



天津泰達生物醫學工程股份有限公司
Tianjin TEDA Biomedical Engineering Company Limited
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 8189)

ANNOUNCEMENT ON ANNUAL RESULTS FOR 2021

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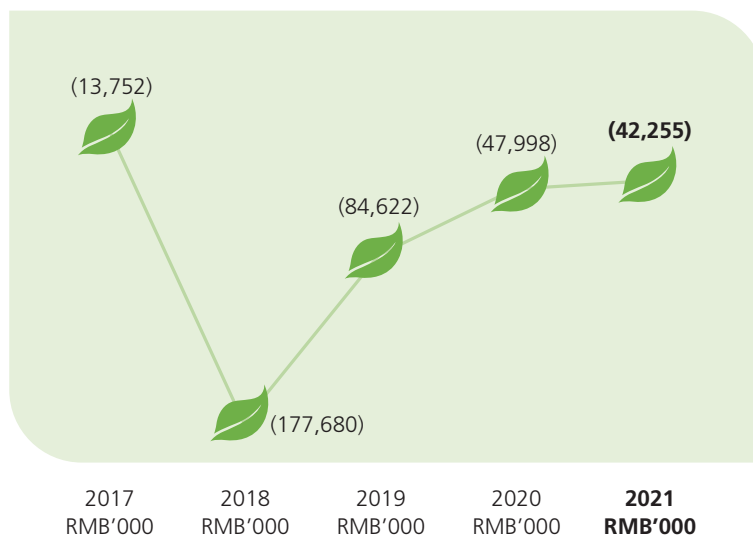
FINANCIAL HIGHLIGHTS

Financial Summary

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

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

Profit/(loss) attributable to the shareholders



The Board of Directors (the “Board”) of Tianjin TEDA Biomedical Engineering Company Limited (“TEDA Biomedical” or the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (hereafter collectively referred to as the “Group”) for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 RMB	2020 RMB
Non-current assets			
Property, plant and equipment		79,572,550	58,560,890
Right-of-use assets		59,237,115	67,780,900
Goodwill		–	420,000
Intangible asset	8	37,000	2,036,000
Interest in an associate		–	3,947,848
		<u>138,846,665</u>	<u>132,745,638</u>
Current assets			
Inventories		75,221,355	91,642,179
Trade receivables	9	32,081,750	43,892,498
Prepayments and other receivables	10	65,932,999	85,272,882
Amount due from an associate		785,049	3,833,315
Financial assets at fair value through profit or loss ("FVTPL")		1,000,000	22,000,000
Other financial assets		2,340,000	–
Cash and cash equivalents		26,439,100	13,531,995
		<u>203,800,253</u>	<u>260,172,869</u>
Asset held-for-sale		<u>4,948,494</u>	–
		<u>208,748,747</u>	<u>260,172,869</u>
Current liabilities			
Trade payables	11	29,532,859	43,768,089
Contract liabilities		67,707,911	78,967,149
Other payables and accruals		48,167,886	59,194,072
Amount due to non-controlling interests		–	1,120,528
Bank and other borrowings – due within one year	12	41,400,000	9,400,000
Lease liabilities		3,730,654	1,791,388
Tax liabilities		1,484,575	75,078
		<u>192,023,885</u>	<u>194,316,304</u>
Net current assets		<u>16,724,862</u>	<u>65,856,565</u>
Total assets less current liabilities		<u>155,571,527</u>	<u>198,602,203</u>

	<i>Notes</i>	2021 RMB	2020 <i>RMB</i>
Non-current liabilities			
Bank borrowings	<i>12</i>	6,000,000	6,400,000
Lease liabilities		39,212,355	37,058,624
		<u>45,212,355</u>	<u>43,458,624</u>
NET ASSETS		<u>110,359,172</u>	<u>155,143,579</u>
Capital and reserves			
Share capital	<i>13</i>	189,450,000	189,450,000
Reserves		(88,669,380)	(46,414,337)
Equity attributable to owners of the Company		<u>100,780,620</u>	<u>143,035,663</u>
Non-controlling interests		<u>9,578,552</u>	<u>12,107,916</u>
TOTAL EQUITY		<u>110,359,172</u>	<u>155,143,579</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital <i>RMB</i>	Share premium <i>RMB</i>	Surplus reserve fund <i>RMB</i>	Capital reserve <i>RMB</i>	Other reserve <i>RMB</i>	Accumulated losses <i>RMB</i>	Attributable to owners of the Company <i>RMB</i>	Non- controlling interests <i>RMB</i>	Total <i>RMB</i>
At 1 January 2020	189,450,000	275,317,438	3,717,696	2,541,404	(19,382,403)	(260,610,037)	191,034,098	14,472,837	205,506,935
Loss and total comprehensive expense for the year	—	—	—	—	—	(47,998,435)	(47,998,435)	(2,364,921)	(50,363,356)
At 31 December 2020	<u>189,450,000</u>	<u>275,317,438</u>	<u>3,717,696</u>	<u>2,541,404</u>	<u>(19,382,403)</u>	<u>(308,608,472)</u>	<u>143,035,663</u>	<u>12,107,916</u>	<u>155,143,579</u>
At 1 January 2021	189,450,000	275,317,438	3,717,696	2,541,404	(19,382,403)	(308,608,472)	143,035,663	12,107,916	155,143,579
Loss and total comprehensive expense for the year	—	—	—	—	—	(42,255,043)	(42,255,043)	(2,529,364)	(44,784,407)
At 31 December 2021	<u>189,450,000</u>	<u>275,317,438</u>	<u>3,717,696</u>	<u>2,541,404</u>	<u>(19,382,403)</u>	<u>(350,863,515)</u>	<u>100,780,620</u>	<u>9,578,552</u>	<u>110,359,172</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

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

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

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

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

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

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

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

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

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

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

2. REVENUE

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

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

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

	2021	2020
	RMB	RMB
Trade receivables	32,081,750	43,892,498
Contract liabilities	67,707,911	78,967,149

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

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

3. SEGMENT INFORMATION

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

For the years ended 31 December 2021 and 2020, the Group has two reportable and operating segments. These segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Fertiliser products – Manufacture and sale of biological compound fertiliser products, including active fertiliser, mixture with nitrogen, phosphorus and potassium with various formula
- Elderly care & health care services – Provision of integrated elderly care and health care services, including the leasing of elderly equipment

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

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

(a) **Business segments**

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

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

Year ended 31 December 2021

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

Year ended 31 December 2020

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

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

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

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

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

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

(d) **Geographical information and major customers**

The Group's revenue from external customers is mainly derived from its operations in the PRC, where most of its non-current assets are located. None of the customers have transactions with the Group which exceeded 10% of the Group's revenue for the years ended 31 December 2021 and 2020.

4. LOSS BEFORE TAX

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

Notes:

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

5. INCOME TAX EXPENSE

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

(a) China Corporate income tax

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operated. Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax of the subsidiaries of the Group is calculated based on the statutory tax rate of 25% (2020: 25%), except for the following subsidiaries.

High and New-Tech enterprise certificate was issued on 9 November 2017 and lasted for 3 years, to Guangdong Fulilong Compound Fertilisers Co., Ltd., recognising the entity as a High and New-Tech enterprise according to the PRC tax regulations and hence entitled to a preferential tax rate of 15% (2020: 15%). In accordance with public announcement made by Ministry of Science and Technology of the PRC dated 9 December 2020, Guangdong Fulilong Compound Fertilisers Co., Ltd. has been approved to extend its High and New-Tech enterprise qualification for a further 3 years.

Pursuant to the rules and regulations of the Cayman Islands, the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income arising in Hong Kong during the year ended 31 December 2021 (2020: Nil).

(b) **Reconciliation between tax expenses and accounting loss**

	2021	2020
	RMB	RMB
Loss before tax	<u>(44,839,111)</u>	<u>(50,000,588)</u>
Calculated at statutory rate of 25% (2020: 25%)	(11,209,778)	(12,500,147)
Tax effects of:		
Share of (gain) loss of associate	(250,162)	484,473
Income not taxable for tax purposes	(1,842,665)	(222,356)
Expenses not deductible for taxation purposes	9,709,479	8,855,238
Unused tax losses not recognised	3,755,713	2,420,948
Effects of differential tax rate and preferential tax treatment	(34,295)	1,253,822
Utilisation of deductible temporary difference previously not recognised	(15,074)	–
(Over)/Under provision in prior years	<u>(58,514)</u>	<u>70,790</u>
Taxation (credit)/charge	<u>(54,704)</u>	<u>362,768</u>

- (c) At 31 December 2021, the Group has unused tax losses of RMB94.8million (2020: RMB95.2 million) that are available for offsetting against future taxable profits of the companies in which the losses arose. The unused tax losses can be carried forward for 5 years, of which RMB22.3 million, RMB31.0 million, RMB17.5 million, RMB9.7 million and RMB14.3 million will be expired in 2022, 2023, 2024, 2025 and 2026 respectively (2020: RMB14.7 million, RMB22.3 million, RMB31.0 million, RMB17.5 million and RMB9.7 million will be expired in 2021, 2022, 2023, 2024 and 2025 respectively). No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

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

6. DIVIDEND

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

7. LOSS PER SHARE

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

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

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

8. INTANGIBLE ASSET

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

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

The intangible asset relates to the exclusive right to use the medical license for the EEG diagnosis detection and analysis technology for the diagnosis of various psychiatric or neurological diseases, and the areas covered by the license in Asia Pacific include the PRC, Hong Kong, Macau, Japan and Korea. The exclusive medical license is granted from an independent third party incorporated in Seychelles, and such license is owned by an independent third party incorporated in Cyprus in relation to quantitative EEG data collection, analysis and subsequently for establishing the associated medical data bank. Licencing income would be generated from sub-licensing of the exclusive right to use the license and processing income would be generated from self-operated detection centre and share of revenue from detection performed by sub-licensees.

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

	2021	2020
	RMB	RMB
Health care services	<u>37,000</u>	<u>2,036,000</u>

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

Details of the variables and assumptions were as follows:

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

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

The growth rate within the five-year period (2020: five-year period) – processing income represented the EEG diagnosis detection services provided by the self-operated inspection centre. As there is no existing expansion plan for the self-operated inspection centre and the management of the Group selected to focus on the business development of the EEG diagnosis detection services to licensing business, the processing income is budgeted to maintain at the same level over the five-year period in the forecast.

The growth rate within the five-year period (2020: five-year period) – licensing income represented the EEG diagnosis detection services which are licensed to the third parties for business purpose. The licensing income comprises installation income and licensees' processing income. The installation income is forecasted based on the number of licensing contracts to be arranged and expected to become zero since the financial year of 2022 as the management of the Group expected that future advanced technology would compete with the EEG diagnosis detection technology, while the licensees' processing income is forecasted based on the expected number of EEG diagnosis detection services provided by the licensees.

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

9. TRADE RECEIVABLES

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

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:

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

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

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

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

An impairment analysis was performed at 31 December 2021 and 2020 using a provision matrix to measure expected credit losses. The provision rates are based on aging from invoice date for groupings of various customer segments with similar loss patterns. The calculation reflects the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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 <i>RMB</i>	More than 3 months but less than 6 months <i>RMB</i>	More than 6 months but less than 12 months <i>RMB</i>	Over 1 year <i>RMB</i>	Total <i>RMB</i>
2021					
Expected loss rate	18.56%	25.97%	61.77%	96.20%	
Gross carrying amount	13,616,009	13,953,847	20,577,148	73,498,749	121,645,753
Expected credit losses	<u>2,527,145</u>	<u>3,623,814</u>	<u>12,710,504</u>	<u>70,702,540</u>	<u>89,564,003</u>
	Within 3 months <i>RMB</i>	More than 3 months but less than 6 months <i>RMB</i>	More than 6 months but less than 12 months <i>RMB</i>	Over 1 year <i>RMB</i>	Total <i>RMB</i>
2020					
Expected loss rate	18.76%	24.67%	59.56%	94.60%	
Gross carrying amount	29,060,747	16,144,883	11,390,068	65,121,381	121,717,079
Expected credit losses	<u>5,452,717</u>	<u>3,982,263</u>	<u>6,784,295</u>	<u>61,605,306</u>	<u>77,824,581</u>

10. PREPAYMENTS AND OTHER RECEIVABLES

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

Notes:

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

(ii) Allowance for doubtful debts:

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

11. TRADE PAYABLES

	2021	2020
	<i>RMB</i>	<i>RMB</i>
Trade payables	<u>29,532,859</u>	<u>43,768,089</u>

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

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

12. BANK AND OTHER BORROWINGS

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

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

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

Note:

- (i) The bank borrowings were secured against property, plant and equipment with a total carrying amount as at 31 December 2021 of approximately RMB43.3million (2020: RMB9.7 million). Certain bank borrowings were also guaranteed by a director of the subsidiary and an independent third party.
- (ii) Short-term unsecured other loans as at 31 December 2021 represented borrowings granted from two independent third parties in total of RMB7.0 million (2020: RMB9.0 million). Other loans of RMB6.0 million (2020: RMB3.0 million) guaranteed by a subsidiary's director, carried fixed interest rate of 12% per annum and repayable on demand and RMB1.0 million (2020: Nil) carried fixed interest rate of 18% per annum and repayable on demand, while the remaining 6.0 million as at 31 December 2020 was interest free and repayable on demand.
- (iii) As at 31 December 2021, the bank borrowings of the Group bear interest at fixed interest rate and the effective interest rate was 5.84% (2020: 6.2%).
- (iv) As at 31 December 2021, banking facilities of approximately RMB63.4 million (2020: RMB21.6 million) were granted to the Group and the Group utilised approximately RMB40.4 million during the year ended 31 December 2021 (2020: RMB6.8 million).

13. SHARE CAPITAL

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

	2021		2020	
	Number	RMB	Number	RMB
	(million)		(million)	
Ordinary shares of RMB0.10 each:				
Domestic shares				
At 1 January and 31 December	<u>698</u>	<u>69,750,000</u>	<u>698</u>	<u>69,750,000</u>
H shares				
At 1 January and 31 December	<u>1,197</u>	<u>119,700,000</u>	<u>1,197</u>	<u>119,700,000</u>
Total at 31 December	<u><u>1,895</u></u>	<u><u>189,450,000</u></u>	<u><u>1,895</u></u>	<u><u>189,450,000</u></u>

Note:

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

- (b) Movements in the Group's reserves are set out in the consolidated statement of changes in equity.
- (c) No share options had been granted by the Company under its share option scheme (the "Scheme") since its adoption. At 31 December 2021, none of the directors or supervisors, employees or other participants of the Scheme had any rights to acquire the H Shares in the Company (2020: nil).

14. RESERVES

	Share premium	Capital reserve	Accumulated losses	Other reserve	Total
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(Note(i))</i>	<i>(Note(iii))</i>	<i>(Note(iv))</i>	<i>(Note(v))</i>	
The Company					
At 1 January 2020	275,317,438	(2,312,483)	(333,308,069)	(19,382,403)	(79,685,517)
Loss and total comprehensive expense for the year	–	–	(17,134,155)	–	(17,134,155)
At 31 December 2020 and 1 January 2021	275,317,438	(2,312,483)	(350,442,224)	(19,382,403)	(96,819,672)
Loss and total comprehensive expense for the year	–	–	(4,713,241)	–	(4,713,241)
Deemed contribution arising from imputed interest on amounts due from subsidiaries	–	–	–	(14,450,774)	(14,450,774)
At 31 December 2021	<u>275,317,438</u>	<u>(2,312,483)</u>	<u>(355,155,465)</u>	<u>(33,833,177)</u>	<u>(115,983,687)</u>

Notes:

(i) Share premium

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

(ii) Surplus reserve

In accordance with the PRC Companies Law, the Company and its subsidiaries are required to transfer 10% of their profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to the statutory surplus reserve (until such reserve reaches 50% of the registered capital of the respective companies). The statutory surplus reserve is non-distributable and can be used to make up losses or to increase share capital. Except for the reduction of losses incurred, other usage should not result in the statutory surplus reserve falling below 25% of the registered capital. No such transfer was made in 2021 and 2020.

(iii) Capital reserve

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

(iv) Accumulated losses

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

(v) Other reserve

The reserve relates to the initial carrying amount of liability of a written put option granted to non-controlling interests which were independent third parties under a disposal transaction of partial interest in a subsidiary and the deemed contribution arising from imputed interest on amounts due from subsidiaries.

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

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

- interruptions to provision of elderly care and health care services due to social distancing and protective measures;
- significant uncertainty concerning when government lockdowns would be lifted, social distancing requirements would be eased and the long-term effects of the pandemic on the demand for the Group's primary products, which is biological compound fertilisers.

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

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

BUSINESS REVIEW

Fertiliser Business

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

THE ELDERLY HEALTH-CARE BUSINESS

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

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

For the EEG detection business, owing to relatively slow business development as a result of various factors, as well as the impact of COVID-19 pandemic, the EEG detection business has been significantly affected. However, in light of the great advancement and wide application of this technology, the Group is endeavoring to expand this business.

FINANCIAL REVIEW

Turnover, gross profit and gross margin

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

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

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

Impairment loss of intangible assets

During the year ended 31 December 2021, an impairment loss of intangible assets of RMB1,842,385 was recognised (31 December 2020: RMB1,566,854). The directors of the Company considered that the reasons of impairment were the market condition in the PRC is not as expected by the management. The intangible asset belongs to the health care services 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 until 2034 since the management expected the license agreement for the EEG diagnosis detection and analysis technology will be ended in 2034, and thereafter the patent protection period will be ended. The annual growth rate of 0% for the next 5 years (2020: 3%) and 4% (2020: 3%) thereafter for the licensing income, do not exceed the long-term growth rate for the industry in the PRC. The income generated from the intangible asset mainly arose from two aspects: processing income and licensing income. As there is no existing expansion plan for the self-operated inspection centre and the management of the Group selected to focus on the business development of the EEG diagnosis detection services to licensing business, the processing income is budgeted to maintain at the same level over the five-year period in the forecast. The licensing income comprises installation income and licensees' processing income. The installation income is forecasted based on the number of licensing contracts to be arranged and expected to become zero since the financial year of 2022 as the management of the Group expected that future advanced technology would compete with the EEG diagnosis detection technology, while the licensees' processing income is forecasted based on the expected number of EEG diagnosis detection services provided by the licensees. As at 31 December 2021, the recoverable amount of the intangible asset was RMB37,000 (2020: RMB2,036,000), determined based on the value in use of the health care services CGU. The decrease in recoverable amount of the intangible asset was due to the scale of business and the current financial performance of the health care services CGU were below the expectation of the Group's management during the year. Further, in 2021, the CGU had suspended its operations due to COVID-19 pandemic.

Other income and losses, net

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

Selling and distribution costs

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

Administrative expenses

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

Research and development expenses

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

Finance costs

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

Loss for the year

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

Structure of Share Capital

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

Name of shareholders	Number of shares held	Percentage of shareholding (%)
Tianjin Economic and Technological Development Area State Asset Operation Company (“State Asset Operation”)	182,500,000	9.63
Shenzhen Xiangyong Investment Company Limited (“Xiangyong Investment”)	180,000,000	9.50
Guangdong Jiamei Ecological Technology Co., Ltd. (“Guangdong Jiamei”)	180,000,000	9.50
Dongguan Lvye Fertilisers Company Limited (“Lvye Fertilisers”)	120,000,000	6.33
Other domestic shares	35,000,000	1.86
H Shares public shareholders	<u>1,197,000,000</u>	<u>63.18</u>
Total	<u><u>1,894,500,000</u></u>	<u><u>100.00</u></u>

USE OF PROCEEDS FROM ISSUANCE OF NEW H SHARES

On 14 March 2018, the Company issued an announcement in relation to the completion of subscribing new shares under general mandate, pursuant to which, the conditions set out in the subscription agreement had been fulfilled, and the subscription was completed on 14 March 2018. According to the subscription agreement, the Company had allocated and issued a total of 199,500,000 subscription shares at a subscription price of HK\$0.25 per subscription share to the subscribers. The net proceeds from the subscription, net of relevant expenses incurred from the subscription, amounted to HK\$49,225,000. As of 31 December 2021, the aforementioned fund raised of HK\$41,530,094 from the additional issuance of shares was utilised and the remaining HK\$7,694,906 is expected to be fully utilised in 2022.

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

Unit: HK\$	Use of proceeds	Actual amount used as of 31 December 2021
About 70% were used to carry out the nationwide operation management of elderly care institutions (service facilities), integration of elderly care service resources, supervision and consultancy on elderly care service management and other related old-aged service businesses. The above services included the fund required for further investing in transforming the trusteeship of elderly care service institutions; establishing operation management platform system of elderly care service institutions chain, and upgrading elderly care management institutions.	34,457,500	31,687,707
About 30% were used to purchase EEG detection equipment for the nursing homes currently operated and managed by the Group, day care centres and related partners, and provide operating capitals that are needed to carry out the EEG detection services in elderly care institutions.	<u>14,767,500</u>	<u>9,842,387</u>
Total	<u><u>49,225,000</u></u>	<u><u>41,530,094</u></u>

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

Purposes	Descriptions	Intended use of proceeds HK\$
Expand the elderly care and health care business	To carry out the nationwide operation management of elderly care institutions (service facilities), integration of elderly care service resources, supervision and consultancy on elderly care service management and other related old-aged service businesses gradually. The above services included the fund required for further investing in transforming the trusteeship of elderly care service institutions; establishing operation management platform system of elderly care service institutions chain, and upgrading elderly care management institutions.	2,769,793
Improve the EEG detection services	To purchase EEG detection equipment for the nursing home currently operated and managed by the Company, day care centres and related partners, and provide operating capitals that are needed to carry out the EEG detection services in elderly care institutions.	4,925,113
Total		<u>7,694,906</u>

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

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

	From 1 January 2022 to 30 June 2022 HK\$	From 1 July 2022 to 31 December 2022 HK\$	Total HK\$
Elderly care and health care business	1,384,896	1,384,896	2,769,793
EEG detection services	<u>2,462,557</u>	<u>2,462,557</u>	<u>4,925,113</u>
Total	<u>3,847,453</u>	<u>3,847,453</u>	<u>7,694,906</u>

BACKGROUND AND CURRENT STATUS OF THE PROFIT GUARANTEE FROM SJKGC

On 16 April 2016, the Company, Shu Ju Ku Inc. (referred to as the “SJK”) and SJK Greater China Ltd. (referred to as “SJKGC”) entered into an agreement (referred to as the “Agreement”), pursuant to which the Company agreed to purchase, and SJK 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, SJK warrants to the Company that SJKGC in each of the three financial years of 2017, 2018 and 2019 will have an audited after tax profit of not less than US\$5,390,000. If the above guarantee is not met, SJK irrevocably agrees and guarantees that whilst SJKGC’s audited after tax profit is less than US\$5,390,000, SJK shall pay, in an appropriate manner, to SJKGC in the amount equal to US\$5,390,000 minus SJKGC’s actual audited after tax profit of that year. In respect of the completion of the 2017 Profit Guarantee, the audited net profit after tax of SJKGC for the year ended 31 December 2017 was approximately US\$2,922,000, the profit guarantee for the year ended 31 December 2017 had not been fulfilled. In order to comply with the terms of the Agreement, the Company and SJK entered into a memorandum on 16 January 2018, pursuant to which SJK confirmed that the Company will have the right of priority and entitlement of cash dividend in the amount of US\$2,750,000 for the year ended 31 December 2017 and that the said dividend will be settled to the Company by 30 November 2018. For details, please refer to the supplemental announcement of the Company published on the GEM website dated 26 April 2018. SJK has agreed that the dividend distribution would be made by SJKGC based on the audited net profit in 2017 through signing the shareholder’s resolution on 26 April 2018, at the same time, the Company confirmed SJK has fulfilled the profit guarantee commitment in 2017.

In respect of the fulfillment of the 2018 and 2019 profit guarantees, the audited net profit after tax of SJKGC for the year ended 31 December 2018 was US\$305,000, and the audited net profit after tax for the year ended 31 December 2019 was US\$411,000, the above profit guarantees for the years ended 31 December 2018 and 31 December 2019 had not been fulfilled. As of now, SJK had not effected the payment of guaranteed cash dividend to the Company. The Company has initiated the arbitration proceeding at the Hong Kong International Arbitration Centre on 3 September 2019, reached a settlement agreement with SJK on 31 December 2020, revised the settlement agreement, adjusted the Shareholders’ Agreements and the Share Acquisition Agreement on 26 March 2021, and convened a special general meeting on 9 September 2021, on which the revised settlement agreement and the revised or supplemented Shareholders’ Agreements and Share Acquisition Agreement were considered and approved. For details, please refer to the announcements of the Company dated 4 September 2019, 17 July 2020, 7 January 2021, 26 March 2021, 26 July 2021 and 9 September 2021 published on the GEM website.

GENERAL MANDATE TO ISSUE SHARES

On 18 May 2021, the Company issued an announcement of results of annual general meeting, according to which a special resolution was duly passed at the annual general meeting of the Company on 18 May 2021 granting the Board a general mandate to issue, allot and deal with additional domestic shares/H shares not exceeding 20% of the domestic shares in issue and 20% of the H shares in issue of the Company, and authorising the Board to make such amendments to the articles of association of the Company as it thinks fit to reflect the new share capital structure subsequent to the allotment and issue of additional shares. For details, please refer to the notice of the annual general meeting and circular of the Company both dated 29 March 2021 published on the GEM website, and the announcement of results of the annual general meeting dated 18 May 2021 published on the GEM website.

SEGMENTAL INFORMATION

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

The details of the analysis of the Group's segment results for the years ended 31 December 2021 and 31 December 2020 are disclosed in note 6 to the consolidated financial statements.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

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

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

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

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

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

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

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

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 344 employees (2020: 408 employees). The remuneration of the Group's employees are determined in accordance with the terms of government policies and by reference to market standard and the performance, qualifications and experience of employees. Discretionary bonuses are paid to a few employees as a recognition of and reward for their contributions to the corporate development. Other employee benefits include contributions to retirement schemes, medical schemes, unemployment insurance schemes and housing allowances.

EXPOSURE TO FOREIGN CURRENCY RISK

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

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

TREASURY POLICIES

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

FUTURE OUTLOOK

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

On 11 May 2021, the National Bureau of Statistics released the seventh census data, with the population of 60 and above in China reached 264,000,000, accounting for 18.7%. Among which, the population of 65 and above reached 191,000,000, accounting for 13.5%. China's aging population is becoming increasingly prominent and has become an inevitable social issue. In the meantime, China is facing the reality of a declining birth rate. Low birth rate and aging population have formed a distinct "population scissors", showing the impending issue of aging population in China. On 17 June 2021, the National Development and Reform Commission, the Ministry of Civil Affairs and the National Health Commission jointly issued the "14th Five-Year Plan for Actively Responding to Population Aging Projects and Nursery Education Construction Implementation Plan" which promotes the implementation of the national strategy to actively respond to the aging population. With the continuous deepening of the aging population in China and the government's emphasis on elderly care services, the elderly care service industry has become one of the "sunrise industries" with the greatest potential. For the elderly care business, in the current stage, the Group mainly operates under the asset-light operation model to provide management and consultation services to other elderly care institutions and elderly care realties and at the same time cooperate with world-leading elderly care institutions and to constantly enhance its own professional ability of elderly nursing. In addition, the Group will continue to vigorously expand the assistive equipment rental business. By leveraging on the numerous elderly care institutions entrusted to the Group in Shanghai, the Group aims to forge itself as one of the largest and most professional providers of assistive equipment rental service in Shanghai and across Yangtze River Delta. In the aspect of EEG detection business, the business development was still relatively slow, but the technology has a high level of technological advancement and market application, and the Group is striving to expand this business.

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

As at 31 December 2021, the interests of the directors and supervisors of the Company and their respective associates in the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) were as follows:

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

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

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

Save as disclosed in this paragraph, as of 31 December 2021, none of the Directors or the Supervisors of the Company had interest in any securities, underlying shares and debentures of the Company or any of its associated corporations, which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, the following persons (other than the Directors and the Supervisors of the Company) had interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

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

Names of shareholders	Capacity	Number of ordinary shares	Percentage of issued share capital
State Asset Operation	Beneficial owner	182,500,000 <i>(Note)</i>	9.63%
Xiangyong Investment	Beneficial owner	180,000,000 <i>(Note)</i>	9.50%
Guangdong Jiamei	Beneficial owner	180,000,000 <i>(Note)</i>	9.50%
Lvye Fertilisers	Beneficial owner	120,000,000 <i>(Note)</i>	6.33%

Note: All of the shares represent domestic shares.

Save as disclosed above, as at 31 December 2021, the Directors of the Company were not aware of any other person (other than the Directors and the Supervisors of the Company) who had an interest and short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

MANAGEMENT CONTRACTS

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

COMPETING INTERESTS

During the year ended 31 December 2021, none of the Directors, the Supervisors, or the management shareholders and their respective associates of the Company (as defined under the GEM Listing Rules) competes or may compete with the business of the Group or has or may have any other conflicts of interest with the Group required to be disclosed pursuant to the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not redeem any of its shares during the year under review. Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2021.

SHARE OPTION SCHEME

For the year ended 31 December 2021, the Company did not approve any new share option scheme.

AUDIT COMMITTEE

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

The audit committee had held six meetings during the current financial year. The audit committee has reviewed the audited annual results of the Group for the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICES

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

DIRECTORS’ SECURITIES TRANSACTION

For the year ended 31 December 2021, the Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all directors, the directors of the Company have complied with such code of conduct and the required standard of dealings.

By order of the Board

Tianjin TEDA Biomedical Engineering Company Limited

Sun Li

Chairman

Tianjin, the PRC

31 March 2022

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

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

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