to the sustainable and stable development of the Chinese economy. This year, China's development environment will become more complicated with mounting economic downward pressure. The macroeconomic trend conditions will inevitably affect the development of relevant industries and sectors. Although the biological compound fertiliser business and elderly care and health care business, the Group's two principal business sectors, are government supported industries, however, they will face multiple uncertainties in future. Therefore, only by giving into full play our inherent advantages and firmly grasp development opportunities then we are able to survive and thrive.

Modern agricultural industry is pursuing a philosophy of energy conservation, low carbon, improved efficiency and green environmental protection and fertilisers that we have largely used in agricultural production bear a historical responsibility in ensuring arable land quality and soil ecological protection, and undertake tremendous responsibility to assure the quality and safety of agricultural products. Currently, functional fertiliser is the key and focus of the fertiliser industry, in particular the development of new type of fertilisers. According to "Ministry of Industry and Information Technology of China's Guiding Opinions on Promoting the Transformation Development of Fertiliser Industry", the goal of increasing the proportion of new type fertiliser used in the overall fertilisers used from less than 10% by far to 30% by 2020 will be strived to achieve. By that time, the market capacity of organic fertilisers will reach 26 million to 39 million tons. Guangdong Fulilong and Shandong Hidersun, the subsidiaries of the Company, will establish an "enterprise-based, market-oriented and industry-university-research integrated" technological innovation system to form an open operating mechanism that can adapt to market, distribute internal forces and connect external resources. We will develop leading product and core technology with independent intellectual property right, make breakthroughs in critical industrial technology bottleneck to fundamentally enhance the core-competitiveness and development strength, and achieve the goals of thriving agriculture, understanding rural conditions and caring farmers. In order to meet the needs of green agricultural development in the new era, the subsidiaries of the Company in compound fertilisers will actively promote the research and development of several new high quality fertilisers including Zhilong active fertilisers, Youbu compound microbial fertiliser and Youjun microbial fertilisers, agent jointly with the research centre on bio-stimulants in The Chinese Academy of Agricultural Sciences in 2019 to practically restore healthy soils and constantly improve the quality and output of agricultural products. Guangdong Fulilong will also play an important part in the future national soil restoration initiative through leveraging on its strong technological strengths plus its long-acquired experience in soil improvement technology.

The Blue Paper on the Development of China's Grand Health Industry (2018) first proposed the concept of grand health industry, with beautiful ecological environment as its base and supported by healthy product manufacturing industry, using health service industry as its core to develop complete industrial chain activities in satisfying the health needs from the public through industrial integration. The Blue Paper proposed the development of grand health industry shall abide the green development vision with positive interactions between sound ecological environment and industrial development. With the help of internet and the development trend of big data, we will take health and elderly care as the main direction to give commercial health insurance into play, endeavor to develop new business model and pattern of the grand health industry, and propel its upgrading and transformation strongly as well. Under the tremendous support from the relevant national policies, the Group is engaged in elderly care business that integrates with medical and caring services, and target to serve those public with complete or partial disability or dementia that have strong demand. Our elderly care management team possesses international vision and learnt advanced international theories as well as practical experience in elderly care from Japan and Holland. We have succeeded in setting up on our own a set of practical and theoretical elderly care system with high standards through making gradual conclusions and achieving localisation. In the days to come, the sub-elderly care business units of the Company will conduct strategic cooperation with top European or even international standards elderly care agencies to jointly create a professional elderly care industrial chain in China, covering professional caring for the seniors with complete or partial disability or dementia, sporting-based rehabilitation, and professional design and manufacturing of elderly care products etc. In respect to the EEG detection business, no massive expansion will take place in the short-run due to the fact that the artificial intelligence cloud terminal has yet to be developed maturely, as only the connection between the EEG data management system and the multiple standalone versions of EEG detection has been achieved currently in China, as well as the uncertainties brought by Sino-US trade war. However, the Company will engage active negotiation with Shu Ju Ku Inc. to establish an artificial intelligence cloud terminal in China as soon as possible, so as to provide technical support for the massive expansion of the EEG detection business and to avert the possible adverse effect brought by Sino-US trade war. At the current stage, the Company will establish its self-operated inspection offices based on the existing artificial standalone version or will actively expand our customer base and seek new business partners through exclusive franchising as authorised regional agents.

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

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

1. MEETING OF THE SUPERVISORY COMMITTEE

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

1. On 26 March 2018, the Supervisory Committee held the first meeting in 2018, at which the consolidated financial report of the Group for the year 2017 audited by BDO Limited was reviewed and approved;

2. On 10 May 2018, the Supervisory Committee held the second meeting in 2018, at which the first quarterly report of the unaudited results of the Company for the three months ended 31 March 2018 was reviewed and approved;

3. On 10 August 2018, the Supervisory Committee held the third meeting in 2018, at which the half-year report of the unaudited results of the Company for the six months ended 30 June 2018 was reviewed and approved;

4. On 12 November 2018, the Supervisory Committee held the fourth meeting in 2018, at which the third quarterly report of the unaudited results of the Company for the nine months ended 30 September 2018 was reviewed and approved.

2. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE OPERATION OF THE COMPANY IN 2018:

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

2. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE OPERATION OF THE COMPANY IN 2018: *(continued)*

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

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

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

25 March 2019

DIRECTORS' REPORT

The Board submits their report together with the audited consolidated financial statements of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATION

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

The activities of the subsidiaries are set out in Note 45 to the consolidated financial statements enclosed.

CHANGE OF SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 35 to the consolidated financial statements enclosed.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 71 of this annual report.

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

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company at 31 December 2018 calculated under the Company's bye-laws amounted approximately to RMB Nil (2017: RMB Nil).

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statements of changes in equity on page 74 of this annual report and Note 36 to the consolidated financial statements enclosed respectively.

PROPERTY, PLANT AND EQUIPMENT

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

PRE-EMPTIVE RIGHTS

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

FINANCIAL SUMMARY

The summary of the results and the assets and liabilities of the Group for the last five financial years ended 31 December 2018 is set out on page 5 of this annual report.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities (2017: RMB Nil).

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases

– Largest supplier	6.22%
– Five largest suppliers combined	27.61%

Sales

– Largest customer	3.24%
– Five largest customers combined	12.67%

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Executive Directors

Ms. Sun Li
Mr. Hao Zhihui
Mr. Liu Renmu (resigned on 20 September 2018)
Mr. He Xin (appointed on 20 December 2018)

Non-executive Directors

Mr. Cao Aixin
Mr. Feng Enqing (resigned on 9 August 2018)
Ms. Gai Li (appointed on 26 September 2018)
Dr. Li Ximing

Independent non-executive Directors

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

Supervisors

Ms. Yang Chunyan
Ms. Liu Jinyu

Independent Supervisors

Mr. Liang Weitao
Ms. Feng Ling

DIRECTORS' REPORT

Senior Management

Chief Executive Officer

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

Company Secretary

Mr. Ng Ka Kuen Raymond

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

According to the requirements of the Articles of the Company, all the directors and supervisors of the Company are appointed for a term of three years and are subject to re-election every three years. In the current session, all the directors and supervisors of the Company were appointed for a term of three years until 31 December 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Ms. Sun Li ("Ms. Sun"), aged 45, the Chairman of the Board of the Company, graduated from the Economic and Trade Faculty of Central South University with a bachelor's degree in Technological Economics in June 1995 and with a master's degree in Management Business Administration Faculty in June 1998. Ms. Sun was among the first batch of candidates who obtained the qualification of sponsor representatives from the Securities Association of China in 2004. Ms. Sun has engaged in investment banking for 15 years, with rich experience in filtering quality corporations, restructuring, counseling, initial public offering projects as well as mergers and acquisitions of listed companies. From August 1998 to April 2004, she successively acted as business director, senior manager, and business manager at the investment banking headquarter of Dapeng Securities Co., Ltd. (大鵬證券有限責任公司). From May 2004 to August 2005, she served as deputy general manager in Shenzhen investment banking division of Centergate Securities Co., Ltd. (中關村證券股份有限公司). From September 2005 to March 2010, she successively served as business director, internal auditor, member of GEM's advisory committee at the investment banking headquarter of China Merchants Securities Co., Ltd. (招商證券股份有限公司). From April 2010 to April 2013, she served as general manager and internal auditor in mergers and acquisitions division of Minsheng Securities Co., Ltd. (民生證券有限責任公司). From May 2013 until now, she served as president, director and co-partner of Beijing Yingguxinye Investment Co., Ltd (北京盈谷信曄投資有限公司). From September 2014 until now, she was the founding member of Tianjin Teda "Wings of the Angel" Investor Club. From May 2015 until now, she was appointed as supervisors of Shenzhen Xiangyong Investment Company Limited and Dongguan Lvye Fertilisers Company Limited. From September 2015 until now, she, as the beneficial owner of Beijing Tianyuhongtai Technology Co., Ltd. (北京天宇鴻泰科技有限公司), held its 16% shares. From December 2015 until now, she was appointed as a director of Beijing Yingguchuangrong Information Technology Co., Ltd. (北京盈谷創融信息科技股份有限公司). From August 2015 until now, Ms. Sun was appointed as an executive director and the Chairman of the Board of the Company. From September 2015 to January 2019, she served as Chief Executive Officer of the Company.

Mr. Hao Zhihui ("Mr. Hao"), aged 57, the vice chairman of the Board of the Company, graduated from Tianjin Medical University in August 1984 with a bachelor's degree in medicine and thereafter taught in the university. He also completed his master's degree in Medicine offered by the same university in August 1992. From May 1995 to August 1997, he was in charge of production and technology in DPC (Tianjin) Co., Ltd（天津德普生物技術和醫學產品有限公司）. From September 1997 to September 2000, he worked in Tianjin TEDA International Incubator and was the chief of the Medicine Industry Department（醫藥產業部部長）. In March 2004, he graduated from the School of Continuing Education of Tsinghua University, Business Administration Major. From September 2000 to August 2006, he has assumed the posts of chief investment officer, chairman of the Supervisory Committee and executive vice president（常務副總裁）in the Company. He has been the President of the Company from August 2006 to April 2011. Mr. Hao was appointed as an Executive director of the Company since May 2009 and was appointed as Vice Chairman of the Board of the Company since April 2011.

Mr. Liu Renmu ("Mr. Liu"), aged 55, graduated from the University of California in the United States of America, majoring in marketing, and obtained a bachelor's degree granted by the business school of the University of California, Los Angeles in June 1993. Mr. Liu has been engaged in education and marketing industry for 20 years, with a wealth of marketing experience in education market. Mr. Liu worked as a sales manager of Jare Auto Inc. (United States) from 1991 to 1995. He was the chairman of the board and chief executive officer of Han Sheng International Inc.（瀚聖國際股份有限公司）from 1997 to 1999 and of Wei Han Internet Limited by Share Ltd.（威瀚資訊網路股份有限公司）from 2000 to 2001. From 2003 to 2008, he was an executive director of Kishow Inc.（力瀚文創股份有限公司）. From 2005 to 2008, Mr. Liu served as a committee member of the science and education research center of Taiwan Yuan Ze University. He was the chairman of the board of Beijing Daren Technology Inc.（北京大仁科技股份有限公司）from 2004 to 2011. Since 2011, Mr. Liu has served as the executive director of marketing of Inland Empire Renewable Energy Regional Center (United States). Mr. Liu joined the Company in October 2016 and was appointed as a Non-Executive Director of the Company. Since January 2017, Mr. Liu was appointed as an Executive director of the Company. Mr. Liu resigned as Executive director on 20 September 2018.

Mr. He Xin ("Mr. He"), aged 48, postgraduate, graduated from Beijing Jiaotong University majoring in Mechanical Engineering. From July 1992 to June 1994, he served as a business manager of the export department of China Railway Import and Export Company under the Ministry of Railway（鐵道部中鐵進出口公司）. From June 1994 to May 2005, he worked as a secretary of the administrative department of Shenzhen Golden Century Development Company Limited（深圳金世紀發展有限公司）. From May 2005 to September 2009, he served as an investment manager of the international department of China Merchants Securities Company Limited. From September 2010 to March 2014, he held a position as a vice president of Beijing Yingguxinye Investment Co., Ltd. From March 2014 to August 2016, he held positions as a director and a general manager of Ningxia Yinggu Industry Company Limited（寧夏盈谷實業股份有限公司）. From August 2016 to present, he has been serving as a general manager of BeijingYingguxinye Investment Co., Ltd. Mr. He joined the Company in December 2018 and was appointed as Executive director.

DIRECTORS' REPORT

Non-Executive Directors

Mr. Feng Enqing ("Mr. Feng"), aged 60, graduated from Tianjin Industrial University (天津工業大學) in 1982 with a degree in textile chemical engineering (紡織化學工程) and joined TTII as the project manager in 1996. Mr. Feng was the chief engineer of TTII from 2001 to 2004 and has been the assistant director of Tianjin TEDA International Incubator since 2009. Mr. Feng joined the Company in September 2000 and has been appointed as a Non-Executive Director. Mr. Feng resigned as Non-Executive Director on 9 August 2018.

Ms. Gai Li, ("Ms. Gai") aged 50, graduated from Tianjin University of Finance and Economics with a bachelor's degree in Accounting, senior accountant. Ms. Gai has engaged in accounting for a long time. She served at the Finance Department of Tianjin Great Wall electronics Company Ltd. from December 1989 to June 1997, and she acted as the director of the Finance Department of Tianjin TEDA International Incubator since June 1997. She joined the Company in September 2018 and has been appointed as a Non-Executive Director since then.

Mr. Cao Aixin ("Mr. Cao"), aged 56, has over 20 years of experience in sales and management and has been extremely familiar with the business and operations of the Group. Mr. Cao joined Guangdong Fulilong Compound Fertilisers Co., Ltd. ("Guangdong Fulilong") as a regional marketing manager in October 1997. He subsequently served as the general marketing manager of Guangdong Fulilong from 2001 to 2005, the deputy general manager of Guangdong Fulilong from 2006 to 2009 and has been appointed as the chairman of Guangdong Fulilong since 2010, during which he has accumulated extensive experience in business operation and marketing. Mr. Cao was appointed as a Non-Executive Director of the Company since November 2017.

Dr. Li Ximing ("Dr. Li"), aged 57, graduated from Chinese Academy of Medical Science with a master's degree in neuropharmacology in 1988; graduated from Karolinska Institute in Sweden with a doctoral degree in neuroscience in 1995; graduated from the neuroscience drug development research center (神經藥物研究中心) at Lilly Research Laboratories as a postdoctoral researcher in 1998. Dr. Li is hired specifically as an expert for the Recruitment Program of Global Experts (千人計劃) in PRC, who owns more than twenty years of national and foreign experiences in new drug research and development. Dr. Li has also accumulated fruitful experience in project management of international new drug research and development, designing and practicing clinical trial, contract research organisation (CRO) management, Food and Drug Administration (FDA) drug approvals, expert consultation and selection of investors. Dr. Li was a researcher at the department of obesity studies (肥胖研究部) of Bayer U.S. innovation Center from 1998 to 2001; was an expert of clinical trial at the department of central neuroscience drug development (中樞神經藥物研究部) of Pharmacia from 2001 to 2002; was an associate director at the department of central neuroscience drug development (中樞神經藥物研究部) of Eisai Inc. (a subsidiary of Tokyo-based Eisai Company Limited) from 2002 to 2004; was an associate director of clinical trial at the research center of central neuroscience drug development (中樞神經藥物研究所) of Roche Diagnostic USA from 2004 to 2005; was a vice president of medical research at the international research and development center (國際研發中心) of Bayer China from 2005 to 2012; is the vice president of registry clinical studies at Luye Pharma Group Limited since 2013. Dr. Li was appointed as a Non-Executive Director of the Company since January 2017.

Independent non-executive Directors

Mr. Li Xudong ("Mr. Li"), aged 48, is a senior accountant with a bachelor's degree in accounting, who also is an accountant, a public valuer and a tax agent certified in PRC; is an executive partner with specific normal partnership（特殊普通合夥）at Da Hua Certified Public Accountants（大華會計師事務所）, a member of Certified Management Committee（註冊管理委員會）at the Beijing Institute of Certified Public Accountants（北京註冊會計師協會）; was a member of the 13th, 14th and 15th Issuance Examination Committee（主板發行審核委員會）of China Securities Regulatory Commission（中國證監會）. Mr. Li has been engaged in certified accountant services since 1996, who focuses in listing whole or part of corporate assets, asset restructuring, audit of initial public offering projects and listed company and consultation services. Mr. Li was a certified accountant of main examination and signing at listed companies and large state-owned enterprises such as Dalian Wanda Commercial Properties Company Limited（萬達商業地產股份有限公司）, Inner Mongolia Junzheng Energy & Chemical Group Company Limited（內蒙古君正能源化工股份有限公司）, Hangxiao Steel Structure Company Limited（浙江杭蕭鋼構股份有限公司）, China Camc Engineering Company Limited（中工國際工程股份有限公司）, and China National Machinery Industry Corporation（中國機械工業集團公司）. Mr. Li has rich and professional experience in the fields of accounting, examination, asset evaluation, mergers and acquisitions, as well as company management consultation service. Mr. Li was appointed as a Independent Non-Executive Director of the Company since January 2017.

Mr. Wang Yongkang ("Mr. Wang"), aged 49, obtained his bachelor's degree of Law in administrative management from China University of Political Science and Law in 1993 and his master's degree of Law in economic law from Capital University of Economics and Business in 1999. After postgraduate studies, Mr. Wang worked at Gaopeng & Partners（高朋律師事務所）from 1999 to January 2002. From February 2001 to March 2003, he worked at Grandall Legal Group (Beijing)（國浩律師集團（北京）事務所）as a partner. In April 2003, he co-founded Broad & Ken Partners（博金律師 事務所）where he has been working till now. Mr. Wang served as the independent director of Zhengzhou Coal Industry & Electric Power Co., Ltd.（鄭州煤電股份有限公司）from 2007 to 2013. Mr. Wang was appointed as an Independent Non-Executive Director of the Company since November 2017.

Ms. Gao Chun ("Ms. Gao"), aged 48, graduated from Gannon University with a master's degree in business administration. Ms. Gao was a financial analyst in 6 sigma Black Belts (mass management method) at General Electric Company from 2000 to 2004. Ms. Gao was a financial manager at the Bayer U.S., development officer and business operation officer of Bayer China from 2004 to 2016. Ms. Gao was appointed as an Independent Non-Executive Director of the Company since January 2017.

DIRECTORS' REPORT

Supervisors

Ms. Yang Chunyan ("Ms. Yang"), aged 42, graduated from Tianjin University (天津大學) in 2005 with a bachelor's degree in financial management. She acquired the title of intermediate-level accountant in 2008. She worked at the Finance Department of TTII from June 1996 to August 2000 and has been working with the Financial Management Department of the Company since September 2000, and has been appointed as Chairman of the Trade Union of the Group since June 2007 and a supervisor of the Company since January 2010.

Ms. Liu Jinyu ("Ms. Liu"), aged 46, graduated with a degree in Corporate Management and Human Resources Management from Tianjin Nankai University (天津南開大學). Between 1997 and 2001, she acted as the chief officer of the human resources department of Tianjin New World Department Store Co., Ltd. (天津新世界百貨有限公司). Then she was engaged as the manager of the general department of Tianjin Zhongying Food Co., Ltd (天津中迎食品有限公司) from 2001 to 2003 and the human resources manager of Tianjin Auchan Hypermarkets Co., Ltd (天津歐尚超市有限公司) from 2003 to 2007. Ms. Liu joined the Company as human resources manager in 2007 and has been appointed as deputy officer of the President's office of the Company since April 2011. Ms. Liu was appointed as a Supervisor of the Company since August 2011.

Independent Supervisors

Liang Weitao ("Mr. Liang"), aged 36, graduated from Tongji University with a bachelor's degree in science, from Zhejiang University with a master degree in science and from City University of Hong Kong with a master degree in management. Mr. Liang previously worked in the investment banking department of China Merchants Securities and was responsible for/participated in initial public offering, corporate bonds, refinancing, mergers and acquisitions and reorganisation. Mr. Liang currently serves as deputy managing director at the NEEQ business headquarter and responsible person at the recommended quotation division of Greatwall Securities. Mr. Liang has been appointed as an Independent Supervisor of the Company since August 2015.

Ms. Feng Ling ("Ms. Feng"), aged 37, is a university graduate. From September 2005 to December 2007, she served as a human resources officer of Kyowa Plastics Industrial (Shenzhen) Company Limited (喬奧華塑膠製品(深圳)有限公司). From March 2008 to March 2010, she was a recruitment manager of Lucky Valley Technology (Shenzhen) Company Limited (瑞谷科技(深圳)有限公司). From April 2010 to December 2013, she acted as a deputy director of human resources in Shenzhen Kingee Culture Development Company Limited (深圳金一文化發展有限公司). From March 2014 to November 2015, she was a human resources manager of the human resources center at the headquarters of Guangdong Youdao Auto Group (廣東有道汽車集團). Since November 2015, she has been serving as a human resources manager of Ningxia Yinggu Industry Company Limited (寧夏盈谷實業股份有限公司). Ms. Feng has been appointed as an Independent Supervisor of the Company since January 2017.

SENIOR MANAGEMENT

Chief Executive Officer

Mr. Yang Junmin ("Mr. Yang"), aged 53, graduated from Xi'an Foreign Language Institute in July 1990, majored in French Language, with a bachelor's degree in French. Mr. Yang has engaged in the cultural exchanges and commercial cooperation between China and France for 29 years, and is engaged in the elderly care industry for seven years. He has extensive experience in internationally advanced operations, management, consulting and training of elderly care business. In 2013, he collaborated with the Caisse nationale de solidarité pour l'autonomie (CNSA)(法國養老基金理事會) and China Development Bank to organise the first session of Sino-French Elderly Care Cooperation Meeting in Beijing. From 2014 to 2018, he served as the executive president of China region of DOMUSVI, the third largest elderly care group in France, and had successfully established Xi'an Trade Union DOMUSVI Nursing Home(西安工會多慰護理院) in Xi'an, Shaanxi Province, the PRC in May 2017. The nursing home has 200 beds and were fully occupied in less than one year after its opening. Two Ministers of Health of French under different sessions visited the nursing home with good applause. The delegation of the State Council's Medical and Nursing Research Group(中國國務院醫養結合考察組) and the Standardization Administration gave their high recognition. The project has successfully introduced the brand and standard process system of DOMUSVI, the world-renowned elderly care group in France, and trained a number of high quality management and operation teams. Since 2017 to date, he serves as the vice chairman of the Sino-French Aged Services Cooperative Association(法中養老服務合作協會). The association includes over 20 elderly care management operators, elderly care product development agencies, design companies for medical and elderly care institutions, elderly care training institutions and elderly care insurance and financial institution in France.

Company Secretary

Mr. Ng Ka Kuen Raymond ("Mr. Ng"), aged 57, was an associate member of the Association of Cost and Executive Accountants in September 1985 and became a fellow member of that Association in October 1986. In November 1997, he was awarded a Graduate Diploma in Administration and a Bachelor Degree of Arts by Australian Catholic University, Australia and Ottawa University, Ottawa, Kansas State, the United States of America respectively. Mr. Ng became an associate member of the Association of International Accountants in June 2004. In April 2005, Mr. Ng became a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Before joining the Company, Mr. Ng has more than 10 years of audit experience.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

The initial term of these contracts was three years commencing on 1 January 2017. The service contracts of the Company's directors and supervisors were renewed for a term of three years commencing from 1 January 2017 as approved at the extraordinary general meeting held on 28 December 2016 unless terminated by either party giving not less than one month's prior written notice to the other.

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

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

MATERIAL CONTRACTS

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

DIRECTORS' REMUNERATION AND TOP FIVE HIGHEST PAID PERSONS

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its Independent Non-Executive Directors, namely Mr. Li Xudong, Mr. Wang Yongkang and Ms. Gao Chun, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listings Rules and the Company still considers the independent non-executive directors to be independent.

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

As at 31 December 2018, 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 at 31 December 2018, 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 2018, 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 2018, 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 2018, none of the Directors, the Supervisors, or the management shareholders and their respective associates of the Company (as defined under the GEM Listing Rules) competes or may compete with the business of the Group or has or may have any other conflicts of interest with the Group required to be disclosed pursuant to the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not redeem any of its shares during the year under review. Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2018.

SHARE OPTION SCHEME

For the year ended 31 December 2018, the Company did not approve any new share option scheme.

AUDIT COMMITTEE

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

The audit committee had held six meetings during the current financial year. The audit committee has reviewed the audited annual results of the Group for the year ended 31 December 2018.

CORPORATE GOVERNANCE

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The details of Environmental, Social and Governance Report of the Group is set out on pages 46 to 64 of this annual report.

SUFFICIENCY OF THE PUBLIC FLOAT

On the date of this report, according to the information published by the Company and to the best knowledge of the directors, the Company has maintained the public float as prescribed in the GEM Listing Rules.

AUDITOR

On 17 May 2018, BDO Limited ("BDO") was re-appointed, and the appointment will continue to be effective until the conclusion of the forthcoming annual general meeting of the Company.

The financial statements of the Group for the year ended 31 December 2018 have been audited by BDO. A resolution will be submitted to the forthcoming annual general meeting to re-appoint BDO as the auditor of the Company.

On behalf of the Board
Sun Li
Chairman

Tianjin, China, 25 March 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company have endeavored to apply the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 15 of the GEM Listing Rules to the Group. The corporate governance principles which the Company complies emphasis on the establishment of an efficient board of directors and sound internal control, as well as the transparency presented to all of the shareholders. The Directors are of the view that, the Company had complied with all the provisions of the Code except A.2.1 of the Code during the period under review.

DIRECTORS' SECURITIES TRANSACTION

For the year ended 31 December 2018, the Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all Directors, the Directors of the Company have complied with such code of conduct and the required standard of dealings.

BOARD OF DIRECTORS AND BOARD MEETING

Board Composition and Board Practices

The Board comprises nine Directors of the Company including three Executive Directors, three Non-Executive Directors and three Independent Non-Executive Directors. All executive Directors have given tremendous efforts, time and attention to the affairs of the Group. Each Director has sufficient experience to hold the position. There is no financial, business, family or other material/relevant relationship amongst the Directors. The Directors' biographical information is set out on pages 26 to 29 under the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this Annual report.

The Board, currently headed by the Chairman, Ms. Sun Li, is responsible for overall corporate development strategy, annual and interim results, implementation of corporate plans, risk management, major acquisitions, disposals and capital raising, and other significant operational and financial matters. The Chairman of the Board has focused on the effective operation of the Board, and encouraged all the Directors to devote themselves to the affairs of the Board, perform their own duties, formulate, review and monitor issuers and directors to obey legal regulatory rules and code of conduct and discuss all the important issues in a timely manner. The Chairman also supervised the implementation and review of good corporate governance practices and procedures. Major corporate matters that are specifically delegated by the board of Directors to the management include the preparation of annual and interim financial statements for board approval before publication, execution of business strategies and initiatives adopted by the Board of Directors, effective implementation of full risk management procedures and internal controls system, and compliance with relevant statutory requirements and rules and regulations. Pursuant to the requirements set out in Code, the Chairman has carried out measures to ensure that the management provides updated information to all the members of the Board on a monthly basis, which contains the latest operational developments, important financial information, major events and, if any, the background information of the issues to be discussed at the Board meeting. The Chairman has also taken appropriate measures to keep in touch with the shareholders and make sure that the opinions of the shareholders can be heard by the Board; to encourage and help the Non-Executive Directors to make contributions to the Board and to ensure that the Executive Directors maintain a constructive relationship with the Non-Executive Directors.

BOARD OF DIRECTORS AND BOARD MEETING *(continued)*

Board Composition and Board Practices *(continued)*

The Board members for the year ended 31 December 2018 were:

Executive Directors

Ms. Sun Li
Mr. Hao Zhihui
Mr. Liu Renmu (resigned on 20 September 2018)
Mr. He Xin (appointed on 20 December 2018)

Non-Executive Directors

Mr. Feng Enqing (resigned on 9 August 2018)
Ms. Gai Li (appointed on 26 September 2018)
Mr. Cao Aixin
Mr. Li Ximing

Independent Non-Executive Directors

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

Pursuant to the requirements of Code provision A.2.1 of the Code, the Chairman of the Board and the Chief Executive Officer shall be performed by two individuals to ensure their respective independence and accountability. The Chairman is responsible for chairing and convening the general meetings, chairing the board meetings, examining the implementation of the resolutions of the Board and formulating overall strategies and policies of the Group. The Chief Executive Officer is responsible for managing the Group's business and overall operations. The day-to-day running of the Group is delegated to the management with divisional heads responsible for different aspects of the business. During the year under review, as Ms. Sun Li served as the Chairman and the Chief Executive Officer, such practice deviates from code provision A.2.1 of the Code. The Board is of the opinion that it is appropriate and in the best interests of the Group for Ms. Sun Li to hold both positions at that stage. The Group has been proactively recruiting candidates for the post of Chief Executive Officer through different means. The Group issued an announcement on 1 February 2019 that the Board had announced Mr. Yang Junmin had been appointed as Chief Executive Officer to replace Ms. Sun Li with effect from 1 February 2019, thereby fulfilling the requirements of A.2.1 of the Code and increasing the transparency and independence of corporate governance.

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

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

BOARD OF DIRECTORS AND BOARD MEETING *(continued)*

Board Composition and Board Practices *(continued)*

The Board complies with the minimum requirements of the GEM Listing Rules relating to the appointment of at least three Independent Non-Executive Directors and each of its Independent Non-Executive Directors has made an annual confirmation of his independence pursuant to the GEM Listing Rules. The Company believes, all of the Independent Non-Executive Directors are in compliance with the guidelines of independence set out in the GEM Listing Rules and are therefore all independent persons as defined therein. And one of them has the appropriate professional qualifications required under the GEM Listing Rules.

Throughout the year, the Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. The Board holds at least four meetings per year (one official Board meeting for each quarter at least). During 2018, the Board held five meetings for the discussion and approval of important matters such as the approval of quarterly results, interim results and annual results, dividends, the Group's annual budget, business and investments etc. In addition, the Chairman of the Company's Board also met with certain Non-Executive Directors to seek their views on certain business or operational matters. Apart from the regular board meetings of the year, the Board of Directors has met on other occasions when a board-level decision on a particular matter was required. The Directors has received details of agenda items for decision and minutes of committee meetings in advance of each board meeting. The Directors have attended meetings in person or through other means of electronic communication in accordance with the Company's Articles. Notice of at least 15 days has been given of a regular board meeting to enable the Directors to make informed decisions on matters to be raised at the board meetings. Independent Non-Executive Directors and other Non-Executive Directors have been treated the same as other members of the Board, and have attended the board meetings and the committee meetings where they served as a member to actively participate in the discussion of the issues proposed at the meetings and advice on the professional trainings for senior management and developing strategy of the Company based on their own professional background, skills and qualifications. They have also attended general meetings and developed a balanced understanding of the views of shareholders. Besides, pursuant to the requirements of the Code, all Directors have received continuous professional development training. During the years under review, the Company arranged special training about GEM Listing Rules for Directors, Supervisors and senior management in relation to GEM Listing Rules (including the 54th amendment and the Guidance for Boards and Directors). In addition, Pursuant to the GEM listing requirements A.1.8, the Company has arranged appropriate insurance cover for its Directors and the senior management to avoid legal risks.

BOARD OF DIRECTORS AND BOARD MEETING *(continued)*

Board Composition and Board Practices *(continued)*

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

Name of Directors	Attendance/ Number of Board Meetings	Attendance/ Number of General Meetings	Attendance/ Number of Training Course
Executive Directors			
Ms. Sun Li	5/5	3/3	2/2
Mr. Hao Zhihui	4/5	2/3	2/2
Mr. Liu Renmu (resigned on 20 September 2018)	2/3	0/1	1/1
Mr. He Xin (appointed on 20 December 2018)	0/0	0/0	0/0
Non-Executive Directors			
Mr. Feng Enqing (resigned on 9 August 2018)	1/2	0/1	1/1
Ms. Gai Li (appointed on 26 September 2018)	1/1	1/1	1/1
Mr. Cao Aixin	5/5	0/3	2/2
Mr. Li Ximing	5/5	0/3	2/2
Independent Non-Executive Directors			
Mr. Li Xudong	5/5	0/3	2/2
Mr. Wang Yongkang	4/5	0/3	2/2
Ms. Gao Chun	5/5	0/3	2/2

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

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

AUDIT COMMITTEE

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

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

The audit committee has reviewed and discussed the results of the Group for the year ended 31 December 2018 and the 2018 annual report.

AUDIT COMMITTEE *(continued)*

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

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

AUDITOR'S REMUNERATION

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

EXTERNAL AUDITOR

BDO Limited ("BDO"), Certified Public Accountant, had been recommended by the audit committee and appointed by the shareholders as the external auditor of the Company and its subsidiaries with effect from 17 May 2018 until the conclusion of the forthcoming annual general meeting of the Company.

The annual financial statements for the financial year ended 31 December 2018 have been audited by BDO.

The audit committee reviews each year a letter from the external auditors confirming their independence and objectivity and holds meetings with the external auditors to discuss the scope of their audit.

The external auditor of the Group for the preceding three years ended 31 December 2016, 2017 and 2018 was BDO.

The remuneration paid/payable to the external auditors of the Company and its subsidiaries in respect of audit services and non-audit services for the year ended 31 December 2018 is set out as follows:

	Fees Received	
Types of Services	**For the year ended 31 December 2018 RMB'000**	For the year ended 31 December 2017 RMB'000
Audit services		
– Annual audit of the financial statement of the Company and its subsidiaries	**1,020**	935
Non-audit services	**Nil**	Nil

NOMINATION COMMITTEE

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

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

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

Name of directors	Attendance/ Number of Meetings held
Ms. Sun Li	2/2
Mr. Wang Yongkang	2/2
Ms. Gao Chun	2/2

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

REMUNERATION COMMITTEE

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

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

REMUNERATION COMMITTEE *(continued)*

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

Name of directors	Attendance/ Number of Meetings held
Mr. Wang Yongkang	2/2
Ms. Sun Li	2/2
Ms. Gao Chun	2/2

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

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT DURING THE YEAR

Name of Directors	2018 Salaries, allowances and benefits in kind RMB	2018 Retirement benefits scheme contributions RMB	2018 Total RMB	2017 Salaries, allowances and benefits in kind RMB	2017 Retirement benefits scheme contributions RMB	2017 Total RMB
Executive Directors						
Ms. Sun Li	**618,552**	**90,485**	**709,037**	618,552	85,487	704,039
Mr. Hao Zhihui	**593,037**	**90,212**	**683,249**	593,037	85,061	678,098
Mr. Liu Renmu (resigned on 20 September 2018)	**–**	**–**	**–**	50,000	–	50,000
Mr. He Xin (appointed on 20 December 2018)	**5,000**	**–**	**5,000**	–	–	–
Non-Executive Directors						
Mr. Feng Enqing (resigned on 9 August 2018)	**–**	**–**	**–**	–	–	–
Ms. Gai Li (appointed on 26 September 2018)	**10,000**	**–**	**10,000**	–	–	–
Mr. Cao Aixin	**40,000**	**–**	**40,000**	36,530	1,287	37,817
Mr. Li Ximing	**40,000**	**–**	**40,000**	36,666	–	36,666
Independent Non-Executive Directors						
Mr. Li Xudong	**80,000**	**–**	**80,000**	73,333	–	73,333
Mr. Wang Yongkang	**80,000**	**–**	**80,000**	3,334	–	3,334
Ms. Gao Chun	**80,000**	**–**	**80,000**	73,333	–	73,333
Mr. Duan Zhongpeng (resigned on 27 September 2017)	**–**	**–**	**–**	60,000	–	–

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT DURING THE YEAR *(continued)*

Name of Directors	2018 Salaries, allowances and benefits in kind RMB	2018 Retirement benefits scheme contributions RMB	2018 Total RMB	2017 Salaries, allowances and benefits in kind RMB	2017 Retirement benefits scheme contributions RMB	2017 Total RMB
Chief Executive Officer						
Ms. Sun Li	**618,552**	**90,485**	**709,037**	618,552	85,487	704,039
Qualified Accountant/Company Secretary						
Mr. Ng Ka Kuen Raymond	**150,000**	**–**	**150,000**	150,000	–	150,000

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The statements made by the external auditor of the Group, BDO as to its reporting responsibilities on the consolidated financial statements of the Group is set out in the Auditor's Report on page 65 to 70 of this annual report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast a significant doubt upon the Group's ability to continue as a going concern.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting by Shareholders

Pursuant to articles 62(3) and 83 of the Articles of Association (the "Articles") of the Company, extraordinary general meeting (the "EGM") may be convened by the Board on written requisition of any two or more shareholders of the Company (the "Shareholders") holding not less than one-tenth of the issued share capital of the Company having the right to vote (the "Requisitionist"). Such written requisition must specify the objects of the EGM and may be deposited at the head office or Hong Kong Share Registrar and Transfer Office of the Company. The Board upon receipt of the written requisition must convene an EGM as soon as practicable.

In the event that the Board does not proceed duly to convene an EGM within 30 days from the date of receipt of the requisition, the Requisitionist may convene an EGM provided that any meeting so convened shall not be held after the expiration of four months from the date of receipt of the requisition by the Board. The convening procedures should follow the procedures of the Board convening a general meeting as far as practicable.

SHAREHOLDERS' RIGHTS *(continued)*

Procedure for putting forward proposals at Shareholders' meetings

Pursuant to article 64 of the Articles of the Company, any Shareholder holding not less than 5% of the issued share capital of the Company having the right to vote may by written requisition propose new resolutions to be discussed at a scheduled annual general meeting. Provided that any such proposed resolution is within the scope of duties to be discussed at an annual general meeting, the Company shall put it in the agenda of the annual general meeting.

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

Procedure in respect of the nomination of director candidates by Shareholders

Pursuant to Article 99 of the Company's Articles, if a Shareholder would like to recommend a person other than retiring Directors or candidates recommended by the Directors to be elected as a Director in a general meeting, the Shareholder who is qualified to attend and vote in the general meeting shall sign a notice of nomination (the "Notice of Nomination") in writing and the nominated person shall sign a notice indicating his willingness to stand for the election (collectively the "Notices") and send the Notices to the head office or Hong Kong Share Registrar and Transfer Office of the Company.

The Notice of Nomination shall state the full name of the nominating Shareholder, his/her shareholding in the shares of the Company, and the full name and details of the curriculum vitae of the nominated person, including the relevant qualification and experience, as required under Rule 17.50(2) of the GEM Listing Rules.

The Notices must be submitted from date immediately the following the day of dispatch of the notice of the general meeting on election of Directors to 7 days prior to such general meeting; with a minimum period of 7 days. The Company shall propose a motion to the general meeting for considering the proposed election of the nominated person(s).

Enquiries put to the Board

Shareholders may send written enquiries or requests in respect of their rights to the registered office, head office, principal place of business, Hong Kong Representative Office or Hong Kong Share Registrar and Transfer Office of the Company for the attention of the company secretary.

INVESTORS RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company has committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its Shareholders. The Company uses its best endeavor to maintain regular communication with the Shareholders through a number of formal communication channels. In addition, the Company encourages all Shareholders to attend general meetings, which provide opportunities for direct dialogue between the Company and the Shareholders, and for Shareholders to keep informed of the Group's strategies and goals.

At the Company's annual general meeting held on 17 May 2018 and the extraordinary general meeting held on 26 September 2018 and 20 December 2018 respectively, some of the Executive and Independent Non-Executive Directors of the Company were present in the meetings to attend to questions from Shareholders.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

ENVIRONMENTAL PROTECTION

During the year under review, the Group is principally engaged in two business segments, namely manufacturing and selling biological compound fertilisers and providing elderly care and health care services. In the elderly care and health care business segment, the Group basically has no environmental pollution issue since it is principally engaged in the operation and management of elderly care and health care services and conduct quantitative EEG testing services. In biological compound fertiliser business segment, the business operation does not have any material impact on the environment due to the business nature of biological compound fertilisers. The subsidiaries of the Group engaged in compound fertiliser have always been focusing on environment protection, advocated energy-saving and environmentally-friendly, and proactive implementation of clean production, and adhered firmly to the principles of harmonious development of safety production and environmental protection. The environmental protection data mentioned in this report include Shandong Hidersun and Guangdong Fulilong. During the year under review, Guangdong Fulilong strived to provide relevant environmental protection data, since it rented its production facilities from other compound fertiliser enterprises to manufacture products.

Emissions

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

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

(I) Emissions of Shandong Hidersun

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

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

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

The relevant emission standards that it follows include: air quality that executes the Level 2 standard of Ambient Air Quality standards (《環境空氣品質標準》) (GB3095-1996) 二級標準）, exhaust gas from hot blast stoves that executes Table 1 of "Shandong Province Regional Air Pollutant Emission Standards"（熱風爐廢氣執行《山東省區域性大氣污染物排放標準》) (DB37/2376-2013), odor pollutant (ammonia) emissions that execute Evil Pollutant Emission Standards（惡臭污染物（氨）排放執行《惡臭污染物排放標準》) (GB14554-93). The surface water environment quality that executes the Type V standard of Environmental Quality Standard for Surface Water (《地表水環境品質標準》) (GB3838-2002) V類標準）and underground water quality that executes the Type Ⅲ standard of Environmental Quality Standard for Groundwater (《地下水品質標準》) (GB/T14848-93) Ⅲ類標準. The solid waste that executes the Standards for Pollution Control on General Industrial Solid Waste Sites (《一般工業固體廢物貯存、處置場污染控制標準》) (GB18599-2001) and its amended standards as well as the Standards for Pollution Control on Hazardous Waste Storage (《危險廢物貯存污染控制標準》) (GB18597-2001) and its amended standards according to its different natures. The noise environment that executes the Type 2 standard of Environmental Quality Standard for Noise (《聲環境品質標準》) (GB3096-2008) 2類標準. The noise emission that executes the Type 2 standard of Emission Standard for Industrial Enterprises Noise at Boundary (《工業企業廠界環噪聲排放標準》) (GB12348-2008) 2類標準.

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

(I) Emissions of Shandong Hidersun

Table of Pollutant Output and Emissions of Shandong Hidersun in 2018

Waste category	Waste description	Pollutant output (t)	Pollutant Emission volume (t)	Emission per unit product (kg/t)
Waste gas	Tower compound and mixed fertiliser dust	56.5	1.2	0.046
	Rotary drum compound and mixed fertiliser dust	26.5	0.61	0.033
	Ammonia	0.55	0.55	0.0123
	Greenhouse (CO_2)	2,717.073	2,717.073	28.3
Waste water	Domestic sewage	2110	2110	47.098
	COD	0.134	0.134	0.003
	Ammonia and nitrogen	0.064	0.064	0.0014
General solid waste	Household garbage	30.2	30.2	0.67
	Dust collection from dust collector	81.19	0	0
	Waste packaging bags	0.2	0	0
Hazardous waste	Used engine oil	0.1	0	0
	Oily waste cloth and gloves	0.01	0	0

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

2. Shandong Hidersun currently has 96 staff with per capita greenhouse gas (CO2) emission of 28.3 tons;

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

4. Waste motor oil is a hazardous waste. It can be used within the Company at a downgraded standard after being produced. The local administrative authority no longer manages Shandong Hidersun as a hazardous waste unit.

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

(I) Emissions of Shandong Hidersun (continued)

Table of Generation and Control of Pollutants of Shandong Hidersun in 2018				
Pollutants		Annual output (t)	Treatment measures and efficiency	Annual emissions (t)
Waste gas	Tower compound and mixed fertiliser dust	56.5	Gravity sedimentation + whirlwind dust removal	1.2
	Rotary drum compound and mixed fertiliser dust	26.5	Whirlwind dust collector	0.61
	Greenhouse gas (CO_2)	2,717.073	–	2,717.073
	Ammonia	0.55	–	0.55
Waste water	Domestic sewage	2110	Entrust Shandong Changle Salcon Raw Water Company Limited to dispose of	2,110
General solid waste	Household garbage	30.2	Environmental sanitation and clearing	0
	dust collection from dust collector	81.19	Return to production system	0
	Waste packaging bags	0.2	Collect for external sales	0
Hazardous waste	Used engine oil	0.1	Used within the Company at a downgraded standard	0
	Oily waste cloth and gloves	0.01	Dispose to Household garbage for environmental sanitation and clearing	0

According to the requirements of National Hazardous Waste Inventory (Order No.39 of the Ministry of Environmental Protection), from 1 August 2016 onwards, the treatment method of oily waste cloth is exempted and the treatment can be merged into household garbage for disposal purpose.

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

(II) Emissions of Guangdong Fulilong

During the year under review, Guangdong Fulilong rented the production lines in Hongwuwo village, Hongmei Town, Dongguan from Guangdong Lvzhou Fertiliser Industry Company Limited（廣東綠洲肥業有限公司）for production, and has established a sound environmental management system. This improves the internal environmental management system, strengthens daily environmental management, and implements the entire environmental management process during the entire production process. It also prevents environmental pollution issue from happening during the production process and safeguards the environment. In 2018, Guangdong Fulilong's production lines are mainly equipped based on the granulation method with high tower and drum granulation method. Three new extrusion granulation production lines have been added. At present, one extrusion granulation production line has been put into operation. The production process of compound fertilisers under the granulation method with high tower has no water introduction and drying process, and thus saving energy consumption, and has a good operating environment, which is a clean production process. For the drum granulation production process, Guangdong Fulilong applied domestically advanced equipment, adopted advanced control system, and achieved professional production of products using bag filter dust equipment with almost no dust emission. The extrusion granulation production process equipment has characteristics of high degree of automation, high technical content and stable product quality, and thus reduced consumption of raw materials and energy, and the amount of pollutants produced is controlled strictly for the sake of meeting clean production. In general, all the Guangdong Fulilong's production lines have reached the international advanced standard in clean production. According to the Guiding Opinions on Implementing Differentiated Environmental Protection Admission and Promoting Coordinated Development in the Region (Yue Huan [2014] No. 27) (《關於實施差別化環保准入促進區域協調發展的指導意見》（粵環[2014]27號）) and Notice of Supporting Environmental Protection Policies for the Planning of Main Functional Zoning in Guangdong Province (Yue Huan [2014] No.7) (《廣東省主體功能區劃規劃的配套環保政策的通知》（粵環[2014]7號）), the Optimal Development Zone (core zone) of Pearl River Delta shall reach the international advanced standard of clean production. Guangdong Fulilong is located in Hongmei Town, Dongguan and belongs to the Optimal Development Zone (core zone) of Pearl River Delta. It has already reached the international advanced standard of clean production, and complies with the clean production standard requirements of Yue Huan [2014] No. 27 and Yue Huan [2014] No. 7.

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

(II) Emissions of Guangdong Fulilong (continued)

Guangdong Fulilong is strict compliance with the emission volume and standards requirements stipulated by relevant laws and regulations. The relevant emission standards that it has complied with mainly include: the surface water executes the Type V water standard of Environmental Quality Standard for Surface Water (《地表水環境品質標準》) (GB3838-2002) V類水質標準; environment air: SO_2, NO_2, PM10, TSP that execute the Mid-Level 2 standard of Ambient Air Quality Standard (《環境空氣質量標準》(GB3095-2012)) 中二級標準, NH3 that executes the maximum allowable concentration of harmful substances in the atmosphere of residential area of the Standards for the Design of Industrial Enterprises (《工業企業設計衛生標準》(TJ36-79)); acoustic environment: executes the Type III standard in the "Acoustic Environmental Quality Standards" (《聲環境質量標準》(GB3096-2008)) 3類標準; waste water: executes the sewage treatment agreement standards signed with Shenzhen Donghong Environmental Protection Co., Ltd.(深圳市東虹環保有限公司): COD≤350 mg/L, NH3-H≤20 mg/L, SS≤250 mg/L, BOD≤200 mg/L. Waste gases that execute: conveying, weighing, pelletising, melt-mixing, cooling process exhaust vent: particulates execute the second period of second stage emission limits of Emission Limits of Air Pollutants (《大氣污染物排放限值》(DB44/27-2001)) of Guangdong Province emission concentration ≤120 mg/m^3. The ammonia executes the (existing) Level 2 in Table 1 of the Emission Standard for Odor Pollutants (《惡臭污染物排放標準》(GB14554-93)) 二級標準, and the emission concentration ≤2.0 mg/m^3; solid waste: solid waste executes temporarily requirements General Industrial Solid Waste Storage and Disposal Site Pollution Control Standards (《一般工業固體廢物貯存、處置場污染控制標準》(GB18599-2001)) in factories; noise: executes Type 3 standards of Factory Environmental Noise Emission Standards for Industrial Enterprises Boundary (《工業企業廠界環境噪聲排放標準》(GB 12348-2008)) 3類標準, daytime: 65dB(A), nighttime: 55dB (A).

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

(II) Emissions of Guangdong Fulilong (continued)

Table of Guangdong Fulilong Pollutant Output and Emissions in 2018

Waste category	Waste description	Pollutant output (t)	Pollutant Emission volume (t)	Emission per unit product (kg/t)
Waste water	COD	1.1	1.1	5.47kg/head/year
	Ammonia and nitrogen	0.396	0.396	1.97kg/head/year
	Domestic sewage	3,135	3,135	15.6t/head/year
Waste gas	Rotary drum compound and mixed fertiliser dust	45.5	0.96	0.03
	Tower compound and mixed fertiliser dust	140.2	2.66	0.043
	Soot dust	24.2	1.33	0.021
	Greenhouse gas (CO_2)	5,379.88	5,379.88	57.5
	SO_2	15.44	1.43	0.015
	NO_x	0.56	0.56	0.0059
	Ammonia	1.16	0.09	0.0096
Solid waste	Household garbage	46.5	46.5	231.3kg/head/year
	Dust collection by dust collectors	122.17	0	0
	Waste packaging bags	0.76	0	0
Hazardous waste	Used engine oil	0.24	–	–

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

2. Guangdong Fulilong currently has 201 employees.

3. Waste bags are recycled by recycling companies.

ENVIRONMENTAL PROTECTION *(continued)*

Emissions *(continued)*

(II) Emissions of Guangdong Fulilong (continued)

Table of Guangdong Fulilong Pollutant Output and Governance in 2018				
Pollutants		Annual output (t)	Treatment measures and efficiency	Annual emissions (t)
Waste water	COD	1.1	Entrust Shenzhen Donghong Environmental Protection Co., Ltd.* （深圳市東虹環保有限公司） to dispose of	1.1
	Ammonia and nitrogen	0.396		0.396
	Domestic sewage	3,135		3,135
Waste gas	Rotary drum compound and mixed fertiliser dust	45.5	Cyclone dust collectors 97.89%	0.96
	Tower compound and mixed fertiliser dust	140.2	Gravity precipitation + whirlwind dust collection 98.88%	2.66
	Soot dust	24.2	Water film dust removal 94.51%	1.33
	Greenhouse gas (CO_2)	5,379.88	–	5,379.88
	SO_2	15.44	Alkaline desulphurization 90.74%	1.43
	NO_x	0.56	–	0.56
	Ammonia	1.16	Physical absorption 92.24%	0.09
Solid waste	Household garbage	46.5	Environmental sanitation and clearing	0
	Dust collection by dust collectors	122.17	Return to production system	0
	Waste packaging bags	0.76	Collect for external sales	0
Hazardous waste	Used engine oil	0.24	Entrust Dongguan Guanfa Renewable Resources Recovery Co., Ltd.* （東莞市莞發再生資源回收有限公司） to dispose of	0

ENVIRONMENTAL PROTECTION *(continued)*

Use of Resources

(I) Use of resources of Shandong Hidersun

The major raw and auxiliary materials required for production in Shandong Hidersun are urea, mono-ammonium phosphate, KCl, potassium phosphate and fillers. The main energies are electricity, steam and natural gas. In 2018, steam was provided by Changle Golden Age Thermoelectricity Power Co., Ltd. in 2018. Natural gas is used in hot blast stoves.

Information table of raw and auxiliary materials and energy consumption of Shandong Hidersun in 2018			
Major raw and auxiliary materials and energy	Unit	Annual consumption (t)	Per unit product consumption (kg/t)
Urea	Tower workshop	10,451.55	400.44
Mono-ammonium phosphate		3,451.75	132.25
KCl		2,670.35	102.31
Potassium phosphate		7,835.5	300.21
Fillers		1,675.5	64.20
Anti – bonding agent		151.58	5.81
Electricity		287,600 kwh	11.0
Steam from external purchase		4,471.7m^3	171.32
Packaging bags		597,179 pieces	22.88
Urea workshop	Rotary drum	4,675.5	250.03
Mono-ammonium phosphate		7,455.3	398.68
KCl		2,805.55	150.03
Potassium phosphate		1,875.45	100.29
Fillers		1,879.55	100.51
Anti – bonding agent		84.71	4.5
Electricity		294,400 kwh	15.74
Steam from external purchase		1,842.6m^3	98.53
Natural gas		137,169m^3	7.33
Packaging bags		313,568 pieces	16.77
Water	Kiln Room	740 m^3	–
Electricity		2,954kWh	–
Bituminous coal		84	–
sodium hydroxide solution		0.8	–
Water	Living and office	1,556.14m^3	11.44
Electricity		71,700 kwh	527.2

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

ENVIRONMENTAL PROTECTION *(continued)*

Use of Resources *(continued)*

(I) Use of resources of Shandong Hidersun

Implementation effect table of energy-saving and consumption-reduction scheme of Shandong Hidersun in 2018				
			Implementation effect	
Title of scheme	Scheme introduction	Investment (In RMB Ten thousands)	Environmental effect	Economic effect
Replace old motors	Replace existing old motors and eliminate old equipment with high-energy consumption.	45	Compared with 2017, reduced the use of electricity by 170,000 kwh, and reduced subsequent maintenance and repair resources.	Saved frequent maintenance costs of RMB20,000
Palletizers	Install 3 palletizers	51	Reduced labour and saved labour costs	–

ENVIRONMENTAL PROTECTION *(continued)*

Use of Resources *(continued)*

(II) *Use of resources of Guangdong Fulilong*

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

Table of Guangdong Fulilong Raw and Auxiliary Materials and Energy Input in 2018

Major raw and auxiliary materials and energy	Auxiliary materials generation unit	Annual consumption (t)	Per unit product consumption (kg/t)
Urea	Tower workshop	24,601.6	396.8
Mono-ammonium phosphate		11,556.8	186.4
Binary compound fertilisers		16,833.0	271.5
KCl		8,847.4	142.7
Hardening-proof agent		223.2	3.6
Fillers		2,914.0	47
Packaging bags		1,450,796 pcs	23.4pcs/t
Electricity		1,159,000 kwh	18.7 kwh/t
Outsourced steam		10,955.4 m^3	176.7 dm^3
Urea	Rotary Drum workshop	8,793.4	278.8
Mono-ammonium phosphate		10,625.8	336.9
Binary compound fertilisers		6,093.5	193.2
KCl		3,674.4	116.5
Hardening-proof agent		116.7	3.7
Fillers		2,371.8	75.2
Electricity		401,000 kwh	12.7 kwh/t
Outsourced steam		3,078.3 m^3	97.6 dm^3
Water	Domestic and office space	7077.2	35.21t/head/year
Electricity		142,000 kwh	706.4 kwh/head/year

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

ENVIRONMENTAL PROTECTION *(continued)*

Use of Resources *(continued)*

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

Implementation effect table of energy-saving and consumption-reduction scheme of Guangdong Fulilong in 2018				
			Implementation effect	
Title of scheme	Scheme introduction	Investment (In RMB millions)	Environmental effect	Economic effect
Tower system maintenance	Repair and maintenance of high tower exhaust, tower wall, feeding port and other facilities	8	Effectively reduce the emission of particulates and ammonia, reduce solid waste generation	Save steam and relevant expenses
Bag dust removal system maintenance	Place a new dust removal equipment and replace the bag of old equipment	6	Better dust collection, block dust, so that the filtered gas is more purified	Recycle more dust for production to save cost
Gravity sedimentation chamber maintenance	Routine inspection, repair and maintenance of gravity sedimentation chamber	2.5	Repair and maintenance may avoid gravity sedimentation chamber malfunction and reduce environmental pollution caused by malfunction	Recycle more dust for production to save cost
Acid spray system maintenance	Routine inspection, repair and maintenance of acid spray	3.5	Repair and maintenance may reduce ammonia emission, reduce solid waste generation	–
Electricity saving reformation	Inspection, repair and maintenance of energy-saving lamps and other environment-friendly and energy-saving lighting equipment	0.3	Energy-saving and Consumption-reduction	Save Electricity energy and relevant expenses

ENVIRONMENTAL PROTECTION *(continued)*

Environment and Natural Resources

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

EMPLOYMENT AND LABOUR PRACTICES

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

Labour Standards

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

Employment Policies

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

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

Working Hours

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

Occupational Safety

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

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

Team Building

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

As of 31 December 2018, the Group has 531 employees in total (excluding those under the labour system but include the employees in Tianjin Alpha), and the male and female ratio is 69:31. The management of the Company considers appropriate and reasonable turnover would bring new vitality to the Group and benefits the healthy and long-term development of the Group. During the year under review, the newly recruited employees of the Group were 21, with a recruitment rate of 4.0%. The number of employees resigned was 30, with a resignation rate of 5.6%.

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

Team Building *(continued)*

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

Age breakdown (by age)	25 and below	26-35	36-45	46-55	Over 55	Total
Persons in charge of companies	0	1	3	4	3	12
Persons in charge of departments	4	18	11	7	0	40
General staff	21	124	151	161	22	479
Total	**25**	**143**	**165**	**172**	**25**	**531**

Years of service structure (by years)	5 and below	6-10	11-15	16-20	Over 20	Total
Persons in charge of companies	7	1	2	1	1	12
Persons in charge of departments	25	9	6	0	0	40
General staff	224	123	94	33	5	479
Total	**256**	**133**	**102**	**34**	**6**	**531**

Education background structure	Master degree and higher	Undergraduate	Junior college	High school and below	Total
Persons in charge of companies	6	4	1	1	12
Persons in charge of departments	0	18	18	4	40
General staff	16	59	86	318	479
Total	**22**	**81**	**105**	**323**	**531**

Occupational Development

The Group values and respects talents, and selects and recruits talents in compliance with the normative and sound system to stimulate talents' growth potentials. We believe that employees will keep on growing along with the business expansion of the Group. The Group provides employees with targeted, systematic, prospective, multi-layered and multiform trainings, for example, trainings of corporate cultures, guidelines and goals, safety production and mandatory pre-employment trainings for new staff; and also provides different aspects of trainings for on-job staff covering management, quality standards, skills and expansion, which will fully explore employees' potentialities to assist the sustainable development of the Group's business. During the year under review, through different forms of internal and external trainings, total training hours in the Group were 6,282 hours with 1,401 employee attendance in total at all levels. The training content mainly includes system, skills, safety and other special trainings. With the continuous development of the Group, to ensure the constant improvement of team qualities, the Group will increase employees training opportunities, and keeps on review, inspects and improves training programmes in meeting the development needs of the business operation and employees.

EMPLOYMENT AND LABOUR PRACTICES *(continued)*

Occupational Development *(continued)*

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

	Training Headcount	Average Training Hours (hour/person)	Total Training Hours (hour)
Principal of the Company	0	0	0
Head of Department	45	3	135
General staff	1,356	4.53	6,147
Total	**1,401**	**7.53**	**6,282**

Employee Benefits

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

OPERATION PRACTICE

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

OPERATION PRACTICE *(continued)*

Supply Chain Management

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

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

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

Product Liability and Service Standard

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

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

OPERATION PRACTICE *(continued)*

Consumer Services

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

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

During the year under review, in response to the requirements outlined in "13th Five-Year National Plan for Developing Undertakings for the Elderly and Establishing the Elderly Care System ("十三五國家老齡事業發展和養老體系建設規劃"), the Group adjusted its strategic direction by proactively creating an industrial holding platform comprising medical services and elderly care services, which targets the seniors with complete or partial disability or dementia where there are strong demands and a high barrier in terms of service technology to expand the health care and elderly care businesses of the Group through integrating the medical services into the elderly care services. Shanghai Muling, a subsidiary of the Company, manages 6 elderly homes and 25 day care centers across 4 major central districts in Shanghai (Pudong New Area, Jing'an District, Putuo District and Huangpu District), and in Yunnan and Xinjiang. Most of the attendees are the seniors with complete or partial disability or dementia. The Group actively carries out its public welfare activities through volunteer services, safety knowledge education, first aid skills training and prevention of emergencies for the elderly. It has also continued to improve the spiritual care, psychological counseling and crisis intervention service network for the elderly and urged family members to step up their efforts on elderly's emotional care and psychological communication. Relying on social professional service agencies, professional psychologists and social workers to carry out mental health services for the elderly, the Group provides psychological care and spiritual care for the elderly.

Anti-Corruption

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

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

COMMUNITY PARTICIPATION

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

For a long period of time, with the effective integration of its business development with social responsibility, the Group extends active presence in public welfare activities under the motto of "Be Kind to the Society". In recent years, the Group extends active presence in poverty relief and develops charitable activities to help the disadvantaged in the society, organises a string of activities such as "Donate our Love", through which we try our best to extend our helping hands and show our cares for the special needs, poverty-stricken regions, thereby repay the society with practical actions. For example, Shandong Hidersun actively participated in the 3-Year Action Plan "Village and Enterprise Co-construction for joint promotion of Rural Revitalization" ("村企聯建共促鄉村振興") organized by Shandong Weifang Changle Economic Development Zone（山東省濰坊市昌樂經濟開發區）, and when Weifang（濰坊市）suffered an unprecedented flood throughout history, Shandong Hidersun took the initiative to liaise with the Village and Enterprise Co-construction to help the villages, understood the disaster situation, playing an active role in helping villagers for the launch of post-disaster reconstruction. Since the Group is engaging in the elderly care operation business, we have been vigorously promoting the development of community-based elderly care services through the establishment of community-based day care centres and other elderly care institutes to support family endowment and grown-up children living with their elderly parents. Through visiting living alone elderly, empty nest elderly families, the Group aims to help the elderly to solve practical difficulties, with constant innovative service model for the elderly in providing personalised professional services. To arrange related resources of hospital for the elderly, and provide a variety of activities including elderly care consultation and renowned doctor consultation to enable the elderly to have a better life.

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

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 71 to 164, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(continued)*

Impairment assessment of trade receivables

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

The Group has trade receivables with the balance of approximately RMB76.4 million and accounted for 26.0% of the Group's total current assets. The assessment of impairment of trade receivables under the expected loss model is considered to be a key audit matter as it requires the application of judgement and use of subjective assumptions by the management. The Group has applied the simplified approach for assessing the expected credit loss ("ECL") of trade receivables, which is based on management's estimate of the lifetime ECL to be incurred. The Group has considered whether there were significant increases in credit risks or credit-impaired financial assets, parameters for measuring ECL and forward-looking information. Past experience of credit losses, aging of overdue trade receivables, customers' settlements history, customers' financial position and current and expected business development are also considered in the ECL model.

How our audit addressed the Key Audit Matter

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

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

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

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

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

KEY AUDIT MATTERS *(continued)*

Impairment assessment of goodwill and intangible asset

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

As at 31 December 2018, the net carrying amounts of goodwill and intangible asset were approximately RMB12.1 million and RMB18.0 million respectively relating to its cash-generating units (the "CGUs") within the segment of elderly care and health care services.

Management has performed impairment test on the goodwill and intangible asset in accordance with the Group's accounting policies and concluded that there was no impairment of goodwill as at 31 December 2018 and an impairment loss of approximately RMB227.4 million was provided for the intangible asset. This assessment was based on the value-in-use calculations. We have identified impairment assessment of goodwill and intangible asset as a key audit matter because of its significance to the consolidated financial statements and because the value-in-use calculations involve significant management judgement and estimates with respect to the underlying cash flows, in particular the revenue growth from electroencephalography ("EEG") detection services, number of customers to be served for EEG detection services and revenue from service contracts to be signed for consultation and operation assessment services.

How our audit addressed the Key Audit Matter

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

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

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hong Kong, 25 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB	2017 RMB
Revenue	7	**351,897,658**	375,906,530
Cost of sales		**(350,190,803)**	(322,701,103)
Gross profit		**1,706,855**	53,205,427
Other income and losses, net	8	**(3,680,687)**	(5,377,946)
Selling and distribution costs		**(21,726,586)**	(14,755,804)
Administrative expenses		**(32,195,141)**	(36,227,996)
Research and development expenses	9	**(11,667,239)**	(9,294,266)
Finance costs	10	**(2,762,567)**	(3,699,137)
Impairment loss of intangible asset		**(227,361,866)**	(999,266)
Gain on deemed disposal of an associate		**–**	1,995,152
Share of loss of associates	20	**(2,792,016)**	(5,303,132)
Loss before income tax	10	**(300,479,247)**	(20,456,968)
Income tax	11	**(158,686)**	(826,716)
Loss for the year		**(300,637,933)**	(21,283,684)
Loss and total comprehensive income for the year		**(300,637,933)**	(21,283,684)
Attributable to:			
Owners of the Company			
– Loss for the year		**(177,679,819)**	(13,752,052)
Non-controlling interests			
– Loss for the year		**(122,958,114)**	(7,531,632)
		(300,637,933)	(21,283,684)
Loss per share			
– Basic and diluted	13	**(9.58)**	(0.82)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB	2017 RMB
Non-current assets			
Property, plant and equipment	15	**71,338,431**	69,898,228
Goodwill	16	**12,149,807**	12,149,807
Intangible asset	18	**18,045,202**	262,145,201
Interest in associates	20	**17,660,069**	13,452,085
Prepaid land lease payments	21	**13,018,908**	10,686,887
Prepayments and other receivables	25	**12,401,826**	12,274,365
Amounts due from associates	26	**–**	11,389,137
Other financial assets	22	**10,463,767**	8,263,711
Total non-current assets		**155,078,010**	400,259,421
Current assets			
Inventories	23	**85,618,751**	92,699,923
Trade and bills receivables	24	**76,699,301**	107,490,288
Prepayments and other receivables	25	**66,745,283**	69,342,030
Amounts due from associates	26	**12,683,044**	493,907
Financial assets at fair value through profit or loss	27	**9,025,622**	–
Cash and bank balances	28	**43,129,493**	37,592,277
Total current assets		**293,901,494**	307,618,425
Total assets		**448,979,504**	707,877,846
Current liabilities			
Trade payables	29	**40,175,528**	22,123,954
Contract liabilities	30	**22,264,411**	–
Other payables and accruals	31	**42,121,228**	41,566,505
Amount due to a director	32	**–**	50,000
Amount due to a shareholder	32	**–**	2,512,595
Amount due to non-controlling interests	32	**1,120,528**	–
Other financial liabilities	33	**1,633,200**	26,633,200
Current tax liabilities		**496,978**	191,801
Bank borrowings	34	**49,500,000**	40,000,000
Total current liabilities		**157,311,873**	133,078,055
Net current assets		**136,589,621**	174,540,370
Total assets less current liabilities		**291,667,631**	574,799,791
NET ASSETS		**291,667,631**	574,799,791

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB	2017 RMB
Capital and reserves attributable to owners of the Company			
Share capital	35	**189,450,000**	169,500,000
Reserves	36	**83,555,905**	253,453,962
Equity attributable to owners of the Company		**273,005,905**	422,953,962
Non-controlling interests	37	**18,661,726**	151,845,829
TOTAL EQUITY		**291,667,631**	574,799,791

On behalf of the Board

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital Note 35 RMB	Share premium Note 36(i) RMB	Surplus reserve Note 36(ii) RMB	Capital reserve Note 36(iii) RMB	Other reserve Note 36(v) RMB	Retained earnings/ (Accumulated losses) Note 36(iv) RMB	Attributable to owners of the Company RMB	Non-controlling interests Note 37 RMB	Total RMB
Balance as at 1 January 2017	159,500,000	154,667,871	3,717,696	2,541,404	(22,032,403)	27,513,103	325,907,671	23,475,523	349,383,194
Loss and total comprehensive income for the year	–	–	–	–	–	(13,752,052)	(13,752,052)	(7,531,632)	(21,283,684)
Issue of new shares	10,000,000	100,798,343	–	–	–	–	110,798,343	–	110,798,343
Acquisition of subsidiaries	–	–	–	–	–	–	–	135,901,938	135,901,938
Balance as at 31 December 2017	169,500,000	255,466,214	3,717,696	2,541,404	(22,032,403)	13,761,051	422,953,962	151,845,829	574,799,791
Initial application of HKFRS 9	–	–	–	–	–	(19,686,408)	(19,686,408)	(1,488,515)	(21,174,923)
Restated 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 (Note 38)	–	–	–	–	–	(578,933)	(578,933)	578,933	–
Dividend 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	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

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 (note 22).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 RMB	2017 RMB
Cash flows from operating activities			
Loss before income tax		**(300,479,247)**	(20,456,968)
Adjustments for:			
Amortisation of prepaid land lease payments		**273,525**	194,565
Amortisation of an intangible asset		**16,738,133**	12,941,531
Depreciation		**7,038,965**	7,439,934
Interest expense		**2,762,567**	3,699,137
Interest income		**(42,497)**	(121,870)
Provision for bad debt of trade and other receivables		**3,861,904**	8,100,592
Provision for obsolete stock, net		**2,151,559**	368,558
Inventories written off		**13,070,185**	–
Fair value (gain)/loss on other financial assets at fair value through profit or loss		**(2,200,056)**	7,320,694
Fair value gain on financial assets at fair value through profit or loss		**(25,622)**	–
Provision for impairment loss of intangible asset		**227,361,866**	999,266
(Gain)/loss on disposal of property, plant and equipment		**(30,242)**	512,588
Gain on deemed disposal of an associate		**–**	(1,995,152)
Share of loss of associates		**2,792,016**	5,303,132
Operating cash flows before working capital changes		**(26,726,944)**	24,306,007
Increase in inventories		**(8,140,572)**	(24,603,299)
Decrease/(increase) in trade and bills receivables		**5,798,786**	(25,772,265)
Decrease in prepayments and other receivables		**2,509,450**	35,028,635
Increase in financial assets at fair value through profit or loss		**(9,000,000)**	–
Increase in trade payables		**18,051,574**	6,125,740
Increase in contract liabilities		**22,264,411**	–
(Decrease)/increase in other payables and accruals		**(23,431,039)**	7,374,398
(Decrease)/increase in amount due to a director		**(50,000)**	50,000
Decrease in other financial liabilities		**(500,000)**	–
Cash (used in)/generated from operations		**(19,224,334)**	22,509,216
Income tax paid		**146,491**	(2,654,200)
Interest paid		**(2,762,567)**	(2,455,037)
Net cash (used in)/generated from operating activities		**(21,840,410)**	17,399,979

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 RMB	2017 RMB
Cash flows from investing activities			
Purchase of property, plant and equipment		**(9,016,845)**	(13,632,716)
Proceeds from disposal of property, plant and equipment		**47,851**	186,001
Increase in amounts due from associates		**(7,800,000)**	(1,168,878)
Acquisition of prepaid land lease		**(2,684,506)**	(2,842,662)
Acquisition of a subsidiary in business combination		**–**	(5,869,722)
Acquisition of intangible asset		**–**	(42,344,921)
Interest received		**42,497**	121,870
Net cash used in investing activities		**(19,411,003)**	(65,551,028)
Cash flows from financing activities			
Drawdown of bank borrowings		**49,500,000**	40,000,000
Repayment of bank borrowings		**(40,000,000)**	(40,000,000)
Decrease in amount due to a shareholder		**(2,512,595)**	–
Proceeds from issue of new shares		**39,801,224**	–
Net cash generated from financing activities		**46,788,629**	–
Net increase/(decrease) in cash and cash equivalents		**5,537,216**	(48,151,049)
Cash and cash equivalents at beginning of year		**37,592,277**	85,743,326
Cash and cash equivalents at end of year		**43,129,493**	37,592,277
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances	27	**43,129,493**	37,592,277

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

1. CORPORATE INFORMATION

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

The Company and its subsidiaries (hereafter referred to as the "Group") principally engages in manufacture and sale of biological compound fertiliser products, elderly care and health care services. The principal activities and other particulars of the subsidiaries are set out in Note 45 to the consolidated financial statements. The address of its registered office and principal place of business is disclosed in the "Corporate Information" section to the annual report.

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

(a) Adoption of new/revised HKFRSs—effective on 1 January 2018

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

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

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

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

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 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2018 *(continued)*

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

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

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of reserves, retained earnings and NCI as of 1 January 2018 as follows (increase/(decrease)):

	RMB
Retained earnings	
Retained earnings as at 31 December 2017	13,761,051
Increase in expected credit losses ("ECLs") in trade receivables (note 2(a)(ii) below)	(19,686,408)
Restated accumulated losses as at 1 January 2018	(5,925,357)
Non-controlling interests	
Non-controlling interests as at 31 December 2017	151,845,829
Increase in ECLs in trade receivables (note 2(a)(ii) below)	(1,488,515)
Restated non-controlling interests as at 1 January 2018	150,357,314

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2018 *(continued)*

HKFRS 9 – Financial Instruments (continued)

(i) Classification and measurement of financial instruments *(continued)*

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

– It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

– It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2018 *(continued)*

HKFRS 9 – Financial Instruments (continued)

(i) Classification and measurement of financial instruments *(continued)*

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt instruments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity instruments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2018 *(continued)*

HKFRS 9 – Financial Instruments (continued)

(i) Classification and measurement of financial instruments *(continued)*

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	2018.1.1 RMB	2017.12.31 RMB
Trade receivables	Loans and receivables	Amortised cost	**85,835,365**	107,010,288
Bills receivable	Loans and receivables	Amortised cost	**480,000**	480,000
Deposit and other receivables	Loans and receivables	Amortised cost	**2,259,866**	2,259,866
Amounts due from associates	Loans and receivables	Amortised cost	**11,883,044**	11,883,044
Other financial assets	FVTPL	FVTPL	**8,263,711**	8,263,711
Cash and bank balances	Loans and receivables	Amortised cost	**37,592,277**	37,592,277

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECL for trade receivables, bills receivable and financial assets at amortised costs earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within 12 months after the reporting date, and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2018 *(continued)*

HKFRS 9 – Financial Instruments (continued)

(ii) Impairment of financial assets *(continued)*

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's debt investment at FVOCI are considered to have low credit risk since the issuers' credit rating are high.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) in the case of trade receivables, the financial asset is more than one year after initial recognition. The determination of default receivables is referenced to the historical settlement pattern of trade receivables as approximately 73% of trade receivables are settled within one year after the issuance of the sales invoice. Thus, the management of the Group considered that such determination is reasonable.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2018 *(continued)*

HKFRS 9 – Financial Instruments (continued)

(ii) Impairment of financial assets *(continued)*

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the assets.

I. Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and by the invoice date. The expected credit loss rate is determined by the historical settlement pattern of trade receivables for the past 3 years, which is the proportion of trade receivables yet to be settled after one year to the whole balance of trade receivables in each aging category. The publicly available information of the expected future market development of biological compound fertilisers has been considered in the application of the expected loss rate. The loss allowance as at 1 January 2018 was determined as follows for trade receivables:

1 January 2018	Within 3 months	More than 3 to 6 months	More than 6 to 12 months	Over 1 year	Total
Expected loss rate (%)	8%	15%	40%	90%	
Gross carrying amount (RMB)	55,946,439	23,931,145	19,383,954	23,760,602	123,022,140
Loss allowance (RMB)	4,420,687	3,597,072	7,775,681	21,393,336	37,186,776

The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 January 2018 was RMB21,174,923. The loss allowances for trade receivables further increased by RMB3,817,278 during the year ended 31 December 2018.

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

(a) Adoption of new/revised HKFRSs－effective on 1 January 2018 *(continued)*

HKFRS 9 – Financial Instruments (continued)

(ii) Impairment of financial assets *(continued)*

Presentation of ECLs (continued)

II. Impairment of bills receivable, other receivables and amounts due from associates

Other financial assets at amortised cost of the Group mainly represents bills receivable, other receivables and amounts due from associates. The Group has applied the ECL model and the impact is considered insignificant to the Group. No additional allowance for ECL is recognised upon the transition to HKFRS 9 as of 1 January 2018 and for the year ended 31 December 2018.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2018 *(continued)*

HKFRS 9 – Financial Instruments (continued)

(iv) Transition *(continued)*

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

– The determination of the business model within which a financial asset is held;

– The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

– The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group considered that the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018) is insignificant. As a result, the financial information presented for 2017 has not been restated.

Payments received in advance that are related to the sales of goods not yet delivered to customers are deferred and recognised as contract liabilities. Revenues are recognised when goods or services are delivered to customers. The Group does not expect to have any significant financing component as the period between the delivery of goods to the customers and payment by the customers does not exceed one year. As a result, the Group does not adjust any of the transaction prices for the effects of the time value of money.

The following table summarised the impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 1 January 2018. There was no material impact on the Groups' consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 and its consolidated statement of cash flow for the year ended 31 December 2018.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2018 *(continued)*

HKFRS 15 – Revenue from Contracts with Customers (continued)

Impact on the consolidated statement of financial position as of 1 January 2018:

	RMB
Liabilities	
Current liabilities	
Other payable and accruals	(17,512,100)
Contract liabilities	17,512,100
Total liabilities	–

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's revenue are set out below:

Sales of biological compound fertilisers

Customers obtain control of the biological compound fertilisers when these fertilisers are delivered to the customers. Revenue is thus recognised upon when the customers accepted the products. There is only one performance obligation. The Group determined that revenue from sales of goods is recognised at point in time when the goods are delivered and have been accepted.

Right of return

The Group's sales contracts with customers provide a right of return for sales of biological compound fertilisers within a reasonable period.

Under HKAS 18, revenue for these contracts was recognised when a reasonable estimate of the returns could be made, provided that all other revenue recognition criteria are met. If a reasonable estimate could not be made, such revenue would be deferred until the return period lapsed or a reasonable estimate could be made.

Under HKFRS 15, right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised.

No right to the returned goods are recognised as at 1 January 2018 as the sales returns from customers is insignificant per historical operation experience of the Group.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2018 *(continued)*

HKFRS 15 – Revenue from Contracts with Customers (continued)

Sales of biological compound fertilisers *(continued)*

Volume rebate

Some of the Group's contracts with customers from the sales of biological compound fertilisers provide customers a volume rebate policy and the volume rebate would be calculated based on the actual sale volume during the financial year.

Under HKAS 18, the Group estimated the expected volume rebates using the probability-weighted amount of rebates approach and recognised as a reduction of revenue as the sales are recognised. A provision of rebate will be recognised in trade and other payable.

Under HKFRS 15, volume rebates give rise to variable consideration. The Group apply the expected value method to estimate the variable consideration. A refund liability would be recognised based on the estimate of the expected to be paid to customer's volume-based rebates.

No adjustments from the right to the volume rebate are recognised as at 1 January 2018 as the basis of calculation of volume rebate is the annual sales, which is identical to the sales for the year to the customers and the Group has already fully recognised the respective volume rebate in the consolidated financial statements as per HKAS 18.

Significant payment terms

The credit term granted to customers is around 90 days as per sales contract. No significant financing component is noted in the contract.

Nature of the goods transferred

The goods are biological compound fertilisers that are directly sold to the customers or distributors by the Group. There is no performance obligation to arrange for another party to transfer the goods.

Unsatisfied performance obligations

In biological compound fertilisers industry, it is a common business practice for the Group to receive the contract considerations in advance, especially for new customers. Normally, the performance obligation is considered to be met only when the goods are delivered to the customers. As a result, there is no unsatisfied performance obligations.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2018 *(continued)*

HKFRS 15 – Revenue from Contracts with Customers (continued)

Sales from integrated elderly care and health care services

Customers received the elderly care consultation and EEG diagnosis detection services when the services are provided. With respect to the sales from installation income of the EEG diagnosis detection services, the installation service is provided at a point in time when the installation service is completed within a short period of time and the control of the EEG diagnosis detection system has been passed to the customers. There is only one performance obligation. The Group determines that revenue from installation service is recognised at point in time when the installation service is provided and completed.

For the provision of elderly care consultation and EEG diagnosis detection processing services, the services are provided for a period of time. There is only one performance obligation as each of the services provided to the customers are not interrelated and completed when the relevant consultations and detection reports have been delivered. The Group determined that revenue from the provision of such services is recognised over time when the services are provided.

Right of return or other variable considerations

No right of return or other variable considerations are noted from the EEG diagnosis installation, detection and elderly care services.

Significant payment terms

No significant financing component is noted in the contract.

Nature of the services transferred

The services include elderly care consultation or EEG diagnosis detection and processing services that are directly delivered to the end customers, and 8% of the processing income would be shared from the revenue of the customers when the EEG diagnosis detection services are provided to the end customers. There is no performance obligation to arrange for another party to transfer the goods for both types of services.

Unsatisfied performance obligations

For the elderly care consultation services, most of the service contracts are signed and completed within the same financial year, and normally on a yearly basis. Only minimal amount of contracts are signed and completed across two financial years. As the amount is immaterial, no unsatisfied performance obligations are recognised.

For EEG diagnosis detection and processing services, the performance obligation is considered to be fulfilled when the EEG diagnosis detection services and relevant detection reports are delivered to the customers. There would only be minimal time difference between the provision of EEG diagnosis detection services and the delivery of detection reports, and also no failure of issuance of detection reports as per past experience. Therefore, no unsatisfied performance obligations are recognised.

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

(a) Adoption of new/revised HKFRSs – effective on 1 January 2018 *(continued)*

HKFRS 15 – Revenue from Contracts with Customers (continued)

Sales from integrated elderly care and health care services *(continued)*

Unsatisfied performance obligations (continued)

For EEG diagnosis detection licensing services, the Group would share the customers' processing income only when they delivered the services to their end customers. Therefore, no unsatisfied performance obligations are recognised.

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications.

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

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

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

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

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

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

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

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

(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.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKAS 1 (Revised) and HKAS 8	Definition of Material[2]
Amendments to HKFRS 3	Definition of Business[2]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

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

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

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

4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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

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

HKFRS 16 – Leases (continued)

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 39(b), the Group's total future minimum lease payments under non-cancellable operating leases as at 31 December 2018 was approximately RMB207,556. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

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

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

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

Amendments to HKFRS 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

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 Combinations

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

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

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

Annual Improvements to HKFRSs 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.

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.

Except as mentioned above, the Group is not yet in a position to state whether other new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

(b) Subsidiaries

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

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

(c) Associates

Associates is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Associates *(continued)*

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for associates above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in associates has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

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

(d) Goodwill

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

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

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

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31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Property, plant and equipment

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Payments for leasehold land held for own use under operating leases

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

(g) Intangible assets

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

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

Licenses	16 years

(ii) *Impairment*

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Research and development costs

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

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

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

(i) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, prepaid land lease payments and the Company's investment in subsidiaries and associates to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Inventories

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

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

(k) Financial instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

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

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

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

Debt instruments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial instruments (accounting policies applied from 1 January 2018) *(continued)*

(i) Financial assets (continued)

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

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

(ii) Impairment loss on financial assets

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial instruments (accounting policies applied from 1 January 2018) *(continued)*

(ii) Impairment loss on financial assets (continued)

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

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

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

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

(iii) Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals, amount due to non-controlling interests, other financial liabilities and bank borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Borrowings

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial instruments (accounting policies applied from 1 January 2018) *(continued)*

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Financial guarantee contracts

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

(vii) Derecognition

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Financial instruments (accounting policies applied until 31 December 2017)

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are measured at fair value, with change in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

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31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Financial instruments (accounting policies applied until 31 December 2017) *(continued)*

(ii) Impairment loss on financial assets (continued)

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

An impairment loss is reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities include trade payables, other payables and accruals, amounts due to a director and a shareholder, other financial liabilities and bank borrowings; and are initially measured at fair value, net of directly attributable costs incurred.

Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

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

(v) Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Financial instruments (accounting policies applied until 31 December 2017) *(continued)*

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

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

(m) Cash and cash equivalents

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

(n) Leasing

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Provisions and contingent liabilities

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

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

(p) Income taxes

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Government grants

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

(r) Foreign currencies

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

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

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Revenue recognition (accounting policies applied from 1 January 2018)

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

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

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

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

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

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

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

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

(i) from the sales of goods, when the control has been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. This is usually taken as the time when the goods are delivered and the customers have accepted the goods;

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Revenue recognition (accounting policies applied from 1 January 2018) *(continued)*

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

(t) Revenue recognition (accounting policies applied until 31 December 2017)

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

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

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

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

(u) Employee benefits

(i) Short term employee benefits

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

(ii) Pension obligations

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

(iii) Termination benefits

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

(v) Capitalisation of borrowing costs

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(a) Critical judgement in applying accounting policies

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

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

(ii) Provision for slow-moving inventories

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

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

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

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

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

(iv) Taxation

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

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

(v) Impairment of non-financial assets

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

(b) Key sources of estimating uncertainty

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

(i) Impairment of goodwill

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

(ii) Fair value measurement

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

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

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

(ii) Fair value measurement (continued)

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

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

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

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

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

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

6. SEGMENT INFORMATION

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

For the year ended 31 December 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:

	2018 RMB	2017 RMB
Sales from biological compound fertilisers	**347,327,533**	354,288,504
Income from provision of integrated elderly care and health care services	**4,570,125**	21,618,026
	351,897,658	375,906,530

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11.

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6. SEGMENT INFORMATION *(continued)*

(a) Business segments

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

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

	Year ended 31 December 2018		
	Fertiliser products RMB	Elderly care & health care services RMB	Total RMB
Revenue from external customers	347,327,533	4,570,125	351,897,658
Inter-segment revenue	–	–	–
Reportable segment revenue	347,327,533	4,570,125	351,897,658
Reportable segment loss	(42,607,392)	(241,363,169)	(283,970,561)
Interest income	(18,173)	(15,634)	(33,807)
Interest expense	2,762,567	–	2,762,567
Depreciation and amortisation for the year	7,171,019	16,777,766	23,948,785
Impairment loss 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

6. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

	Year ended 31 December 2017		
	Fertiliser products RMB	Elderly care & health care services RMB	Total RMB
Revenue from external customers	354,288,504	21,618,026	375,906,530
Inter-segment revenue	–	–	–
Reportable segment revenue	354,288,504	21,618,026	375,906,530
Reportable segment (loss)/profit	(1,156,166)	4,769,041	3,612,875
Interest income	(80,571)	(3,016)	(83,587)
Interest expense	2,455,037	–	2,455,037
Depreciation and amortisation for the year	7,518,003	12,948,074	20,466,077
Impairment loss on trade and other receivables	7,966,304	7,099	7,973,403
Provision for obsolete stock, net	368,558	–	368,558
Reportable segment assets	388,166,865	277,449,494	665,616,359
Additions to non-current assets during the year	28,723,285	288,433,141	317,156,426
Reportable segment liabilities	90,852,633	785,002	91,637,635

6. SEGMENT INFORMATION *(continued)*

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

	2018 RMB	2017 RMB
Revenue		
Total reportable segments' revenue	**351,897,658**	375,906,530
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**351,897,658**	375,906,530
(Loss)/Profit before income tax		
Total reportable segments' (loss)/profit	**(283,970,561)**	3,612,875
Elimination of inter-segment profit	**–**	–
Interest income	**8,690**	38,282
Other interest income	**1,404,420**	1,168,878
Depreciation and amortisation	**(101,838)**	(109,954)
Share of loss of associates	**(2,792,016)**	(5,303,132)
Gain on deemed disposal of an associate	**–**	1,995,152
Finance costs	**–**	(1,244,100)
Unallocated corporate expenses	**(15,027,942)**	(20,614,969)
Consolidated loss before income tax	**(300,479,247)**	(20,456,968)
Assets		
Total reportable segments' assets	**410,607,688**	665,616,359
Interest in associates	**17,660,069**	13,452,085
Amounts due from associates	**12,683,044**	11,883,044
Unallocated corporate assets	**8,028,703**	16,926,358
Consolidated total assets	**448,979,504**	707,877,846
Liabilities		
Total reportable segments' liabilities	**124,429,541**	91,637,635
Other financial liabilities	**1,633,200**	26,633,200
Unallocated corporate liabilities	**31,249,132**	14,807,220
Consolidated total liabilities	**157,311,873**	133,078,055

6. SEGMENT INFORMATION *(continued)*

(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	
	2018 RMB	2017 RMB	2018 RMB	2017 RMB	2018 RMB	2017 RMB
Primary geographical markets						
PRC	347,327,533	354,288,504	4,570,125	21,618,026	351,897,658	375,906,530
Major products/services						
Sales of biological compound fertiliser products						
– Ordinary fertilisers	327,104,212	346,755,503	–	–	327,104,212	346,755,503
– Organic fertilisers	20,223,321	7,533,001	–	–	20,223,321	7,533,001
Provision of integrated elderly care & health care services						
– Licensing income	–	–	2,543,470	19,665,750	2,543,470	19,665,750
– Processing income	–	–	331,107	347,907	331,107	347,907
– Consultation service income	–	–	1,695,548	1,604,369	1,695,548	1,604,369
	347,327,533	354,288,504	4,570,125	21,618,026	351,897,658	375,906,530
Timing of revenue recognition						
At a point in time	347,327,533	354,288,504	2,543,470	19,665,750	349,871,003	373,954,254
Transferred over time	–	–	2,026,655	1,952,276	2,026,655	1,952,276
	347,327,533	354,288,504	4,570,125	21,618,026	351,897,658	375,906,530

(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 2018 and 2017.

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7. REVENUE

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

	2018 RMB	2017 RMB
Fertiliser products	**347,327,533**	354,288,504
Elderly care and health care services	**4,570,125**	21,618,026
Total revenue from contracts with customers	**351,897,658**	375,906,530

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

	31 December 2018 RMB	1 January 2018 RMB
Trade receivables (note 24)	**76,499,301**	107,010,288
Contract liabilities (note 30)	**22,264,411**	17,512,100

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

8. OTHER INCOME AND LOSSES, NET

	2018 RMB	2017 RMB
Gain/(loss) on disposal of property, plant and equipment	**30,242**	(512,588)
Government grants (note (i))	**1,039,261**	1,265,507
Bank interest income	**42,497**	121,870
Other interest income	**1,404,420**	1,168,878
Inventories written off (note (ii))	**(13,070,185)**	–
Fair value gain/(loss) on other financial assets	**2,200,055**	(7,320,694)
Fair value gain on financial assets at fair value through profit or loss	**25,622**	–
Foreign exchange gain	**3,701,525**	–
Others	**945,876**	(100,919)
	(3,680,687)	(5,377,946)

Notes:

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

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

9. RESEARCH AND DEVELOPMENT EXPENSES

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

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10. LOSS BEFORE INCOME TAX

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

	2018 RMB	2017 RMB
Finance costs		
Interest expense on bank borrowings	**2,762,567**	2,455,037
Interest expense on other financial liabilities	**–**	1,244,100
	2,762,567	3,699,137
Auditor's remuneration	**1,204,310**	1,009,909
Research and development expenses	**11,667,239**	9,294,266
Cost of inventories recognised as expense	**333,337,369**	309,759,572
Depreciation on property, plant and equipment	**7,038,965**	7,439,934
Amortisation of prepaid land lease payments	**273,525**	194,565
Amortisation of intangible asset (note (i))	**16,738,133**	12,941,531
Allowance for/(reversal of allowance for) impairment losses on (net):		
– Trade receivables	**3,817,278**	8,112,422
– Other receivables	**44,626**	(11,830)
Operating lease rentals:		
– land and buildings	**5,131,293**	3,780,108
Employee costs (including emoluments of directors and supervisors):		
– Wages and salaries	**24,999,887**	22,871,594
– Retirement benefit scheme contributions	**3,667,652**	3,358,278
– Staff welfare and other benefits	**1,709,831**	1,374,188
	30,377,370	27,604,060

Note:

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

11. INCOME TAX

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

	2018 RMB	2017 RMB
Current tax		
– tax for the year	**598,407**	493,003
– (over)/under provision in respect of prior years	**(439,721)**	333,713
	158,686	826,716

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% (2017: 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% (2017: 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 2018 (2017: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11. INCOME TAX *(continued)*

(a) *(continued)*

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

	2018 RMB	2017 RMB
Loss before income tax	**(300,479,247)**	(20,456,968)
Calculated at statutory rate of 25% (2017: 25%)	**(75,119,812)**	(5,114,243)
Tax effect of share of loss of associates	**698,004**	1,325,784
Tax effect of non-taxable items	**(537,604)**	(5,446,348)
Tax effect of expenses not deductible for taxation purposes	**40,876,219**	6,476,504
Tax effect of unused tax losses not recognised	**32,762,365**	3,652,828
Tax rate of differential and preferential tax treatment	**1,919,235**	(1,208,833)
(Over)/Under provision in prior years	**(439,721)**	333,713
Others	**–**	807,311
Income tax	**158,686**	826,716

(b) Deferred taxation

At 31 December 2018, the Group has unused tax losses of RMB170.8 million (2017: RMB39.8 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 RMB2.8 million, RMB14.7 million, RMB22.3 million and RMB131.0 million will be expired in 2020, 2021, 2022 and 2023 respectively. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

12. DIVIDEND

No dividend has been paid nor declared by the Company during the year (2017: nil).

13. LOSS PER SHARE

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

	2018 **RMB**	2017 RMB
Loss for the purpose of basic loss per share	**(177,679,819)**	(13,752,052)
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,855,146,575**	1,674,452,055

The weighted average number of ordinary shares for the year ended 31 December 2018 for the purpose of basic loss per share has been adjusted for the issue of shares on 14 March 2018.

No diluted loss per share is presented as there was no potential ordinary shares in issue during the years ended 31 December 2018 and 2017.

14. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND EMPLOYEES

(a) Directors' and supervisors' emoluments

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

	2018 **RMB**	2017 RMB
Fees	**395,000**	340,696
Salaries and other benefits	**1,427,609**	1,457,289
Retirement benefits scheme contributions	**237,391**	227,487
	2,060,000	2,025,472

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

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

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

Executive directors:

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

	Fees emoluments RMB	Salaries and other benefits RMB	Retirement benefits scheme contributions RMB	Total RMB
2018				
Ms Sun Li	**–**	**618,552**	**90,485**	**709,037**
Mr Hao Zhihui	**–**	**593,037**	**90,212**	**683,249**
Mr Liu Renmu (note (i))	**–**	**–**	**–**	**–**
Mr He Xin (note (ii))	**5,000**	**–**	**–**	**5,000**
	5,000	**1,211,589**	**180,697**	**1,397,286**
2017				
Ms Sun Li	–	618,552	85,487	704,039
Mr Hao Zhihui	–	593,037	85,061	678,098
Mr Liu Renmu (note (i))	–	50,000	–	50,000
	–	1,261,589	170,548	1,432,137

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

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

Non-executive directors:

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

	Fee emoluments RMB	Retirement benefits scheme contributions RMB	Total RMB
2018			
Mr Feng Enqing (note (iii))	**–**	**–**	**–**
Mr Li Ximing	**40,000**	**–**	**40,000**
Mr Cao Aixin	**40,000**	**–**	**40,000**
Ms Gai Li (note (v))	**10,000**	**–**	**10,000**
	90,000	**–**	**90,000**
2017			
Mr Feng Enqing (note (iii))	–	–	–
Mr Chen Yingzhong (note (iv))	–	–	–
Mr Li Ximing	36,666	–	36,666
Mr Cao Aixin	36,530	1,287	37,817
	73,196	1,287	74,483

Independent non-executive directors:

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

	2018 RMB	2017 RMB
Mr Li Xudong	**80,000**	73,333
Mr Duan Zhongpeng (note (vi))	**–**	60,000
Ms Gao Chun	**80,000**	73,333
Mr Wang Yongkang	**80,000**	3,334
	240,000	210,000

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

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

Supervisors:

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

	Salaries and other benefits RMB	Retirement benefits scheme contributions RMB	Total RMB
2018			
Ms Yang Chunyan	**113,524**	**29,435**	**142,959**
Ms Liu Jinyu	**102,496**	**27,260**	**129,756**
	216,020	**56,695**	**272,715**
2017			
Ms Yang Chunyan	99,904	28,637	128,541
Ms Liu Jinyu	95,796	27,015	122,811
	195,700	55,652	251,352

Independent supervisors:

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

	2018 RMB	2017 RMB
Mr Liang Weitao	**30,000**	30,000
Ms Feng Ling	**30,000**	27,500
	60,000	57,500

Notes:

(i) Resigned on 20 September 2018
(ii) Appointed on 20 December 2018
(iii) Resigned on 9 August 2018
(iv) Resigned on 27 September 2017
(v) Appointed on 26 September 2018
(vi) Appointed on 1 January 2017 and resigned on 27 September 2017

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

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

(b) Five highest paid individuals

The five highest paid individuals of the Group included two and two executive directors for the years ended 31 December 2018 and 2017 respectively, whose emoluments are reflected in note (a).

The analysis of the emoluments of the remaining three and three highest paid individuals for the years ended 31 December 2018 and 2017 respectively, are set out below:

	2018 RMB	2017 RMB
Salaries and other benefits	**296,020**	269,034
Retirement benefits scheme contributions	**56,695**	55,652
Salaries, housing and other allowances	**352,715**	324,686

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

	Number of individuals	
	2018	2017
Nil – RMB844,600 (2017: RMB832,900) (equivalent to Nil – HK$1,000,000)	**5**	5

(c) During the year, no emoluments were paid by the Group to the directors, supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2017: Nil).

None of the directors and supervisors waived any emoluments during the year (2017: Nil).

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15. PROPERTY, PLANT AND EQUIPMENT

	Buildings, other structures and improvements RMB	Plant and machinery RMB	Motor vehicles RMB	Furniture, fixtures and equipment RMB	Construction in progress RMB	Total RMB
Cost						
At 1 January 2017	64,078,933	51,453,288	7,290,130	5,012,172	2,975,241	130,809,764
Deemed cost from acquisition of SHML	–	–	–	50,235	–	50,235
Additions	830,079	8,661,247	1,057,771	384,946	3,213,804	14,147,847
Transfers	1,662,160	2,716,549	–	–	(4,378,709)	–
Disposals	–	(1,294,519)	(2,106,361)	–	–	(3,400,880)
At 31 December 2017	66,571,172	61,536,565	6,241,540	5,447,353	1,810,336	141,606,966
Additions	–	4,587,244	153,162	460,543	3,300,765	8,501,714
Transfers	–	428,205	–	–	(428,205)	–
Disposals	–	–	(226,475)	(11,295)	–	(237,770)
At 31 December 2018	**66,571,172**	**66,552,014**	**6,168,227**	**5,896,601**	**4,682,896**	**149,870,910**
Accumulated depreciation						
At 1 January 2017	15,959,621	40,178,878	5,091,426	3,814,847	1,810,336	66,855,108
Charge for the year	1,969,836	4,319,426	832,489	318,183	–	7,439,934
Written back on disposal	–	(635,750)	(1,950,554)	–	–	(2,586,304)
At 31 December 2017	17,929,457	43,862,554	3,973,361	4,133,030	1,810,336	71,708,738
Charge for the year	1,935,158	4,047,609	777,017	279,181	–	7,038,965
Written back on disposal	–	–	(215,151)	(73)	–	(215,224)
At 31 December 2018	**19,864,615**	**47,910,163**	**4,535,227**	**4,412,138**	**1,810,336**	**78,532,479**
Carrying amount						
At 31 December 2018	**46,706,557**	**18,641,851**	**1,633,000**	**1,484,463**	**2,872,560**	**71,338,431**
At 31 December 2017	48,641,715	17,674,011	2,268,179	1,314,323	–	69,898,228

Note:

(i) At 31 December 2018, the carrying amount of buildings under property, plant and equipment pledged as security for certain of the Group's banking facilities amounted to approximately RMB75 million (2017: RMB49 million) (Note 34).

16. GOODWILL

	2018 RMB	2017 RMB
At 1 January	**12,149,807**	–
Acquired through business combinations	**–**	12,149,807
At 31 December	**12,149,807**	12,149,807
Accumulated impairment losses		
At 1 January	**–**	–
Impairment losses recognised in the year	**–**	–
At 31 December	**–**	–
Carrying amount	**12,149,807**	12,149,807

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

17. IMPAIRMENT TESTING ON GOODWILL

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

	2018 RMB	2017 RMB
Elderly care services	**12,149,807**	12,149,807

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

Pre-tax discount rate	10.52%
Operating margin	42.94% – 57.86%
Growth rate within the five–year period	6.52% – 36.99%

17. IMPAIRMENT TESTING ON GOODWILL *(continued)*

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

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

The determination of the recoverable amount of the elderly care CGU was particularly sensitive to changes in the following key assumptions for the year ended 31 December 2018:

– A decrease of 5% in the operating margin adopted would result in the reduction of recoverable amount of goodwill by approximately RMB1,592,000.

– A increase of 1% in the discount rate adopted would result in the reduction of recoverable amount of goodwill by approximately RMB2,024,000.

The breakeven point that the recoverable amount of the goodwill from elderly care services can equals to its carry value as at 31 December 2018 are as below:

– A decrease of 14.52% in the operating margin adopted with other key assumptions remained unchanged.

– A increase of 2.24% in the discount rate adopted with other key assumptions remained unchanged.

18. INTANGIBLE ASSET

	2018 RMB	2017 RMB
Cost		
At 1 January	**276,085,998**	–
Additions through acquisition of a subsidiary	**–**	276,085,998
At 31 December	**276,085,998**	276,085,998
Amortisation and impairment		
At 1 January	**13,940,797**	–
Amortisation	**16,738,133**	12,941,531
Impairment	**227,361,866**	999,266
At 31 December	**258,040,796**	13,940,797
Carrying amount	**18,045,202**	262,145,201

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.

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19. IMPAIRMENT TESTING ON INTANGIBLE ASSET

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

	2018 RMB	2017 RMB
Health care services	**18,045,202**	262,145,201

The elderly care and health care services segment includes two CGUs, which are the elderly care services CGU and health care services CGU. The intangible asset belongs to the health care services CGU. The Group performed its impairment assessment for intangible assets in the health care services CGU by estimating the recoverable amount of the health care services CGU and comparing its recoverable amount to its carrying amount as at the end of the reporting period. 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 3.56% for the licensing income, which does not exceed the long-term growth rate for the industry in the People's Republic of China.

Details of the variables and assumptions were as follows:

	2018	2017
Discount rate	**23.58%**	25.16%
Operating margin	**63.59%–78.21%**	53.53%–59.42%
Growth rate within the five-year period – processing income	**0%**	7.76%–208.82%
Growth rate within the five-year period – licensing income	**–87.34%–3.56%**	–4.60%–118.78%

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

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

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

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

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

As at 31 December 2018, the recoverable amount of the intangible asset was RMB18,045,202 (2017: RMB262,145,201), determined based on the value-in-use of the health care services CGU.

20. INTEREST IN ASSOCIATES

	2018 RMB	2017 RMB
Group's share of net assets of the associates	**16,440,933**	12,232,949
Goodwill	**1,219,136**	1,219,136
	17,660,069	13,452,085

Details of the Group's associates are as follows:

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

* English translation is for identification purposes only.

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20. INTEREST IN ASSOCIATES *(continued)*

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

	2018 RMB	2017 RMB
As at 31 December Current assets	**55,859,843**	65,405,679
Non-current assets	**15,501,535**	19,110,038
Current liabilities	**37,352,253**	40,448,898
Non-current liabilities	**–**	–
Year ended 31 December Revenue	**63,278,788**	62,929,706
Loss from continuing operations	**10,057,694**	19,103,501
The Group's share of loss of Tianjin Alpha for the year	**2,792,016**	5,303,132

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

	2018	2017
Proportion of the Group's interest in Tianjin Alpha	**27.76%**	27.76%

	2018 RMB	2017 RMB
Group's share of net assets of Tianjin Alpha	**9,440,933**	12,232,949
Goodwill	**1,219,136**	1,219,136
Carrying amount of the Group	**10,660,069**	13,452,085

20. INTEREST IN ASSOCIATES *(continued)*

On 21 December 2018, the Company has invested into a newly incorporated company, Shuifa Ruifu. According to the Memorandum & Articles of Association of Shuifa Ruifu, the registered capital of Shuifa Ruifu is RMB20 million, of which the Company's equity interests in Shuifa Ruifu was 35%, which is equivalent to RMB7 million. As at 31 December 2018, Shuifa Ruifu has not yet commenced business. This caused the increase in investment in associates as at 31 December 2018, which an identical amount is also booked in other payables for the outstanding injection of investment fund of RMB7 million.

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

	2018 **RMB**
As at 31 December Current assets	**20,000,000**
Non-current assets	**–**
Current liabilities	**–**
Non-current liabilities	**–**
From 21 December (date of incorporation) to 31 December Revenue	**–**
Profit from continuing operations	**–**
The Group's share of profit of Shuifa Ruifu for the year	**–**

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

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

	2018 **RMB**
Carrying amount of the Group	**7,000,000**

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21. PREPAID LAND LEASE PAYMENTS

	2018 RMB	2017 RMB
Cost		
At 1 January	**12,261,458**	9,418,796
Additions	**2,684,506**	2,842,662
At 31 December	**14,945,964**	12,261,458
Accumulated amortisation and impairment		
At 1 January	**1,380,006**	1,185,441
Charge for the year	**273,525**	194,565
At 31 December	**1,653,531**	1,380,006
Carrying amount		
At 31 December	**13,292,433**	10,881,452
Portion classified as current assets		
(included in prepayments and other receivables)	**273,525**	194,565
Non-current assets	**13,018,908**	10,686,887
	13,292,433	10,881,452

Note:

The Group is in process of applying for the certificates of certain prepaid land lease payments whose carrying amounts as at 31 December 2018 was RMB5,537,775 (2017: RMB5,658,635).

22. OTHER FINANCIAL ASSETS

	2018 RMB	2017 RMB
At 1 January	**8,263,711**	–
Profit guarantee at fair value	**–**	15,584,405
Fair value change	**2,200,056**	(7,320,694)
At 31 December	**10,463,767**	8,263,711

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

Pursuant to the profit guarantee agreed with a non-controlling interest in a subsidiary in accordance with the acquisition agreement, SJKGC, the Company is eligible to preferentially appropriate USD2,750,000 included in the profit of SJKGC for the years ended 31 December 2017, 2018 and 2019. Other financial asset as at 31 December 2018 included the fair value of profit guarantee agreed with the non-controlling interest of SJKGC. Same as the shareholders' resolution in 2018, the management of the Group determined that the final arrangement of the distribution of profit guarantee for the year ended 31 December 2018 would be confirmed after the shareholders' resolution in SJKGC in 2019.

23. INVENTORIES

	2018 RMB	2017 RMB
Raw materials	**35,333,047**	56,047,864
Finished goods	**43,036,965**	27,989,399
Packaging materials	**12,769,504**	12,031,866
	91,139,516	96,069,129
Less: Provision for inventory obsolescence	**(5,520,765)**	(3,369,206)
	85,618,751	92,699,923

At 31 December 2018, no inventories were pledged as security for the Group's banking facilities (2017: RMB24 million) (Note 34).

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24. TRADE AND BILLS RECEIVABLES

	2018 RMB	2017 RMB
Trade receivables	**117,503,355**	123,022,141
Allowance for expected credit losses under HKFRS 9/ Impairment under HKAS 39	**(41,004,054)**	(16,011,853)
	76,499,301	107,010,288
Bills receivable	**200,000**	480,000
	76,699,301	107,490,288

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:

	2018 RMB	2017 RMB
Within 3 months	**41,487,500**	55,946,439
More than 3 to 6 months	**22,030,651**	23,931,145
More than 6 to 12 months	**5,385,592**	19,333,254
Over 1 year	**7,595,558**	7,799,450
	76,499,301	107,010,288

As at 31 December 2017, trade receivables individually determined to be impaired amounted to RMB16,011,853. The individually impaired trade receivables relate to customers that were in default in principal payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances. Movements in the allowance for impairment losses are as follows:

	2018 RMB	2017 RMB
At the beginning of the year	**16,011,853**	7,899,431
Effect of adoption of HKFRS 9	**21,174,923**	–
Impairment losses recognised	**–**	8,112,422
Expected credit losses provided	**3,817,278**	–
At the end of the year	**41,004,054**	16,011,853

24. TRADE AND BILLS RECEIVABLES *(continued)*

Disclosure under HKFRS 9

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 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:

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

Disclosure under HKAS 39

The aging analysis of trade receivables that were neither individually nor collectively considered impaired under HKAS 39:

	2017 RMB
Trade receivables	
Neither past due nor impaired	64,845,245
Past due but not impaired	
Within 3 months	20,095,995
More than 3 to 6 months	10,359,558
More than 6 to 12 months	8,212,206
More than 1 year	3,497,284
	107,010,288

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24. TRADE AND BILLS RECEIVABLES *(continued)*

Disclosure under HKAS 39 *(continued)*

In prior years, under HKAS 39, the Group recognised impairment loss based on the application of the following criteria established by management of the Group, which take into account both the aging and repayment pattern of trade receivables balances for each customer, as below:

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

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

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

The Group does not hold any collateral over these balances.

Receivables that were past due but not impaired related to a number of independent customers that had good track records with the Group. Based on past experience, the management of the Group was of the opinion that no provision for impairment under HKAS 39 were necessary in respect of these balances as there has not been a significant change in credit quality and the balances were still considered fully recoverable.

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

25. PREPAYMENTS AND OTHER RECEIVABLES

	2018 RMB	2017 RMB
Current		
Prepayments		
Advanced deposits to suppliers	**64,102,603**	66,887,599
Other prepayments	**273,525**	194,565
	64,376,128	67,082,164
Other receivables	**4,647,934**	4,494,019
Less: allowance for doubtful debts (note (ii))	**(2,278,779)**	(2,234,153)
	2,369,155	2,259,866
	66,745,283	69,342,030
Non-current		
Prepayments and other receivables (note (i))	**12,401,826**	12,274,365
	79,147,109	81,616,395

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. As at 31 December 2018, deposits and relevant prepayments including direct costs required for the acquisition of the land use right is recorded in the balance sheet. As at the year end date, the arrangement of transfer of the land use right certificate is in progress. The actual cost incurred for the acquisition of land use right, including the direct costs, would be confirmed once the land use right transfer is agreed.

25. PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

Notes: *(continued)*

(ii) Allowance for doubtful debts:

	2018 RMB	2017 RMB
At 1 January	**2,234,153**	2,245,983
Allowance for impairment loss	**44,626**	–
Reversal of bad debt	**–**	(11,830)
At 31 December	**2,278,779**	2,234,153

The Group determined that these other receivables have low credit risk at reporting date and no significant increase in credit risk since initial recognition, which the ECL 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 RMB2.3 million (2017: RMB2.2 million) has been made as at 31 December 2018. 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.

26. AMOUNTS DUE FROM ASSOCIATES

Amounts due from associates mainly represented two borrowings of RMB5 million each and the respective interest receivable. The borrowings bear interest at 30% above the 1-year lending rate in the People's Bank of China. The borrowings are guaranteed by the New Investor of Tianjin Alpha, an independent third party, for repayment (refer to note 47). Interest income generated from 21 September 2015 and 25 February 2016, the grant dates of loans to the end of reporting period has not been received, which interest receivable of RMB1,168,878 has been recognised. According to the renewed loan agreements, interest income from the grant date to 31 December 2017 would be received by the Group in 24 equal monthly instalments starting from 1 January 2018 to 31 December 2019, while the principal of RMB10,000,000 together with the interest income generated from 1 January 2018 to 31 December 2019, will be settled on 31 December 2019. As such, all the above mentioned borrowings are reclassified from non-current assets to current assets as at 31 December 2018.

On 16 January 2018, the Company granted a borrowing to an associate amounted to RMB7,800,000 and will be settled on 31 December 2019. The borrowing bears interest at 30% above the 1-year lending rate in the People's Bank of China.

On 21 December 2018, the Company invested into a newly incorporated associate in the PRC, Shuifa Ruifu of RMB7 million (refer to note 20) and the consideration was yet to be paid as at 31 December 2018.

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

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss represented financial products issued by a PRC banking institution of RMB9,000,000 on 28 November 2018, and subsequently measured at fair value as at 31 December 2018.

28. CASH AND BANK BALANCES

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

As at 31 December 2018, the total cash and bank balances is RMB43,129,493 (2017: RMB37,592,277), which the amount denominated in RMB is RMB39,925,437 (2017: RMB37,498,567). RMB is not freely convertible into foreign currencies in the PRC. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

Included in cash and bank balances is an amount of approximately RMB4,586,000 (2017: RMB4,669,000) which was restricted for research and development purposes of a subsidiary, Guangdong Fulilong Soil Conditioning and Remediation Institute.

29. TRADE PAYABLES

	2018 **RMB**	2017 RMB
Trade payables	**40,175,528**	22,123,954

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

	2018 **RMB**	2017 RMB
Within 3 months	**30,210,855**	14,244,564
More than 3 to 6 months	**3,611,449**	2,431,613
More than 6 to 12 months	**2,164,397**	1,812,551
Over 1 year	**4,188,827**	3,635,226
	40,175,528	22,123,954

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30. CONTRACT LIABILITIES

	31 December 2018 RMB	1 January 2018 RMB	31 December 2017 RMB
Contract liabilities arising from:			
Sale of biological compound fertiliser products	22,264,411	17,512,100	–
Elderly care and health care services	–	–	–
	22,264,411	17,512,100	–

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

Sale of biological compound fertiliser products

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

Movements in contract liabilities

	2018 RMB
Balance as at 1 January	**17,512,100**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year (note 7)	**(14,924,876)**
Increase in contract liabilities as a result of receipt in advance	**19,677,187**
Balance at 31 December	**22,264,411**

Note: The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018. Upon the adoption of HKFRS 15, amounts previously included as "Receipt in advance" included in "Other payables and accruals" (note 31) have been reclassified to "Contract liabilities" (note 30).

31. OTHER PAYABLES AND ACCRUALS

	2018 RMB	2017 RMB
Other payables		
– Consideration payables	–	6,500,000
– Others	36,375,954	11,091,566
Accruals	2,939,587	3,786,165
Receipts in advance	–	17,512,100
Payable to Social Security Fund (note (i))	2,805,687	2,676,674
	42,121,228	41,566,505

Note:

(i) Pursuant to the state-owned Shares Reduction Regulations, for any issue of new shares by a joint stock limited company with state-owned shares, 10% of the amount raised by the allotment of new shares shall be payable to 全國社會保障基金理事會(National Council for the Social Security Fund).

32. AMOUNT DUE TO A DIRECTOR/A SHAREHOLDER/NON-CONTROLLING INTERESTS

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

33. OTHER FINANCIAL LIABILITIES

	2018 RMB	2017 RMB
Carrying amount as at end of reporting period (note (i))	1,633,200	26,633,200

Note:

(i) The carrying amount of other financial liabilities as at 31 December 2018 and 2017 represented the outstanding amounts of principal and accrued interest payable upon exercise of options granted by the Group to independent third parties in respect of the disposal transaction of certain equity interests of Tianjin Alpha (the "share buyback") in 2014 which became exercisable when Tianjin Alpha was not listed on the New Over the Counter Market, an over-the-counter board in China, by the end of 31 December 2015. The interest was calculated based on the relevant bank lending rates with premium of 30%. Since the considerations for share buyback in total of RMB25,000,000 was received by the Existing Purchaser, the relevant interest was not further accrued for the year ended 31 December 2018. Details in relation to these liabilities are set out in note 47.

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34. BANK BORROWINGS

	2018 RMB	2017 RMB
Secured	**49,500,000**	35,000,000
Unsecured	**–**	5,000,000
	49,500,000	40,000,000

Bank borrowings are repayable within one year.

Notes:

(i) In 2018, bank borrowings secured against property, plant and equipment with a total carrying amount of approximately RMB74.7 million (2017: RMB72.8 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% (2017: 4.52% to 7.40%).

(iii) As at 31 December 2018, banking facilities of approximately RMB62.9 million (2017: RMB50.4 million) were granted to the Group and the Group utilised approximately RMB49.5 million (2017: RMB40.0 million) during the year ended 31 December 2018.

35. SHARE CAPITAL

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

	2018		**2017**	
	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	**997**	**99,750,000**	897	89,750,000
Issue of new shares (note (i))	**200**	**19,950,000**	100	10,000,000
At 31 December	**1,197**	**119,700,000**	997	99,750,000
Total at 31 December	**1,895**	**189,450,000**	1,695	169,500,000

35. SHARE CAPITAL *(continued)*

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

Notes:

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

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

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

(c) No share options had been granted by the Company under its share option scheme (the "Scheme") since its adoption. At 31 December 2018, none of the directors or supervisors, employees or other participants of the Scheme had any rights to acquire the H Shares in the Company (2017: nil).

36. RESERVES

The Company	Share premium RMB (Note(i))	Capital reserve RMB (Note(iii))	Accumulated losses RMB (Note(iv))	Other reserve RMB (Note(v))	Total RMB
At 1 January 2017	154,667,871	(2,312,483)	(84,100,020)	(22,032,403)	46,222,965
Issue of new shares	100,798,343	–	–	–	100,798,343
Loss and total comprehensive income for the year	–	–	(20,878,915)	–	(20,878,915)
At 31 December 2017	255,466,214	(2,312,483)	(104,978,935)	(22,032,403)	126,142,393
Issue of new shares	19,851,224	–	–	–	19,851,224
Loss and total comprehensive income for the year	–	–	(85,425,893)	–	(85,425,893)
At 31 December 2018	**275,317,438**	**(2,312,483)**	**(190,404,828)**	**(22,032,403)**	**60,567,724**

36. RESERVES *(continued)*

(i) Share premium

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

(ii) Surplus reserve

In accordance with the PRC Companies Law, the Company and its subsidiaries are required to transfer 10% of their profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to the statutory surplus reserve (until such reserve reaches 50% of the registered capital of the respective companies). The statutory surplus reserve is non-distributable and can be used to make up losses or to increase share capital. Except for the reduction of losses incurred, other usage should not result in the statutory surplus reserve falling below 25% of the registered capital. No such transfer was made in 2018 and 2017 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 2018.

(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 reserve will be released upon the expiry of the put option.

37. NON-CONTROLLING INTERESTS

Summarised financial information on subsidiaries with material non-controlling interests

As at and for the year ended 31 December 2018 and 2017, the non-controlling interests ("NCI") was mainly attributable to 49% of Shandong Hidersun, 49% of SJKGC and 30% of Shanghai Muling. The NCI is recorded at its proportionate share of the subsidiaries' identifiable net assets.

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

37. NON-CONTROLLING INTERESTS *(continued)*

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

(a) Shandong Hidersun

	2018 RMB	2017 RMB
For the year ended 31 December		
Revenue	**136,793,712**	148,344,165
Loss for the year	**(6,607,776)**	(1,378,949)
Total comprehensive income for the year	**(6,607,776)**	(1,378,949)
Loss and total comprehensive income allocated to NCI	**(3,237,810)**	(675,685)
For the year ended 31 December		
Cash flows generated from/(used in) operating activities	**19,905,365**	(11,048,050)
Cash flows used in investing activities	**(6,180,612)**	(8,238,660)
Cash flows used in financing activities	**(3,000,000)**	–
Net cash inflow/(outflow)	**10,724,753**	(19,286,710)
As at 31 December		
Current assets	**103,513,775**	100,888,114
Non-current assets	**72,847,693**	71,111,141
Current liabilities	**(138,625,656)**	(125,468,973)
Net assets	**37,735,812**	46,530,282
Accumulated non-controlling interests	**18,490,552**	22,799,838

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37. NON-CONTROLLING INTERESTS *(continued)*

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

(b) SJKGC

	2018 RMB	2017 RMB
For the year ended 31 December 2018/ For the period from 17 March 2017 (date of acquisition) to 31 December 2017		
Revenue	**2,629,588**	19,258,951
Loss for the year/period	**(244,676,371)**	(14,186,673)
Total comprehensive income for the year/period	**(244,676,371)**	(14,186,673)
Loss and total comprehensive income allocated to NCI	**(119,891,419)**	(6,951,470)
For the year ended 31 December 2018/ For the period from 17 March 2017 (date of acquisition) to 31 December 2017		
Cash flows generated from operating activities and net cash inflow	**–**	19,013,073
As at 31 December		
Current assets	**–**	–
Non-current assets	**17,417,914**	262,044,529
Current liabilities	**(19,062,832)**	–
Net (liabilities)/assets	**(1,644,918)**	262,044,529
Accumulated non-controlling interests	**(806,010)**	128,401,819

37. NON-CONTROLLING INTERESTS *(continued)*

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

(c) Shanghai Muling

	2018 RMB	2017 RMB
For the year ended 31 December 2018/ For the period from 13 July 2017 (date of acquisition) to 31 December 2017		
Revenue	**1,695,549**	1,604,369
Profit for the year/period	**651,471**	776,963
Total comprehensive income for the year/period	**651,471**	776,963
Profit and total comprehensive income allocated to NCI	**195,441**	233,089
For the year ended 31 December 2018/ For the period from 13 July 2017 (date of acquisition) to 31 December 2017		
Cash flows generated from operating activities	**1,066,031**	776,963
Cash flows used in investing activities	**(9,281,851)**	–
Cash flows generated from financing activities	**7,000,000**	–
Net cash (outflow)/inflow	**(1,215,820)**	776,963
As at 31 December		
Current assets	**3,215,333**	2,592,882
Non-current assets	**324,076**	45,532
Current liabilities	**(282,127)**	(32,603)
Net assets	**3,257,282**	2,605,811
Accumulated non-controlling interests	**977,184**	781,743

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38. ACQUISITION OF NON-CONTROLLING INTERESTS IN A SUBSIDIARY OF THE GROUP

On 25 September 2018, the Company, through a wholly-owned subsidiary of the Group, entered into an equity transfer agreement to acquire 49% equity interests in Guangdong Fulilong Forestry Ecological Technology Co., Ltd. from the then non-controlling equity holder of Guangdong Fulilong Forestry Ecological Technology Co., Ltd. at a consideration of RMB1.

Upon completion of the above acquisition on 25 September 2018, Guangdong Fulilong Forestry Ecological Technology Co., Ltd. became a wholly-owned subsidiary of the Group. Consequently, the Group recognised a decrease in non-controlling interests of RMB578,933.

39. COMMITMENTS

(a) Capital commitments

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

	2018 RMB	2017 RMB
Authorised and contracted for		
– Acquisition of property, plant and equipment	**823,560**	419,241

(b) Operating lease commitments

Operating lease payments represent rentals payable by the Group for certain of its office and factory premises and staff quarters. At the end of reporting period, the Group had outstanding minimum commitments under operating leases review every 1 to 10 years and many have break clauses, which fall due as follows:

	2018 RMB	2017 RMB
Within 1 year	**207,556**	207,556

40. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Except for those transactions disclosed elsewhere in these financial statements, there are no other related party transactions for the year ended 31 December 2018 and 2017.

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

41. CAPITAL RISK MANAGEMENT

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debts as total debt (which includes interest-bearing loans and borrowings), less cash and cash equivalents. Adjusted capital comprises all components of equity.

In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt-to-adjusted capital ratio at 31 December 2018 and 2017 was as follows:

	2018 **RMB**	2017 RMB
Total debts – Bank borrowings	**49,500,000**	40,000,000
Less: Cash and bank balances	**(43,129,493)**	(37,592,277)
Net debts	**6,370,507**	2,407,723
Total equity	**291,667,631**	574,799,791
Net debt-to-adjusted equity ratio	**2.2%**	0.4%

42. FINANCIAL RISK MANAGEMENT

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

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

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

(a) Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, for fertiliser industry, the Group has a certain concentration of credit risk as 6% (2017: 5%) and 23% (2017: 18%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. For elderly care and health care services, no material credit risk is noted as there is no material trade receivables balance at the end of the reporting period.

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

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

42. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk

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

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

	Carrying amount RMB	Total contractual undiscounted cash flows RMB	Within 1 year or on demand RMB
2018			
Bank borrowings	**49,500,000**	**50,271,544**	**50,271,544**
Trade payables	**40,175,528**	**40,175,528**	**40,175,528**
Other payables	**42,121,228**	**42,121,228**	**42,121,228**
Other financial liabilities	**1,633,200**	**1,633,200**	**1,633,200**
	133,429,956	**134,201,500**	**134,201,500**
2017			
Bank borrowings	40,000,000	40,799,018	40,799,018
Trade payables	22,123,954	22,123,954	22,123,954
Other payables	41,566,505	41,566,505	41,566,505
Other financial liabilities	26,633,200	27,877,300	27,877,300
Amount due to a director	50,000	50,000	50,000
Amount due to a shareholder	2,512,595	2,512,595	2,512,595
	132,886,254	134,929,372	134,929,372

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42. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings were issued at variable rates and at fixed rates for years ended 31 December 2018 and 2017 expose the Group to cash flow interest rate risk and fair value interest risk respectively. The Group has no significant interest bearing assets apart from cash and bank deposits and loans to associates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

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

	2018		2017	
	Effective interest rate % per annum	RMB	Effective interest rate % per annum	RMB
Borrowings				
Fixed rate borrowings	**5.0%**	**25,500,000**	7.3%	16,000,000
Variable rate borrowings	**5.9%**	**24,000,000**	5.7%	24,000,000
		49,500,000		40,000,000

At 31 December 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss before income tax by approximately RMB240,000 (2017: RMB240,000), respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis for 2018 and 2017.

(d) Currency risk

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

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

43. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(i) Financial instruments not measured at fair value

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

	2018 **RMB**
Financial assets	
Amortised cost	
– Cash and bank balances	**43,129,493**
– Trade and bills receivables	**76,699,301**
– Other receivables	**14,770,981**
– Amounts due from associates	**12,683,044**
	147,282,819
Financial liabilities	
Financial liabilities measured at amortised cost	**133,429,956**

	2017 RMB
Financial assets	
Loans and receivables (including cash and bank balances and restricted bank deposits)	171,499,840
Financial liabilities	
Financial liabilities measured at amortised cost	115,374,155

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

(ii) Financial instruments measured at fair value

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

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

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

(a) Shanghai Muling

	2019 **RMB**	2020 RMB
Projected net operating profit after tax	1,144,546	1,408,106
Discount rate	2.69%	2.76%

(b) SJKGC

	2019 RMB
Projected net operating profit after tax	6,494,010
Discount rate	2.69%

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

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

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

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

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

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

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

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

The financial assets and financial liabilities measured at fair value as at 31 December 2017 and 2018 in the consolidated statements of financial position are grouped into the fair value hierarchy as follows:

Recurring fair value measurement	Level 1	Level 2	Level 3	Total
As at 31 December 2018				
Financial assets at fair value through profit or loss				
– Financial products	**9,025,622**	**–**	**–**	**9,025,622**
– Profit guarantee	**–**	**–**	**10,463,767**	**10,463,767**
As at 31 December 2017				
Financial assets at fair value through profit or loss	–	–	8,263,711	8,263,711

There have been no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the year ended 31 December 2018.

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

Profit guarantee	2018 RMB	2017 RMB
At beginning of the year	**8,263,711**	–
Profit guarantee granted	**–**	15,584,405
Total gain/(loss) recognised in profit or loss	**2,200,056**	(7,320,694)
At end of the year	**10,463,767**	8,263,711
Gain/(loss) recognised in consolidated statement of profit or loss and other comprehensive income relating to financial instruments held by the Group at the reporting date	**2,200,056**	(7,320,694)

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44. NOTES SUPPORTING CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

	Bank borrowings (note 34) RMB	Amount due to a shareholder (note 32) RMB
At 1 January 2017	40,000,000	–
Changes from cash flows:		
Proceeds from new bank borrowings	40,000,000	–
Repayment of bank borrowings	(40,000,000)	–
Total changes from financing cash flows:	–	–
Other changes:		
Acquisition of intangible asset	–	2,512,595
Total other changes	–	2,512,595
At 31 December 2017	40,000,000	2,512,595
At 1 January 2018	40,000,000	2,512,595
Changes from cash flows:		
Proceeds from new bank borrowings	49,500,000	–
Repayment of bank borrowings	(40,000,000)	–
Repayment to shareholder	–	(2,512,595)
Total changes from financing cash flows:	9,500,000	(2,512,595)
At 31 December 2018	49,500,000	–

45. PARTICULARS OF SUBSIDIARIES

Particulars of the Group's subsidiaries as at 31 December 2018 are as follows:

	Form of business structure	Place of incorporation/ establishment	Attributable equity interest held by the Group	Place of operation and principal activities
Shandong Hidersun Fertiliser Industry Co., Ltd.[2] ("Shandong Hidersun")	Corporation	PRC	51%	Principally engaged in the research, development, manufacture and sales of biological compound fertilisers
Guangdong Fulilong Compound Fertilisers Co., Ltd. [2] ("Guangdong Fulilong")	Corporation	PRC	100%	Principally engaged in the research, development, manufacture and sales of biological compound fertilisers
Ningxia Hongdi Biotechnology Co., Ltd. [2] ("Ningxia Hongdi")	Corporation	PRC	100%	Principally engaged in the research, development, manufacture and application of biomedical science and technology projects, and provision of electroencephalography ("EEG") photography detection service in the People's Republic of China ("PRC")
HONGKONG TEDA Biomedical Investment Limited ("HK Investment")	Corporation	Hong Kong	100%	Principally engaged in exploring investment projects and the licensing of EEG detection service
Guangdong Fulilong Soil Conditioning and Remediation Institute [2] ("Guangdong Institute")	Non-enterprise organisation	PRC	100%	Principally engaged in conducting regional soil resources conditioning and remediation research, and soil environmental quality standards research

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	Form of business structure	Place of incorporation/ establishment	Attributable equity interest held by the Group	Place of operation and principal activities
Guangdong Fulilong Forestry Ecological Technology Co., Ltd. ("Guangdong Forestry Ecological")	Corporation	PRC	100%	Principally engaged in the research and technology services of biological agriculture and biological forestry, and sale of relevant products
Shanghai Muling Elderly Care Investment Management Company Ltd. ("Shanghai Muling")	Corporation	PRC	70%	Principally engaged in the provision of elderly care consulting, advisory, management and assessment services and research and development of elderly care business
Beijing Hongdi Pension Investment Management Co., Ltd. ("Beijing Hongdi")	Corporation	PRC	100%	Not yet commenced business
Shu Ju Ku Greater China Ltd. ("SJKGC")	Corporation	Cayman Islands	51%	Principally conducting quantitative EEG detection and diagnosis technology to carry out related product and service

Notes:

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

46. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2018 RMB	2017 RMB
Non-current assets			
Property, plant and equipment		**318,309**	415,020
Investments in subsidiaries		**132,904,138**	225,604,138
Interest in associates		**13,588,602**	6,588,602
Amounts due from associates		**–**	11,389,137
Other financial assets		**10,169,767**	8,263,711
Total non-current assets		**156,980,816**	252,260,608
Current assets			
Prepayments and other receivables		**737,467**	472,414
Amounts due from subsidiaries		**106,828,284**	75,690,138
Amounts due from associates		**12,773,576**	584,439
Cash and bank balances		**5,579,916**	8,075,213
Total current assets		**125,919,243**	84,822,204
Total assets		**282,900,059**	337,082,812
Current liabilities			
Trade payables		**26,917**	26,917
Other payables and accruals		**31,222,218**	12,217,707
Amount due to a shareholder		**–**	2,512,595
Amount due to a director		**–**	50,000
Other financial liabilities		**1,633,200**	26,633,200
Total current liabilities		**32,882,335**	41,440,419
Net current assets		**93,036,908**	43,381,785
NET ASSETS		**250,017,724**	295,642,393
Capital and reserves			
Share capital	35	**189,450,000**	169,500,000
Reserves	36	**60,567,724**	126,142,393
TOTAL EQUITY		**250,017,724**	295,642,393

On behalf of the Board

Sun Li
Director

Hao Zhihui
Director

47. LITIGATION

On 31 August 2014, the Company entered into an agreement (the "Agreement") with two independent parties (the "Purchasers") to dispose of 49.84% equity interest of Tianjin Alpha (the "Equity Interest"). The Equity Interest represented 25.07% equity interest of the issued capital of Tianjin Alpha immediately after the capital injection on 16 January 2017 (refer to note 20). Included in the Agreement, certain provisions (the "Provisions") were required to be fulfilled by 31 December 2015, otherwise the Purchasers had the right to require the Group to purchase back the Equity Interest (refer to note 33). On 9 September 2016, the Purchasers commenced a legal action against the Company to enforce their rights to require the Company to buy back the entire Equity Interest as the Provisions have not been fulfilled. According to the Agreement, the Company was required to buy back the Equity Interest at the agreed price plus interest. With respect to the Equity Interest, a Mediation Agreement was signed by the Company, one of the two Purchasers (the "Existing Purchaser") and an independent third party, (the "New Investor") on 16 January 2018, whereby the New Investor agreed to purchase the Equity Interest at a consideration of RMB25,000,000, which the New Investor would pay RMB24,500,000 and the remaining RMB500,000 would be settled by the Company for facilitating the share transfer. All considerations were paid to the Existing Purchaser in accordance to the Mediation Agreement in 2018. However, the Equity Interest has not yet been transferred to the New Investor up to the date of approval for issuance of these consolidated financial statements. The management of the Company is of the view that the several shareholders of Tianjin Alpha are yet to approve the transfer of Equity Interest, and therefore the application procedure of the transfer of Equity Interest is yet to be completed.

In the opinion of the Group's legal advisor, unless the transfer of Equity Interest is completed, the Agreement is still valid and the obligation for the Company to buy back the entire Equity Interest still exists. On the other hand, the New Investor and the Company had already paid the considerations of RMB24,500,000 and RMB500,000 in accordance to the Mediation Agreement, respectively. With reference to the Mediation Agreement and the opinion of the Group's legal advisor, the considerations paid to the Existing Purchaser and the obligation of the Group to purchase back the Equity Interest were considered as the fulfilment of the Group's obligation under the share buyback. The considerations paid to the Existing Purchaser could be considered as linked transactions to the obligation of buyback of Equity Interest and hence the balance in the other financial liabilities (refer to note 33) of RMB1,633,200 recorded in the consolidated financial statements was considered sufficient. The obligation of potential repayment to the New Investor of RMB24,500,000 due to unsuccessful Equity Transfer was recognised and included in other payables as at 31 December 2018.

48. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 March 2019.