泰 达

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 2008

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

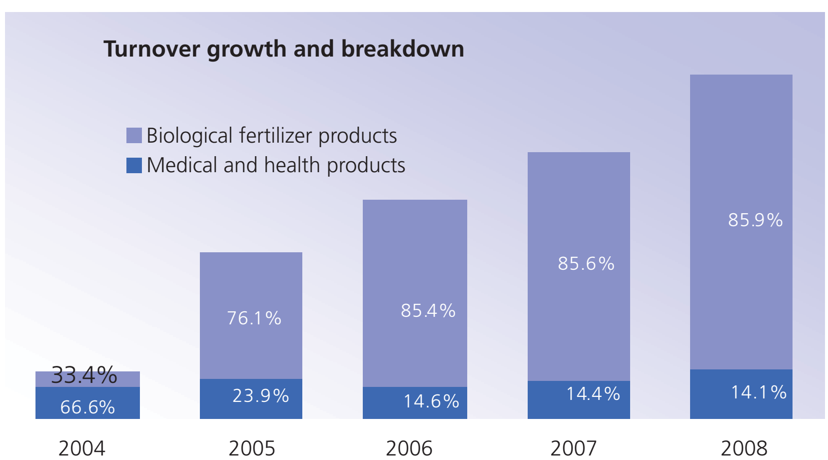
Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

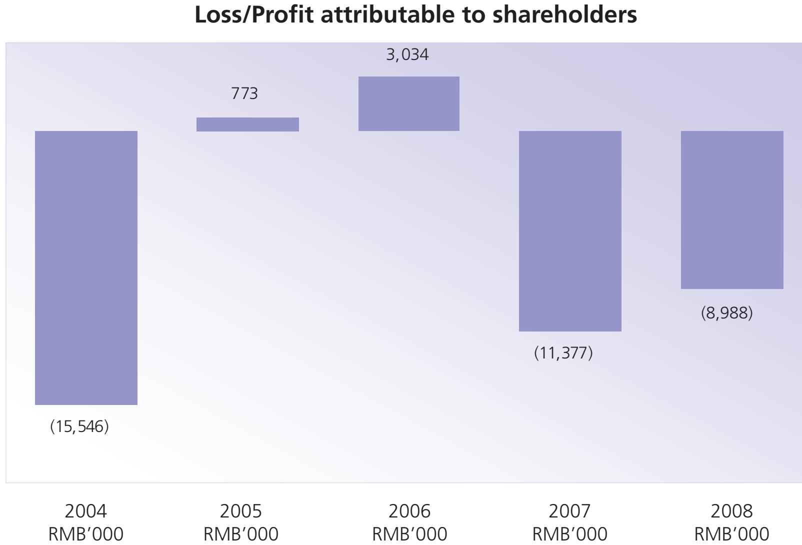
FINANCIAL HIGHLIGHTS

	For the year ended 31 December				
	2004	2005	2006	2007	**2008**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Results					
Turnover	58,646	205,032	270,639	327,955	**422,512**
Gross profit	20,961	31,331	43,625	50,639	**66,563**
Gross margin	35.70%	15.28%	16.12%	15.44%	**15.75%**
(Loss)/Profit attributable to shareholders	(15,546)	773	3,034	(11,377)	**(8,988)**
(Loss)/Profit per share	(3.89) cents	0.15 cents	0.50 cents	(1.87) cents	**(1.44) cents**

	For the year ended 31 December				
	2004	2005	2006	2007	**2008**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets & Liabilities					
Total assets	123,656	208,266	278,839	325,601	**309,551**
Total liabilities	90,352	110,393	208,097	266,607	**224,996**
Shareholders' equity	30,543	65,374	68,408	57,031	**81,823**



Loss/Profit attributable to 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 2008 with comparative figures for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	**2008** **RMB**	2007 RMB
Turnover	2	**422,511,561**	327,954,880
Cost of sales		**(355,948,813)**	(277,315,706)
Gross profit		**66,562,748**	50,639,174
Other income and net gains		**3,794,004**	1,491,205
Selling and distribution costs		**(30,978,772)**	(24,819,330)
Administrative expenses		**(33,256,462)**	(19,022,874)
Research and development expenses		**(2,773,571)**	(7,297,842)
Finance costs	3	**(10,480,419)**	(10,342,782)
Share of results of an associate		**1,183,305**	(1,318,912)
Loss before taxation	4	**(5,949,167)**	(10,671,361)
Income tax	5	**(2,269,313)**	(1,076,871)
Loss for the year		**(8,218,480)**	(11,748,232)
Attributable to:			
Equity holders of the Company	6	**(8,987,602)**	(11,377,409)
Minority interest		**769,122**	(370,823)
		(8,218,480)	(11,748,232)
Loss per share – Basic (RMB)	8	**(1.44 cents)**	(1.87 cents)

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2008

	Note	**2008** **RMB**	2007 RMB
Non-current assets			
Property, plant and equipment		**110,241,188**	106,004,768
Goodwill		**3,133,932**	3,133,932
Interest in an associate		**–**	18,980,641
Available-for-sale financial assets		**3,000,000**	3,000,000
Prepaid land lease payments		**5,816,633**	6,112,515
Trade receivables		**–**	1,815,818
Other receivables and deposits	10	**–**	6,119,116
		122,191,753	145,166,790
Current assets			
Inventories		**78,974,912**	51,278,714
Trade receivables	11	**53,778,927**	55,261,383
Prepayments and other receivables	10	**28,256,510**	25,747,242
Amount due from ultimate holding company		**662,547**	2,764,988
Restricted bank deposits		**7,800,000**	27,800,000
Cash and bank balances		**17,886,821**	17,582,127
		187,359,717	180,434,454
Current liabilities			
Trade and bills payables	12	**40,096,651**	105,902,418
Other payables and accruals		**36,160,916**	25,684,842
Government grants received in advance		**3,429,800**	2,000,000
Amount due to an associate		**–**	3,587,159
Amounts due to ex-shareholders of a subsidiary		**4,732,823**	31,732,823
Amount due to a related company		**44,576,144**	1,000,000
Bank borrowings	13	**88,000,000**	96,700,000
		216,996,334	266,607,242
Net current liabilities		**(29,636,617)**	(86,172,788)
Total assets less current liabilities carried forward		**92,555,136**	58,994,002

	Note	**2008**	2007
		RMB	RMB
Total assets less current liabilities brought forward		**92,555,136**	58,994,002
Non – current liabilities			
Bank borrowings	13	**8,000,000**	–
Net assets		**84,555,136**	58,994,002
Equity			
Share capital		**95,000,000**	61,000,000
Reserves		**(13,177,475)**	(3,969,487)
Equity attributable to equity shareholders		**81,822,525**	57,030,513
Minority interests		**2,732,611**	1,963,489
Total equity		**84,555,136**	58,994,002

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital	Share premium (Note 9)	Surplus reserve (Note 9)	Capital reserve (Note 9)	Accumulated losses	Attributable to equity holders of the Company	Minority interests	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as at 1 January 2007	**61,000,000**	**75,089,571**	**–**	**2,541,404**	**(70,223,053)**	**68,407,922**	**2,334,312**	**70,742,234**
Loss and total recognised expense for the year	–	–	–	–	(11,377,409)	(11,377,409)	(370,823)	(11,748,232)
Transfer from/(to) reserves	–	–	788,272	–	(788,272)	–	–	–
Balance as at 31 December 2007	**61,000,000**	**75,089,571**	**788,272**	**2,541,404**	**(82,388,734)**	**57,030,513**	**1,963,489**	**58,994,002**
(Loss)/profit and total recognised (expense)/income for the year	–	–	–	–	(8,987,602)	(8,987,602)	769,122	(8,218,480)
Issue of shares	34,000,000	(220,386)	–	–	–	33,779,614	–	33,779,614
Transfer from/(to) reserves	–	–	345,365	–	(345,365)	–	–	–
Balance as at 31 December 2008	**95,000,000**	**74,869,185**	**1,133,637**	**2,541,404**	**(91,721,701)**	**81,822,525**	**2,732,611**	**84,555,136**

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

1. Basis of preparation and accounting policies

a. Basis of preparation of financial statements

(i) The consolidated financial statements have been prepared under the historical cost convention.

(ii) The financial statements have been prepared on a going concern basis, assuming that the Group will continue to operate as a going concern, notwithstanding the fact that the Group suffered accumulated losses and net current liabilities of RMB91,721,701 and RMB29,636,617 respectively as at 31 December 2008. The validity of the Company's and the Group's ability to continue as a going concern depends on the success of the Group's future operations and the ability of the Group to renew or replace the banking facilities as they fall due.

The Group has obtained its principal banker's confirmation that it will extend its banking facilities to the Group of up to RMB200 million beyond the next balance sheet date of 31 December 2009. Drawdowns from this facility will be subject to the bank's normal approval procedures. As at 31 December 2008, about RMB104 million of these facilities still remain unused.

Based on the above, the directors believe that the Group and the Company will have sufficient cash resources to satisfy their future working capital and other financing requirements. Accordingly, these financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group and the Company fail to continue as a going concern.

Should the going concern basis be inappropriate, adjustments would have to be made to restate the values of the Group's and the Company's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

b. Adoption of new and revised standards

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The adoption of HK(IFRIC) – Int 11 "HKFRS 2 – Group and treasury share transactions", HK(IFRIC) – Int 12 "Service concession arrangements", HK(IFRIC) – Int 14 "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" and HKAS 39 & HKFRS 7 Amendments "Reclassification of financial assets" has no impact on these financial statements.

At the date of authorisation of these financial statements, the following HKFRSs were in issue but not yet effective:

HKAS 1 (Revised)	Presentation of financial statements (i)
HKAS 23 (Revised)	Borrowing costs (i)
HKAS 27 (Revised)	Consolidated and separate financial statements (ii)
HKAS 28	Investments in associates – consequential amendments arising from amendments to HKFRS 3 (ii)
HKAS 31	Investments in joint ventures – consequential amendments arising from amendments to HKFRS 3 (ii)
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable financial instruments and obligations arising on liquidation (i)
HKAS 39 (Amendment)	Eligible hedged items (ii)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate (i)
HKFRS 2 (Amendment)	Vesting conditions and cancellation (i)
HKFRS 3 (Revised)	Business combinations (ii)
HKFRS 8	Operating segments (i)
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded derivatives (iii)
HK(IFRIC) – Int 13	Customer loyalty programmes (iv)
HK(IFRIC) – Int 15	Agreements for the construction of real estates (i)
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation (v)
HK(IFRIC) – Int 17	Distribution of non-cash assets to owners (ii)
HK(IFRIC) – Int 18	Transfers of assets from customers (vi)
HKFRSs (Amendments)	Improvements to HKFRSs (vii)

(i) Effective for annual periods beginning on or after 1 January 2009

(ii) Effective for annual periods beginning on or after 1 July 2009

(iii) Effective for annual periods beginning on or after 30 June 2009

(iv) Effective for annual periods beginning on or after 1 July 2008

(v) Effective for annual periods beginning on or after 1 October 2008

(vi) Effective for transfers on or after 1 July 2009

(vii) Effective for annual periods beginning on or after 1 January 2009 except for the amendments HKFRS 5, effective for annual period beginning on or after 1 July 2009

The Group is in the process of making an assessment of what the impact of these new or revised HKFRSs is expected to be in the period of their initial application.

2. Turnover

Turnover, which is also revenue, represents the invoiced value of goods sold to customers after any allowance and discounts and is analysed as follows:

	2008	2007
	RMB	RMB
Fertiliser products	**362,921,598**	280,582,858
Medical and health products	**59,589,963**	47,372,022
	422,511,561	327,954,880

(a) Business segments

The Group is currently organised into two operating divisions – distribution of biological compound fertiliser products and medical and health products. There is no sales or other transaction between the business segments.

Segment information about these business is presented below:

(i) 2008 segment analysis:

	Medical and health products RMB	Distribution of fertiliser products RMB	Total RMB
Segment revenue	59,589,963	362,921,598	422,511,561
Segment profit	2,931,765	11,669,123	14,600,888
Unallocated income			184,000
Unallocated costs			(12,632,178)
Operating profit			2,152,710
Finance costs			(10,480,419)
Share of results of an associate		1,183,305	1,183,305
Loss on disposal of an associate		(559,751)	(559,751)
Gain on disposal of a subsidiary	1,754,988		1,754,988
Loss before taxation			(5,949,167)
Taxation			(2,269,313)
Loss for the year			(8,218,480)
Segment assets	56,689,414	241,646,655	298,336,069
Unallocated assets			11,215,401
Total assets			309,551,470
Segment liabilities	18,827,918	125,360,348	144,188,266
Unallocated liabilities			80,808,068
Total liabilities			224,996,334
Allowance for impairment losses on receivables	3,210,636	1,850,898	5,061,534
Capital expenditure	1,516,794	13,412,833	14,929,627
Depreciation	2,254,784	6,750,601	9,005,385
Loss on disposal of property, plant and equipment	1,495,716	20,145	1,515,861

(ii) 2007 segment analysis:

	Medical and health products RMB	Distribution of fertiliser products RMB	Total RMB
Segment revenue	47,372,022	280,582,858	327,954,880
Segment profit	3,389,524	2,345,285	5,734,809
Unallocated income			430,000
Unallocated costs			(5,174,476)
Operating profit			990,333
Finance costs			(10,342,782)
Share of results of an associate		(1,318,912)	(1,318,912)
Loss before taxation			(10,671,361)
Taxation			(1,076,871)
Loss for the year			(11,748,232)
Segment assets	61,575,166	251,358,755	312,933,921
Unallocated assets			12,667,323
Total assets			325,601,244
Segment liabilities	10,692,939	144,414,410	155,107,349
Unallocated liabilities			111,499,893
Total liabilities			266,607,242
Allowance for impairment losses on receivables	318,265	1,195,861	1,514,126
Capital expenditure	472,117	26,142,586	26,614,703
Depreciation	2,308,788	4,237,689	6,546,477
Loss on disposal of property, plant and equipment	79,628	771,769	851,397

(b) Geographical segments

No geographical segment information is presented because all the sales activities of the Group are conducted in the PRC.

3. Finance costs

	2008 RMB	2007 RMB
Interest expense on bank borrowings wholly repayable within five years	**10,480,419**	10,342,782

4. Loss before taxation

	2008 RMB	2007 RMB
Loss before taxation is arrived after charging:		
Amortisation of prepaid land lease payments	**297,111**	296,838
Auditor's remuneration	**1,000,000**	980,000
Cost of inventories sold	**355,948,813**	277,315,706
Depreciation:		
– Leased property, plant and equipment	**–**	232,058
– Owned property, plant and equipment	**9,005,385**	6,314,419
Allowance for impairment losses on		
– Trade receivables	**1,749,017**	1,132,175
– Other receivables	**3,312,517**	381,951
Loss on disposal of property, plant and equipment, net	**1,515,861**	851,397
Loss on disposal of an associate	**559,751**	–
Operating lease rentals – land and buildings	**2,194,811**	1,907,163
Staff costs (including emoluments of directors and supervisors)		
– Salaries and allowances	**23,550,770**	19,242,151
– Pension fund contribution	**1,254,968**	1,398,889
	24,805,738	20,641,040
and after crediting:		
Gain on disposal of a subsidiary	**1,754,988**	–

5. Income tax

(a) Enterprise income tax ("EIT")

Both the Company and Tianjin Alpha HealthCare Products Co., Ltd ("Alpha") are qualified as production Foreign Investment Enterprises ("FIE") located in Tianjin Economic and Technological Development Area ("TEDA") and were eligible to enjoy concessionary EIT rates of 15% in 2007.

Shandong Fulilong Fertilizer Co., Ltd. ("SD Fulilong"), being a FIE incorporated in PRC located in a new and high technology zone, was subject to the concessionary EIT rate 24% EIT and exemption from local income tax in 2007.

Guangdong Fulilong Compound Fertilizers Co., Ltd. ("GD Fulilong") has been approved as a new and high technology enterprise and was therefore subject to the statutory 15% EIT and exemption from local income tax in 2007.

Tianjin Wan Tai Bio-Development Co., Ltd. ("Wantai"), being a limited liability company incorporated in the PRC, was subject to the statutory 30% EIT and 3% local income tax in 2007.

Except for Alpha, all companies had not provided for any EIT since they had no taxable income for 2007.

In accordance with the new PRC Enterprise Income Tax Law which became effective from 1 January 2008, a unified enterprise income tax rate of 25% will be applied to both domestic-invested enterprises and foreign-invested enterprises. Enterprises established prior to 16 March 2007 eligible for preferential tax treatment in accordance with the currently prevailing tax laws and administrative regulations shall, under the regulations of the State Council, gradually be subject to the new tax rate over a five-year transitional period until 2012. Accordingly, the Company, Alpha, Shandong Fulilong and Guangdong Fulilong can continue to enjoy the preferential tax rates during the transitional period and are subject to EIT rate of 18% in 2008.

The Company, Shandong Fulilong and Wantai have not provided for any EIT since they have no taxable income for 2008.

The taxation charge for the year can be reconciled to the Group's loss for the year as follows:

	2008	2007
	RMB	RMB
Loss before taxation	**(5,949,167)**	(10,671,361)
Calculated at statutory rate of 25% (2007: 33%)	**(1,487,292)**	(3,521,549)
Tax effect of non-taxable items	**(2,289,670)**	–
Tax effect of expenses not deductible for taxation purposes	**3,654,925**	327,126
Tax losses not recognised	**1,652,063**	2,664,387
Tax rate differential	**714,621**	1,395,692
Under provision in prior years	**1,994**	238,692
Others	**22,672**	(27,477)
Taxation charge	**2,269,313**	1,076,871

(b) Deferred taxation

The Group had the following respective estimated unused tax losses, which will expire as follows:

	2008		2007	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Year of expiry				
2008	**–**	**–**	18,544,000	18,544,000
2009	**13,427,000**	**13,427,000**	13,427,000	13,427,000
2010	**5,247,000**	**–**	5,529,000	–
2011	**14,642,000**	**4,177,000**	16,860,000	4,177,000
2012	**9,235,000**	**4,917,000**	14,262,000	4,917,000
2013	**7,124,000**	**5,307,000**	–	–
	49,675,000	**27,828,000**	68,622,000	41,065,000

No deferred tax assets have been recognised (2007: nil) as the availability of future taxable profit to utilise the temporary differences is not probable.

6. Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a loss of RMB16,145,034 (2007: loss of RMB4,917,443).

7. Dividend

No dividend has been paid or declared by the Company since its establishment.

8. Loss per share

The calculation of loss per share is based on the Group's loss attributable to equity holders of the Company of RMB8,987,602 (2007: loss of RMB11,377,409), divided by the weighted average number of shares issued during the year of 623,972,603 (2007: 610,000,000) shares.

Diluted loss per share is not presented as there are no (2007: no) dilutive potential shares.

9. Reserves

	Share premium RMB (Note (i))	**Capital reserve** RMB (Note (iii))	**Accumulated losses** RMB	**Total** RMB
The Company				
At 1 January 2007	75,089,571	(2,312,483)	(63,921,625)	8,855,463
Loss for the year	–	–	(4,917,443)	(4,917,443)
At 31 December 2007	75,089,571	(2,312,483)	(68,839,068)	3,938,020
Issue of shares	(220,386)	–	–	(220,386)
Loss for the year	–	–	(16,145,034)	(16,145,034)
At 31 December 2008	**74,869,185**	**(2,312,483)**	**(84,984,102)**	**(12,427,400)**

(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 were 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 nondistributable 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.

(iii) Capital reserve

The capital reserve arose primarily as a result of the Group Reorganisation in 2002.

10. Prepayments and other receivables

	2008 Group RMB	2008 Company RMB	2007 Group RMB	2007 Company RMB
Other receivables	**15,238,848**	**8,313,051**	9,696,015	1,122,518
Less: Allowance for doubtful debts (note b)	**(4,075,262)**	**(2,829,974)**	(1,901,888)	(500,330)
	11,163,586	**5,483,077**	7,794,127	622,188
Amount due from ex-subsidiary (note a)	**6,752,853**	**6,752,853**	9,902,834	9,902,834
Deposits and prepayments	**10,340,071**	**155,589**	14,169,397	1,210,579
	28,256,510	**12,391,519**	31,866,358	11,735,601
Non current portion	**–**	**–**	6,119,116	6,119,116
Current portion	**28,256,510**	**12,391,519**	25,747,242	5,616,485
	28,256,510	**12,391,519**	31,866,358	11,735,601

(a) Amount due from an ex-subsidiary totalling RMB6,752,853 (2007: RMB9,902,834), which is repayable by 31 December 2009 (2007: of which RMB3,783,718, and RMB6,119,116 are repayable by 31 December 2008 and 31 December 2009 respectively). The amount is interest bearing at market rates and its repayment is guaranteed by Shenzhen Xiangyong Investment Consulting Co., Ltd. (深圳市翔永投資顧問有限公司), the existing shareholder of an ex-subsidiary of the Group.

(b) Allowance for doubtful debts

	2008 Group RMB	2008 Company RMB	2007 Group RMB	2007 Company RMB
At 1 January	**1,901,888**	**500,330**	2,808,241	275,331
Additional allowance	**3,312,517**	**2,329,644**	381,951	224,999
Disposal of a subsidiary	**(1,131,551)**	**–**	–	–
Uncollectible amounts written off	**(7,592)**	**–**	(1,237,516)	–
Recovery of bad debts	**–**	**–**	(50,788)	–
At 31 December	**4,075,262**	**2,829,974**	1,901,888	500,330

The Group has provided fully for all other receivables that are past due beyond 2 years because historical experience is such that these receivables are generally not recoverable.

11. Trade receivables

	Group 2008 RMB	2007 RMB
Trade receivables	**60,717,997**	63,657,290
Less: Receivable after one year, classified as non-current assets (note (a))	**–**	(1,815,818)
Trade receivables, current assets	**60,717,997**	61,841,472
Less: Allowance for doubtful debts (note (c))	**(6,939,070)**	(6,580,089)
	53,778,927	55,261,383

Note:

(a) The Group generally grant credit terms of 120 days to major customers and 90 days to others trade customers. The following is an aged analysis of trade receivables at the balance sheet dates.

	Group 2008 RMB	2007 RMB
Within 3 months	**28,386,329**	31,648,804
Between 3 to 6 months	**17,553,897**	12,978,594
Between 6 to 12 months	**5,650,602**	8,393,523
Over 1 year	**9,127,169**	8,820,551
	60,717,997	61,841,472

(b) The Group has provided fully for all receivables that are past due beyond 2 years because historical experience is such that these receivables are generally not recoverable. Allowance on trade receivables between one year to two years are made based on estimated irrecoverable amounts by reference to past default experience and objective evidences of impairment determined by the difference between the carrying amount and the present value of the estimate future cash flow discounted at the original effective interest rate. In determining the recoverability of the trade receivables, the Group monitors any change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. The directors of the Company considered that the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(c) The movements in allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

	Group 2008 RMB	2007 RMB
At 1 January	**6,580,089**	5,464,946
Additional allowance (Note 4)	**1,749,017**	1,132,175
Disposal of a subsidiary	**(1,001,357)**	–
Uncollectible amounts written off	**(388,679)**	–
Recovery of bad debts	**–**	(17,032)
At 31 December	**6,939,070**	6,580,089

12. Trade and bills payables

	2008		2007	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Trade payables	**14,096,651**	**26,918**	79,902,418	26,918
Bills payables	**26,000,000**	**–**	26,000,000	–
	40,096,651	**26,918**	105,902,418	26,918

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

	2008		2007	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Within 3 months	**32,434,904**	**–**	86,860,089	–
Between 3 to 6 months	**4,576,156**	**–**	2,594,970	–
6 months to one year	**1,848,513**	**–**	15,550,740	–
Over one year	**1,237,078**	**26,918**	896,619	26,918
	40,096,651	**26,918**	105,902,418	26,918

13. Bank borrowings

	2008		2007	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Secured against property, plant and equipment and inventories (Note (i))	**27,500,000**	**–**	19,500,000	–
Secured against prepaid land lease payments (Note (ii))	**500,000**	**–**	500,000	–
Unsecured (Note (iii))	**68,000,000**	**67,000,000**	76,700,000	76,000,000
	96,000,000	**67,000,000**	96,700,000	76,000,000

Note:

(i) Secured against property, plant and equipment and inventories with a total net book value of about RMB65 million (2007: RMB62 million).

(ii) Secured against prepaid land lease payments with a carrying amount of about RMB3.0 million (2007: RMB3.1 million).

(iii) Unsecured loans are guaranteed as follows:

	2008		2007	
	Group RMB	**Company RMB**	Group RMB	Company RMB
Guarantees were provided by:				
– the Company	**1,000,000**	**–**	700,000	–
– Tianjin TEDA Guarantee Co. Ltd.	**–**	**–**	76,000,000	76,000,000
– Two subsidiaries of the Company	**67,000,000**	**67,000,000**	–	–
	68,000,000	**67,000,000**	76,700,000	76,000,000

(iv) The bank borrowings of the Group bore interest ranging from 7.8% to 9.8% (2007 : 6.1% to 8.9%) per annum.

(v) Bank borrowings are repayable as follows:

	2008		2007	
	Group RMB	**Company RMB**	Group RMB	Company RMB
On demand or within one year	**88,000,000**	**67,000,000**	96,700,000	76,000,000
After one year but within two years	**8,000,000**	**–**	–	–
	96,000,000	**67,000,000**	96,700,000	76,000,000

OPINION ON INDEPENDENT AUDITOR'S REPORT

Extracts from the report of the independent auditor of the Company, Shu Lun Pan Horwath Hong Kong CPA Limited, are set out as below:

"OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 1(a)(ii) to the financial statements which indicates that the Group suffered accumulated losses of RMB91,721,701 as at 31 December 2008 and, as of that date, the Group's current liabilities exceeded its current assets by RMB29,636,617. These conditions, along with other matters as set forth in Note 1(a)(ii), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern."

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 December 2008, the Group continued to engage in the two major business segments, namely biological compound fertilizer products and medical and health products. The total sales income for the year was RMB422,511,561, approximately 28.83% increase as compared with the previous year. On top of strengthening its major markets in the Pearl River Delta, Western and northern parts of the Guangdong province, Guangxi province, Shandong province, Hebei province, and Jiangsu province, we have actively expanded the market coverage of the biological compound fertilizer segment by furthering development of its distributors network and retail outlets and progressively enlarging the share of biological compound fertilizers in the Group's business portfolio. The Group realized a sales income from biological compound fertilizer products of RMB362,920,000, a 29.35% increase over the previous year. For the year ended 31 December 2008, the sales income of medical and healthcare products, with ALPHA series as its flagship healthcare food products, amounted to RMB59,590,000, representing an increase of 25.79% as compared with that in 2007. ALPHA has maintained steady market expansion with the help of its edges in the industry of sugar-free food products.

With reference to the Company's announcement and circular entitled Discloseable Transactions in Respect of Disposal of an Associate as at 15 August 2008 and 1 September 2008 respectively, it is disclosed that Guangdong Fulilong Compound Fertilizers Co., Limited ("Guangdong Fulilong"), a wholly-owned subsidiary of the group, entered into the Equity Transfer Agreement on 13 August 2008, and pursuant to which, it had agreed to dispose of 40% equity interests in Shaanxi Xing Fu Fertilizer Company Limited ("Shaanxi Xing Fu") to Shaanxi Xinghua Chemistry Company Limited ("Shaanxi Xinghua"), at a total consideration of RMB21,927,960 (approximately HK$24,974,897).

With reference to the announcements entitled Suspension of Trading and Placing of New Placing H Shares respectively issued by the Company both on 18 November 2008, on 17 November 2008, the Company entered into the Definitive Placing Agreement with China Merchants Securities (HK) Co., Limited (the "Placing Agent") in relation to a Placing. The New Placing H Shares of not more than 374 million H Shares, representing approximately 61.31% of the existing issued share capital of the Company and 39.37% of the issued share capital of the Company immediately upon completion of the Placing, comprised: (i) not more than 340 million New H Shares to be allotted and issued by the Company in connection with the Placing; and (ii) not more than 34 million Sale H Shares to be converted from the same number of existing Domestic Shares held by Tianjin TEDA International Incubator ("TTII"). The trading of the Company's shares was resumed on 19 November 2008, and an announcement entitled Completion of Placing New Placing H Shares was issued on 16 December 2008, and it was announced that the Company had obtained the approval for the listing of and permission to deal in the 374,000,000 New Placing H Shares from the Listing Committee of the Stock Exchange and all conditions for the Placing had been fulfilled.

Operating Environment

2008 was an unprecedented year. In the first half of last year, China experienced a snowstorm disaster rarely recorded in its history and a world-stunning massive earthquake in Wenchuan; while in the second half of the year with the fourth quarter in particular, the global financial crisis spread over to China. Such financial crisis has caused adverse effects to China's economy and has unfolded its impacts on the agricultural development and the development of rural areas. The compound fertilizers market in China in 2008 showed experienced drastic fluctuations as witnessed by the skyrocketing of raw materials prices during the first three quarters followed by a sharp downturn from September onward. The export of compound fertilizers has plummeted due to the natural disasters and inadequate domestic demand resulted from high prices maintained over such products, as well as the frequent adjustments to the tariff. The compound fertilizers market shrank substantially in the fourth quarter in particular thanks to the impacts of the international financial crisis and there saw a decline in both of the production and sales in the compound fertilizers industry in 2008.

Being one of the vital resources for agricultural production, chemical fertilizer is the key to the development of agriculture and the protection of food safety in the PRC. Despite years of rapid development, the chemical fertilizer industry in the PRC is still characterized by irrational structure, inappropriate pricing mechanism and impracticable operating systems. To deal with such problems, the State has implemented comprehensive measures to accelerate reform, perfect the control system and promote the healthy development of the fertilizer industry, and thereby improving the development of the agricultural sector as well as the income of farmers. In several conferences convened, the State Council has announced a series of policies and measures to secure the production and supply of chemical fertilizers as well as the stable and healthy growth of the chemical fertilizer industry. Major measures include active restructuring the mechanism, accelerating the establishment of a market-oriented pricing system and cancelling the interim measures on price control over the production and distribution of chemical fertilizers, and maintaining favorable policies for chemical fertilizer producers in respect of electricity, gas and railway transportation costs as well as tax concessions. To guarantee that the income of farmers will not fall due to the rise of raw material prices, the State has rationalized the adjustment mechanism for direct subsidies for agricultural materials. Reforms will be introduced to the chemical fertilizer distribution industry to invite investors to join the chemical fertilizer distribution sector and to nurture and foster large-scale fertilizer distributors. Other policies include the strengthening the control over import and export, the optimization of control over the inventory of chemical fertilizer and the provision of guidance to farmers for applying fertilizer in a scientific manner. Furthermore, with an aim to reduce the spending of the farmers and protect the environment, the State will extend the scope of subsidies provided. In addition, it was announced by NDRC that the State will extend the favorable policies for the agricultural sector, such as taking the imitative in purchasing the agricultural produce, raising the minimum purchase price of food, increasing subsidies to the food production industry and expanding the investment in agriculture by implementing the nation-wide plan to increase grain production capacity by 50 billion kg. It is crystal clear that the Central Government is strongly determined to implement various favorable agricultural policies and strengthen the regulation over the agricultural market.

As the standard of living in the PRC has improved, a wide range of health foods, such as sugar-free foods, were introduced to the market. As the general concept of health has changed, sugar-free foods have evolved from a functional product for diabetes patients to a common health food consumed by the public in the past decade. The range of sugar-free products has also expanded from mainly sugar-free biscuits and bitter buckwheat noodles to sugar-free mooncakes, beverages, desserts, candy, bread and cereal products. The Company currently focuses on the production of sugar-free foods for ordinary consumers as well as food products for controlling blood sugar level for diabetes patients. In recent years, market demand for functional sugar-free foods has increased since the incidence rates of obesity and diabetes have been on the rise and consumers are more concerned with health while enjoying delicacies. Our products cater to such needs, which have become the major market trend. However, competition in the health products market in the PRC has become more severe.

Sales and Financial Highlights

For the year ended 31 December, 2008, the sales of biological compound fertilizers and medical and health products of the Company have achieved rapid growth. The total turnover of the Group amounted to approximately RMB422,511,561 (exclusive of other revenue), representing an increase of 28.83% as compared with 2007.

As at 31 December, 2008, the Group has further established several compound fertilizer distributors in various provinces, municipalities and autonomous regions in the PRC. Such development contributed RMB362,920,000 and RMB38,040,000 to the Group's sales turnover and gross profit, respectively. Gross profit margin of compound fertilizer products was 10.48%. The overall gross profit margin of the Group rose from 15.44% in 2007 to 15.75% in 2008. The Group will continue to optimize its product portfolio and expand the proportion of high value-added products, thereby improving the overall sales profit margin.

In 2008, the loss attributable to the shareholders of the Group has improved from a loss of RMB11,377,409 in 2007 to a loss of RMB8,987,602.

Production and Research and Development

With the fluctuation in raw material prices, the Group has adopted a policy of "securing production and reducing stock", under which our production plans were tailor-made, if possible, to satisfy customer's pick-up schedule in order to reduce stock of products as far as possible. As a result, the liquidity was improved and the cost of stock was reduced.

The Group continued to invest in the research and development of new products. The Group has also capitalized on the favorable policies on technologies as adopted in the places where its operations are located. Guangdong Fulilong has successfully applied for a development patent in respect of "a production method of a kind of pest-repelling biological organic fertilizer" in June 2008. Pursuant to the supporting policies under the 5-year plan for technological innovation in Dongguan, Guangdong Province, Guangdong Fulilong was granted a project subsidy under the general plan for a "scientific Dongguan". In view of the current market and development trends, the Group will, for the purpose of increasing the efficiency of its products, add the "fertilizer-controlled agents" to its products for establishing its position in the "efficient compound fertilizer" market and hence improving the competitiveness of Guangdong Fulilong.

The Group has also unremittingly expanded its production and research and development capacity in health products. The Group has worked with other leading enterprises in the industry for developing sugar-free food, and has introduced new products such as sugar-free Sachima and new sugar-free beverages to the market. Also, Alpha Aspartame and Xylitol products has successfully passed through QS on-site inspection and was granted the "National Manufacturing License for Industrial Production" (全國工業生產許可証). The National Centre for Processed Foods (國家加工食品質量監督檢驗中心) conducted random checks over Alpha Mooncakes which were rigourously inspected under the 19 parameters as prescribed under the national standards in July 2008 and has rated the products as "products with good quality".

Financial Status and Capital Structure

In 2008, the loss attributable to the shareholders of the Group has improved from a loss of RMB11,377,409 in 2007 to a loss of RMB8,987,602. Finance costs increased by 1.33% while the administrative expenses increased by 74.82% compared to the corresponding period in 2007, and the research and development expenses decreased by 61.99% as compared with the corresponding period in 2007.

The Group's capital structure as at 31 December 2008 is as follows: total assets amounted to RMB309,550,000; current assets, fixed assets, investments and other non-current assets accounted for 60.53%, 35.61%, 0.97% and 2.89% of the total assets respectively.

FUTURE OUTLOOK

2009 may be the most difficult year for economic growth in the PRC in the new century on the ground that the economy of the country has been increasingly impacted by the spread of the global financial crisis and the slowdown of global economic growth. In the short term, the financial crisis will cause certain adverse impact to the development of the agricultural industry and in the rural area. However, it is believed that the chemical fertilizer industry will be able to maintain stable growth in the long run. On 1 February, 2009, the State Council issued the Opinions in Respect of the Stable Development of the Agricultural Industry and Increasing the Income of Farmers in 2009 (《關於2009年促進農業穩定發展農民持續增收的若干意見》) and it stated clearly that the government will, with its policy focus on agricultural industry, rural areas and farmers, further its investment in the agricultural industry and the rural area, expanding the domestic demand and implementing proactive financial policies. The State will further raise the amount of subsidies in 2009 on top of the substantial increase in the subsidy last year. The government will increase the volume and the level of direct subsidies to farmers and crop production. Pursuant to the policies on contracting and transfer of land newly promulgated by the State, land can be transferred legally. It is expected that some large-scale, professional and new crop production co-ops in the rural areas will emerge, and the chemical fertilizer industry will, therefore, be vitalized. With the strong support of the State to agricultural industry, domestic demand for fertilizers will continue to expand. The Group will also grasp every business opportunity to strengthen its competitiveness and edges in terms of proprietary brands, marketing and product distribution networks, exchange of market information and sales services to farmers under its operating strategy which is supported and enriched by the Group's invaluable experience accumulated in the past.

In respect of health products, the Group will continue its established sales strategies and develop the brand of "ALPHA". The Group will focus on maintaining satisfactory sales during critical periods such as festivals, and make effort in optimizing the sales for key products and in key areas in order to ensure the steady growth of the annual sales. Further, the Group will improve the effective terminal management and training programmes for its marketing team. Sugar-free drinks, the Group's major product, will stimulate the overall sales growth and such growth represents the Group's health products have gradually proceeded to a stage with rapid development will be witnessed.

Segmental information

The Group principally operates in two business segments: (1) biological compound fertilizers; (2) medical and health products.

The results of the Group by segments for the year ended 31 December 2008 and the year ended 31 December 2007 are disclosed in Note 2 to the accompanying accounts.

Liquidity, financial resources and gearing ratio

During 2008, the Group financed its operations mainly by banking facilities and placing of its shares.

As at 31 December 2008, the Group's consolidated total equity, current assets and net current liabilities were about RMB84,555,136 (2007: RMB58,994,002), RMB187,359,717 (2007: RMB180,434,454) and RMB29,636,617 (2007: RMB86,172,788) respectively. The Group's current assets as at 31 December 2008 comprised mainly cash and bank balances of RMB25,686,821 (31 December 2007: RMB45,382,127, trade receivables of RMB53,778,927 (31 December 2007: RMB55,261,383) and inventories of RMB78,974,912 (31 December 2007: 51,278,714).

As at 31 December 2008, the total bank borrowings of the Group amounted to RMB96,000,000 (31 December 2007: RMB96,700,000). The bank borrowings are denominated in Renminbi and provided by various licensed banks in China with fixed interest rates from 7.8% to 9.8% (31 December 2007: 6.1% to 8.9%) per annum. Of the bank borrowings, a total amount of RMB88,000,000 and RMB8,000,000 will mature in 2009 and 2010 respectively.

Employees and remuneration policies
As at 31 December 2008, the Group had 635 employees (2007: 703 employees). Remunerations of the Group's employees are determined in accordance with government policies and by reference to market terms and the performance, qualifications and experience of employees. Discretionary bonuses are paid to employees depending on individual performance as recognition of and reward for their contribution. Other benefits include contributions to retirement schemes, medical schemes, unemployment insurance schemes and housing allowances.

Exposure to foreign currency risk
The Group has a relatively low foreign currency risk since all the sales of the Group are domestic sales in China denominated in Renminbi and all payables to suppliers are also denominated in Renminbi.

Pledge of assets
The restricted bank deposits of RMB7,800,000 were denominated in RMB and pledged to secure the Group's and the Company's credit facilities granted by banks.

Capital commitments
At the balance sheet date, the Group had the following significant capital commitments:

	Group	
	2008	2007
	RMB	RMB
Authorised and contracted for		
– Acquisition of plant and machinery	**12,990,000**	17,738,307

Contingent liabilities
The Company guaranteed the banking facilities granted to certain of its subsidiaries amounting to RMB1 million (2007: RMB0.7 million).

As at 31 December 2008, all (2007: all) the above banking facilities granted were utilised.

Directors' and Supervisors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2008, 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	Number of shares held and nature of interests					Percentage of the issued share capital
	Personal (Note)	Family	Corporate	Other	Total	
Mr. Xie Kehua	9,000,000	–	–	–	9,000,000	0.95%

Note: All represented domestic shares

Save as disclosed in this paragraph, as at 31 December 2008, 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 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 acquire benefits by means of the acquisition of shares in the Company.

Substantial Shareholders

As at 31 December 2008, 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:

Name of shareholders	Capacity	Number of ordinary shares	Percentage of the issued share capital
Tianjin TEDA International Incubator	Beneficial owner	200,000,000 (Note 1)	21.05%

Notes:

1. All represented domestic shares.

Save as disclosed above, as at 31 December 2008, 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.

Completion of Placing New H Shares

As announced in the Company's announcements in relation to "Suspension of Trading" and "Placing of New Placing H Shares" both dated 18 November 2008, the Company entered into the Definitive Placing Agreement with China Merchants Securities (HK) Co., Ltd., the Placing Agent (the "Placing Agent") in relation to the Placing on 17 November, 2008, pursuant to which, the Company appointed the Placing Agent for the purpose of procuring, on a best effort basis, subscribers to subscribe for the New Placing H Shares. The New Placing H Shares of not more than 374 million H Shares, representing approximately 61.31% of the existing issued share capital of the Company and 39.37% of the issued share capital of the Company immediately upon completion of the Placing, comprise (i) not more than 340 million New H Shares to be allotted and issued by the Company in connection with the Placing; and (ii) not more than 34 million Sale H Shares to be converted from the same number of existing Domestic Shares held by 天津泰達國際創業中心 (Tianjin TEDA International Incubator) ("TTII"). The New Placing H Shares will be allotted and issued under the New Specific Mandate granted to the Directors. Trading of the Company's shares was resumed on 19 November 2008. An announcement in relation to "Completion of Placing of New Placing H Shares" was issued on 16 December 2008, which announced that the Company has obtained the approval for the listing of and permission to deal in the 374,000,000 New Placing H Shares from the Listing Committee of the Stock Exchange and all conditions for the Placing were fulfilled. Thus, the Placing was completed in accordance with the terms and conditions of the Definitive Placing Agreement and an aggregate of 374,000,000 New Placing H Shares have been successfully placed to not less than six independent professional, institutional and/or individual investors, who together with their ultimate beneficial owners are independent of the Company and not connected with any of the promoters, directors, supervisors, chief executives, substantial shareholders (as defined in the GEM Listing Rules) or management shareholders (as defined in the GEM Listing Rules) of the Company or any of its subsidiaries or their respective associates, at the placing price of HK$0.115 per New Placing H Share. The New Placing H Shares comprise (i) 340,000,000 New H Shares, which have been allotted and issued by the Company; and (ii) 34,000,000 Sale H Shares, which have been converted from the same number of existing Domestic Shares held by TTII. The Placing Shares represent approximately 39.37% of the issued share capital of the Company as a result of the completion of the Placing.

Management Contracts

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

Competing Interests
During the year ended 31 December 2008, none of the directors, the supervisors, or the management shareholders and their respective associates (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules") of the Company 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 has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

Share Option Scheme
Pursuant to the Company's share option scheme (the "Scheme") conditionally approved by a resolution of the shareholders of the Company dated 25 May 2002, the Company may grant options to full-time key employees of the Group to subscribe H Shares in the Company subjected to the terms and conditions stipulated therein. The Scheme is conditional on (i) the China Securities Regulatory Commission or other relevant government authorities in China granting approval of the Scheme and any options which may be granted thereunder and the issuing of the new shares upon an exercise of the options granted under the Scheme; and (ii) the GEM Listing committee of the Stock Exchange granting approval of the Scheme and any options which may be granted thereunder and the listing of and permission to deal in any Shares which may be issued pursuant to the exercise of options granted under the Scheme.

The Model Code
The Company has adopted a code of conduct regarding directors' securities transactions on terms no less than the required standard set out in the Model Code in Appendix 10 of the Listing Rules and the Directors of the Company has confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

Audit Committee
The written terms of reference which describe the authority and duties of the Audit Committee of the Company were prepared and adopted with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The Audit Committee of the Company provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of both the external and internal audit and the internal controls and risk evaluation. The Audit Committee of the Company comprises three non-executive independent Directors, namely Professor Xian Guoming, Mr. Wu Chen and Mr. Guan Tong.

Four meetings were held during the current financial year, to review the financial statements of the Company.

The Audit Committee of the Company has reviewed the audited results of the Group for the period under review and has provided advice and comments thereon.

Corporate Governance Practices

The Company has endeavored to apply the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules to the internal operations of the Group. Except the deviation disclosed in this report, in the opinion of the Board, the Company has complied with all the provisions of the Code during the period under review.

On behalf of the Board
Wang Shuxin
Chairman

Tianjin, the PRC, 25 March 2009

As at the date of this announcement, the Board comprises of two executive Directors, being Mr. Wang Shuxin and Mr. Xie Kehua; three non-executive Directors, being Mr. Feng Enqing, Mr. Xie Guangbei and Mr. Wang Xiaofa and three independent non-executive Directors, being Professor Xian Guoming, Mr. Wu Chen and Mr. Guan Tong.

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the day of its posting.