天津泰達生物醫學工程股份有限公司

Tianjin TEDA Biomedical Engineering Company Limited

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

(Stock Code: 8189)

ANNUAL REPORT 2009

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This report, for which the directors of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— 1. the information contained in this report 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 report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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BACKGROUND

Tianjin TEDA Biomedical Engineering Company Limited ("TEDA Biomedical" or the "Company" and together with its subsidiaries, collectively the "Group") is principally engaged in the research and development and commercialization of biological compound fertilizer products as well as medical health products.

Biological compound fertilizer products
This mainly includes biological compound fertilizer products under the brand of "Fulilong".

Medical health products
The diversified product range includes a series of diabetic health products, such as sugar reducing health foods developed in various forms such as noodles, flour, biscuits, etc.; a series of sugar-free products beneficial to the health of human body, such as sugar-free drinks, sugar-free mooncakes, etc.

GROUP STRUCTURE

Tianjin TEDA Biomedical Engineering Company Limited

(principally engaged in the research and development and commercialization of biological compound fertilizer products as well as medical and health products)

100%

Guangdong Fulilong Compound Fertilizers Co., Ltd. ("Guangdong Fulilong")

(principally engaged in the research, development, manufacture and sale of biological compound fertilizers)

75%

Tianjin Alpha HealthCare Products Co., Ltd. ("Alpha")

(principally engaged in the research, development manufacture and distribution of diabetic health food and related products)

51%

Shandong Fulilong Fertilizer Industry Co., Ltd. ("Shandong Fulilong")

(principally engaged in the research, development, manufacture and sale of biological compound fertilizers)

CORPORATE INFORMATION

Executive Directors
Mr. Wang Shuxin
Mr. Hao Zhihui (Appointed on 19 May 2009)
Mr. Xie Kehua

Non-executive Directors
Mr. Feng Enqing
Mr. Xie Guangbei
Mr. Wang Xiaofa

Independent non-executive Directors
Professor Xian Guoming
Mr. Guan Tong
Mr. Wu Chen

Supervisors
Mr. Zhao Tingying
Mr. Yuan Wei

Independent Supervisors
Mr. Gao Xianbiao
Mr. Zhao Kuiying

Company Secretary/Qualified Accountant
Mr. Ng Ka Kuen Raymond, CPA, FCIS

Compliance Officer
Mr. Wang Shuxin

Audit Committee
Professor Xian Guoming
Mr. Guan Tong
Mr. Wu Chen

Nomination and Remuneration Committee
Mr. Xie Guangbei
Mr. Guan Tong
Mr. Wu Chen

Authorized Representatives
Mr. Wang Shuxin
Mr. Ng Ka Kuen Raymond

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

Auditor
BDO Limited, Certified Public Accountants
(BDO Limited has merged the firm, Shu Lun Pan Horwath Hong Kong CPA Limited into the existing firm, with effect from 1 May 2009.)

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

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

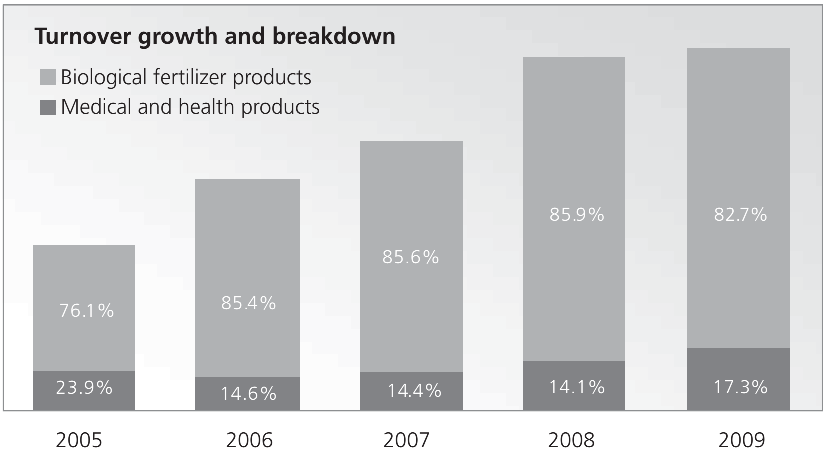
Hong Kong Share Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Company Website
www.bioteda.com

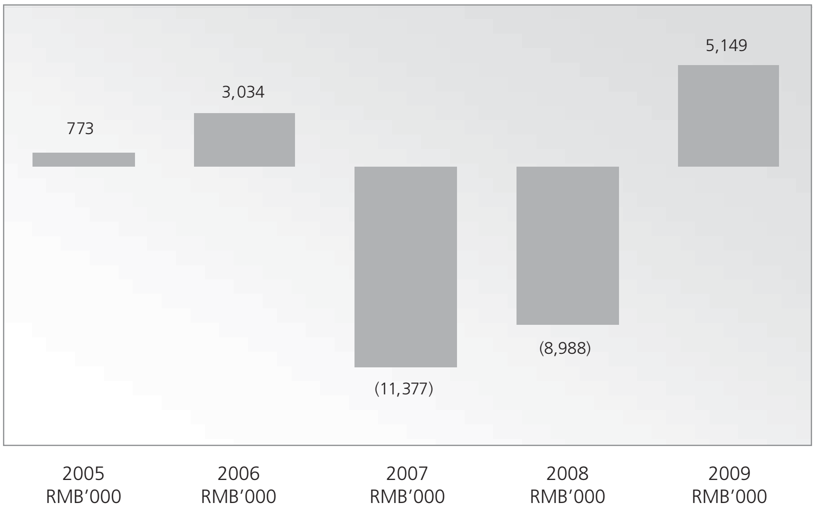
Stock Code
08189

	For the year ended 31 December				
	2005	2006	2007	2008	**2009**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Results					
Turnover	205,032	270,639	327,955	422,512	**432,000**
Gross profit	31,331	43,625	50,639	66,563	**85,747**
Gross margin	15.28%	16.12%	15.44%	15.75%	**19.85%**
Profit/(loss) attributable to owners of the Company	773	3,034	(11,377)	(8,988)	**5,149**
Earnings/(loss) per share	0.15 cents	0.50 cents	(1.87) cents	(1.44) cents	**0.46 cents**

	As at 31 December				
	2005	2006	2007	2008	**2009**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets & Liabilities					
Total assets	208,266	278,839	325,601	309,551	**309,136**
Total liabilities	110,393	208,097	266,607	224,996	**150,432**
Equity attributable to owners of the Company	65,374	68,408	57,031	81,823	**134,919**



Profit/(loss) attributable to owners of the Company



CHAIRMAN'S STATEMENT

Dear shareholders:

On behalf of the Board of Directors of TEDA Biomedical, I am pleased to present to our shareholders and investors the annual report of the Group for the year ended 31 December 2009.

The Group was established on 8 September 2000 and was principally engaged in the businesses of research, development and commercialization of biological compound fertilizer products and medical and health products. The Company was successfully listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on 18 June 2002 and became the first biological engineering company located at Tianjin Binhai New District to have its H Shares floated in Hong Kong.

Compared with the "roller-coaster trend and drastic fluctuation" as witnessed in the market in 2008, the domestic demand was declining in the compound fertilizer market and stagnancy was seen in 2009 under the downturn of the global economy. During last year, increasing number of domestic compound fertilizer companies have cut or even ceased their production while the market price has continued to drop with the purchase desire of consumers obviously weakened. The sales pressure faced by the compound fertilizer business of the Group has piled up from the second half of 2008, though lessened in the fourth quarter of 2009.

In 2009, the scale of growth of the sugar reducing and sugar-free products market in the PRC has diminished slightly, but due to the nature of inelasticity of the food consumption market, the impact of the international economic condition on such market was relatively limited as compared with other industries.

The Group has continued to implement its established marketing strategy of optimizing the adjustment to the product mix and firmly promote products with relatively higher market value and realize our target of enhancing the overall gross profit level of the Group. For the year ended 31 December 2009, the combined annual sales income of the Group amounted to RMB432,000,259, although it only represented a 2.25% increase as compared to the last year. The overall gross profit margin has climbed up to 19.85%. Sales of fertilizer products amounted to RMB357,084,657, which was almost in line with last year's level, while sales of medical and health products was RMB74,915,602, representing an increase of 25.72% as compared to last year. Profit attributable to owners of the Group for the year ended 2009 was RMB5,148,779.

With the gradual recovery of the market and the restoration of confidence of distributors, the market demand has steadily perked up. "The Plan of Enhancing the National Food Manufacturing Capacity by 100 billion kilograms (2009-2020)", which was officially promulgated by the General Office of the State Council in November 2009, has targeted at increasing the food manufacturing capacity of China to the level of over 1,100 billion kilograms by 2020. The Chinese government will also continue to raise the minimum food purchase price in 2010. Meanwhile, the authority will carry on to increase direct subsidies to farmers with a view to raising the income of farmers. The surge in food production along with the implementation of various supporting policies will motivate farmers to put more efforts in enhancing agricultural production, which is a significant positive factor in stoking up the demand in fertilizer market.

China's economy is climbing out of its trough and the Company will transform its invaluable experience gained under the economic adversity to its competitive strength and endeavor to enhance the profitability and long-term yield of the Group.

In 2009, the Board, the Supervisory Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee and various management departments of the Company took an active role and strived their best to upgrade the management standard of the Company and perfect its internal control system.

On behalf of the Board, I would like to express my deep gratitude to all staff of the Group for their unremitting efforts during the past year and sincerely express thanks to our business partners, customers and shareholders for their continued support. The Group will endeavor to meet higher business targets and create more value for our shareholders in the coming year.

Wang Shuxin
Chairman

16 March 2010

Business Review

For the year ended 31 December 2009, the major businesses of the Group were biological compound fertilizer products and medical and health products, which in aggregate achieved annual sales of RMB432,000,259, and this was almost in line with last year's level while a slight increase of 2.25% was also recorded. In particular, we have begun to promote and advance our markets to a greater depth based on our existing established markets for the biological compound fertilizer products. The Group recorded annual sales of biological compound fertilizer products of RMB357.08 million, maintaining at a similar level of the last year's where a slender decrease of 1.61% was still recorded. For the year ended 31 December 2009, the sales income of medical and healthcare products, with ALPHA series as its flagship healthcare food products, amounted to RMB74.92 million, representing an increase of 25.72% as compared to 2008. ALPHA has established itself as a domestic professional manufacturing enterprise of sugar reducing and sugar-free food products, which is capable of offering a wide range of products and is equipped with superior manufacturing capacity and advanced technology.

Operating Environment

In 2009, the business performance of the compound fertilizer market during the traditional peak season was not encouraging due to the decrease in demand. The insufficient domestic demand has directly led to a higher underproduction rate of compound fertilizer enterprises and an increasing number of compound fertilizer companies have reduced or even ceased their production. During the fourth quarter, with the rally in raw material prices, compound fertilizer markets in different regions have gradually recovered, which is evidenced by the surge in plants' utilization rate, an increase in overall rate of utilization of plants in the compound fertilizer segment from 30% to about 50% and the further rebound of production volume. In 2009, the demand of compound fertilizer has diminished slightly as compared with the previous year and that was mainly attributable to the economic downturn, which has in turn dampened the incentives of farmers and hence reduced the demand for fertilizers. As the price of raw materials dropped, the compound fertilizer products had weakened the price edges as enjoyed by straight fertilizer and the market of straight fertilizer was subject to certain pressure. Besides, the outbreak of natural disasters in several provinces in the PRC in 2009 has reduced the consumption volume of end users to a certain extent.

During recent years, the market of sugar-free food products has developed rapidly. In 2008, year-to-year growth rate was 30.7% with the market size amounting to RMB2.81 billion, while in 2009, year-to-year growth rate was 24.2% and the market size amounted to RMB3.49 billion. The Food Safety Law, effective on 1 June 2009, has set additional measures and improved the system with respect to food safety supervision system, food safety standard, supervision and assessment of food safety risk, manufacturing of food products and remedial measures concerning food safety incidents. Such law has also rationalized the supervisory system of medical and health products and clearly defined the duties and responsibilities of each relevant supervisory body. The implementation of the new law signifies that the industry of medical and health products will subject to stricter supervision and regulation.

Sales and Financial Highlights

For the year ended 31 December 2009, the segment of biological compound fertilizer products recorded sales comparable to last year's level and the segment of medical and health products achieved relatively rapid growth in sales. Total turnover of the Group was approximately RMB432,000,259 (excluding other revenue), representing an increase of 2.25% as compared to 2008.

As at 31 December 2009, further development and advancement of the distribution networks of compound fertilizers in different provinces, cities and autonomous regions in the PRC has contributed to Group's sales turnover of RMB357.08 million and to the Group's sales gross profit of RMB49.12 million. Gross profit margin of compound fertilizer products increased to 13.76%, while the overall gross profit margin of the Group has surged from 15.75% in 2008 to 19.85% in 2009. The Group will continue to optimize its product structure and place higher emphasis on products with higher added value and endeavor to enhance our overall sales gross profit margin.

Sales and Financial Highlights *(continued)*

In 2009, the profit attributable to the owners of the Group was RMB5.15 million, representing a turnaround from a loss of RMB8.99 million in 2008, which was mainly attributable to the relatively significant increase in overall gross profit of the Group and the decrease in the administrative expenses and finance expenses.

Production and Research and Development

The Group has improved its manufacturing technique, made minor adjustment to product mix and technical level of our products or even introduced necessary improvement to the equipment of our production line on the basis of our in-depth understanding of customers' feedback. Such measures aimed at enhancing our manufacturing efficiency and creating a robust product mix, while efficiently cutting the manufacturing cost of the Company.

With respect to the safety of products, the Group put much emphasis on quality inspection on the supply of raw materials. We have strictly implemented our quality control measures with respect to adding of ingredients to our products, made more frequent internal random inspection and examined our production technology through the product inspection.

During the year, SD Fulilong received on-site random inspection on our products by Shandong Bureau of Quality and Technical Supervision and all the samples have passed inspection. Meanwhile, SD Fulilong was also accredited as a "consumer satisfied unit" by the local department for industry and commerce.

The Group has continued to allocate more resources in technical research and development and the pre-sales and after-sales services were innovated with our sophisticated technologies. The State Intellectual Property Office has accepted the applications of GD Fulilong with respect to two invention patents and five utility model patents during the year. After the approval of the Appraisal Committee of Shandong Province Enterprise Technological Innovation Promotion Association, SD Fulilong was awarded the accreditation of "Enterprise Technical Innovation Award" and has established the "Formula Fertilization Service Center", which has enhanced the image of "Fulilong" while providing technical promotion services for our customers.

In July 2009, the "Environmental Protection Conference on National High Efficiency Fertilization and Soil Protection" was held in Shandong Province. On the date of the meeting, the "first professional cure center of soil in the PRC" was officially established under SD Fulilong and renowned expert of agricultural chemistry was appointed as the chief expert. In October 2009, "Fulilong" brand fertilizers were listed as one of the most influential products for the past 60 years in China's soil and fertilizer industry.

Financial Status and Capital Structure

In 2009, the profit attributable to the owners of the Group was RMB5.15 million, representing a turnaround from a loss of RMB8.99 million in 2008. Finance costs decreased by 35.74%, while the general and administrative expenses decreased by approximately 13.61% compared to the corresponding period in 2008. Research and development expenses increased more than threefold as compared with the corresponding period in 2008, which was mainly attributable to the increase in research and development expenses of GD Fulilong and ALPHA.

The Group's capital structure as at 31 December 2009 was as follows: total assets amounted to RMB309.14 million; current assets, fixed assets, investments and other non-current assets accounted for 61.30%, 34.94%, 0.97% and 2.79% of the total assets respectively.

Segmental information

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

The results of the Group by segments for the year ended 31 December 2009 and the year ended 31 December 2008 are disclosed in Note 6 to the accompanying accounts.

Liquidity, financial resources and gearing ratio

During 2009, the Group financed its operations mainly by internally generated cash, banking facilities and placing of its shares.

As at 31 December 2009, the Group's consolidated shareholders' equity, current assets and net current assets were about RMB158,704,358 (2008: RMB84,555,136), RMB189,487,631 (2008: RMB187,359,717) and RMB39,055,970 (2008: net current liabilities of RMB29,636,617) respectively. The Group's current assets as at 31 December 2009 comprised mainly cash and bank balances of RMB42,556,768 (31 December 2008: RMB25,686,821), trade receivables of RMB53,405,113 (31 December 2008: RMB53,778,927) and inventories of RMB60,094,582 (31 December 2008: RMB78,974,912).

As at 31 December 2009, the total bank borrowings of the Group amounted to RMB48,500,000 (31 December 2008: RMB96,000,000). The bank borrowings are denominated in Renminbi and provided by various licensed banks in China with fixed interest rates ranging from 5.3% to 9.8% (31 December 2008: 7.8% to 9.8%) per annum. Of the bank borrowings, a total amount of RMB48,500,000 will mature in 2010.

As at 31 December 2009, the Group's gearing ratio, defined as the ratio of total bank borrowings to total assets, was 0.16 (31 December 2008: 0.31). The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was 1.26 (31 December 2008: 0.863).

Charges on the Group's assets and contingent liabilities

As at 31 December 2009, property, plant and equipment of RMB46 million (2008: RMB65 million) and prepaid land lease payments of RMB nil (2008: RMB3 million) were pledged as security for bank loans granted to the Group.

As at 31 December 2009, the Company had contingent liabilities amounting to RMB3,000,000 (31 December 2008:RMB1,000,000) in connection with the provision of guarantee as security for bank loans granted to its subsidiaries.

Continuing Connected Transactions

On 31 March 2009, the Company released an announcement concerning certain continuing connected transactions, and it was disclosed that the Company (as lessee) entered into tenancy agreements with Tianjin TEDA International Incubator ("TTII", as lessor), a substantial shareholder of the Company, with respect to the same property on 23 April 2008 and 12 February 2009. For the financial year ended 31 December 2008, the annual rent amounted to RMB219,177, while the rent for the financial year ended 31 December 2009 was RMB326,268.

On 28 July 2008, Tianjin Alpha Health Care Products Co., Ltd. (as lessee), a non-wholly owned subsidiary of the Company and TTII (as lessor) entered into a tenancy agreement for a term of two years. For the years ended 31 December 2008 and 31 December 2009, annual rent were both RMB1,491,120. ALPHA has rented such building since 2000 and the rental payments with respect to the period before 31 December 2007 had been waived.

As TTII is a controlling shareholder of the Company, it is also a connected person of the Company within the meaning of the GEM Listing Rules, thus the tenancy agreements constitute continuing connected transactions for the Company under the GEM Listing Rules. Given that the relevant Percentage Ratios of the transactions on an aggregate basis are all less than 2.5% on an annual basis, the tenancy agreements fall within the threshold for exempted continuing connected transaction under Rule 20.34 of the GEM Listing Rules and are subject to the reporting and announcement requirements under Rules 20.45 to 20.47 of the GEM Listing Rules and exempted from independent Shareholders' approval requirements. Further details of the above transactions are set out under the section headed "connected transactions" in the Directors' Report on page 28 to 29.

Material Event

With reference to an announcement and a circular dated 12 June 2009 and 23 June 2009 respectively, the Company entered into a subscription agreement with three subscribers, namely Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment"), Shandong Zhinong Fertilizers Company Limited ("Zhinong Fertilizers") and Dongguan Lvye Fertilizers Company Limited ("Lvye Fertilizers") on 12 June 2009, pursuant to which, the Company agreed to allot and issue a total of 470,000,000 new domestic shares to the subscribers at RMB0.1023 (HK$ 0.116) per subscription share. The completion of the aforementioned subscription agreement is dependent upon fulfillment of the following conditions: (a) the obtaining of the necessary approvals of the Shareholders at the Class Meetings for the Subscription Agreement, the issue of the Subscription Shares under a Specific Mandate and the transactions contemplated thereunder; (b) full compliance with disclosure requirements under GEM Listing Rules; and (c) the obtaining of all necessary consents and approvals of the relevant regulatory authorities in the PRC, including the approval by the relevant local Commission of Commerce if applicable.

The Company also proposed to amend the Articles of Association of the Company to reflect and update the details of the shareholding structures of the Company upon the completion of the subscription.

The Company officially approved the special resolutions with respect to the subscription, the specific mandate and the proposed amendment of Articles of Association and the Board was authorized to determine and deal with, at its full discretion, any matter relating thereto at the class meeting and extraordinary general meeting held on 10 August 2009. The Company has raised proceeds of RMB48 million from the placing of new domestic shares in August 2009 and obtained the Certificate of Approval of Foreign-invested Enterprise from the commerce departments on 9 September 2009 and was issued a new business license by the relevant administration for industry and commerce on 8 February 2010. All the conditions for completion of the said subscription agreement were completely fulfilled and the domestic shares were issued on 9 February 2010.

Future Outlook

In 2010, the recovery of the global economy has injected a hopeful note to the fertilizer market of the PRC. At the same time, the development of the compound fertilizer industry was supported by various positive factors such as the further deepening of the reform of the fertilizer distribution system, the optimization and adjustment of the industrial structure, the further promotion of scientific fertilizing methods such as soil testing and formulated fertilization and the steady increase of purchase price of food.

During the six years from 1997 to 2003, the consumption of compound (mixed) fertilizers increased 39.07% and from 2003 to 2007, the consumption of compound (mixed) fertilizers jumped 35.4% in this short period of four years. In 2007, the domestic consumption of compound fertilizers represents 30% of the total consumption of fertilizers in that year. "The Eleventh Five-Year Plan for Agriculture" has clearly set a target of raising the compound fertilizer share of the PRC to the level of 50% by 2010. In 2009, the State Council further laid down the goal of increasing the pace of structural adjustment to the fertilizer industry and persistently eliminating the lagging capacity and increasing the market share of high concentration fertilizer and compound fertilizer. We expect that in the future, the consumption of compound fertilizer will continue to increase in a steady manner and the domestic compound fertilizer market still has significant development potential and room for profit.

After experiencing the hardship of the downturn of the fertilizer market, the Group was more aware of the fact that only customer-oriented products could achieve robust growth and has put stronger emphasis on the rational analysis of the market. We have also classified end markets according to customers' needs, extended our support to distributors, implemented optimum sales strategy and provided high quality services on agriculture. Besides, the Group has spared no effort to enhance the edges of our products, adopt a promotion model which emphasizes on offering extensive services, boost customers' loyalty, consolidate our brand awareness and increase our market share. It is our future target to differentiate and standardize our services on agriculture.

Future Outlook *(continued)*

In recent years, the pace of growth of the domestic sugar-free market has maintained at above 20%, which is faster than the overall rate of growth of food industry during the same period. However, the development of sugar-free food products is still in its infant stage. Since the population of diabetic has reached nearly 100 million and is still growing, and while the problem of aging population and obesity has been becoming more serious, the market volume of sugar-free products is enormous. In view of the relatively small scale of sugar-free food market in the PRC, the domestic sugar-free market still has a large room for development.

Employees and remuneration policies

As at 31 December 2009, the Group had 699 employees (2008: 635 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.

Treasury Policy

The Group's bank borrowings are denominated in Renminbi and are usually renewed for one year upon maturity. The cash proceeds from the placing of new H shares of the Company in December 2008 was utilized according to the manner of use of proceeds set out in the paragraph headed "Reasons for the Placing, Fund Size of the Placing and Proposed Use of Proceeds" in the Company's circular dated 8 November 2007 and announcement dated 18 November 2008. Any surplus cash will be placed as deposits with licensed banks in China.

Directors

Executive Directors

Mr. Wang Shuxin, aged 45, is the Chairman of the Board of Directors of the Company and its subsidiaries and is responsible for the Company's strategic planning and business development. Mr. Wang was instrumental in the establishment of Tianjin TEDA International Incubator (天津泰達國際創業中心) ("TTII") in April 1996 and has been the legal representative of Tianjin TEDA Institute of Biomaterials and Medical Engineering (天津開發區泰達生物材料與醫學工程研究所) ("IBME") since January 1998. He was appointed as Chairman of the Board of Directors of the Company in September 2000. Mr. Wang graduated from Tianjin University (天津大學) in 1988 with a master's degree in Organic Chemical Engineering (有機化工專業). In February 1999, he obtained a postgraduate qualification in accounting from Tianjin University of Finance and Economics (天津財經學院). In 1997, Mr. Wang participated in the commercialization of the technology relating to clinical catheters. He subsequently became involved in the establishment of IBME in January 1998 and received one of the Ten Outstanding Youth awards (十大傑出青年) in 1998.

Mr. Hao Zhihui, aged 48, graduated from Tianjin Medical University in August 1984 with a bachelor's degree in medicine and thereafter taught in the university. He also completed his master's degree in Medicine offered by the same university in August 1992. From May 1995 to August 1997, he was in charge of production and technology in DPC (Tianjin) Co., Ltd (天津德普生物技術和醫學產品有限公司). From September 1997 to September 2000, he worked in Tianjin TEDA International Incubator and was the chief of the Medicine Industry Department (醫藥產業部部長). In March 2004, he graduated from the School of Continuing Education of Tsinghua University, Business Administration Major. From September 2000 to August 2006, he has assumed the posts of chief investment officer, chairman of the Supervisory Committee and executive vice president (常務副總裁) in the Company. He has been the President of the Company since August 2006. Mr. Hao has been appointed as an executive director of the Company since May 2009.

Mr. Xie Kehua, aged 53, is the director and general manager of Tianjin Alpha Health Care Products Co., Ltd. (天津阿爾發保健品有限公司) ("Alpha"). Mr. Xie graduated from Chinese Traditional Medicine Department of Heilongjiang Institute of Commerce (黑龍江商學院中藥系) in July 1982 with a bachelor degree. Mr. Xie was appointed as the chief engineer of the Chinese medicine factory (中藥制藥廠) under the Tianjin Chinese Medicine Group (天津中藥集團) and was the supervisor of Hangzhou Wanaha Group Research and Development Centre (杭州娃哈哈集團科研開發中心). He was awarded the Best Scholar of New Products (新品狀元) and became Leader of the Initiation of Technology Development (新品開發帶頭人) in 1992 and was further recognized as a senior engineer in 1995. Mr. Xie was appointed as one of the first directors and the first manager of Alpha in August 1994. Mr. Xie was appointed as an executive director of the Company in September 2000.

Directors *(continued)*

Non-executive Directors

Mr. Feng Enqing, aged 51, graduated from Tianjin Industrial University (天津工業大學) in 1982 with a degree in textile chemical engineering (紡織化學工程) and joined TTII as the project manager in 1996. He was previously the supervisor and chief engineer of Tianjin Xinggang Textile Manufacture (天津新港紡織廠). Mr. Feng is a director of Alpha and the chief engineer of TTII. He joined the Company in September 2000.

Mr. Xie Guangbei, aged 55, graduated from Nankai University in 1993 with a master's degree in Economics. In 1998, he was granted a MBA degree from Rensselaer Polytechnic Institute in Troy, New York, the US. He is the investment and financial consultant of the Office of Residential Property Commercialization headed by the Ministry of Construction of the PRC. He is also the vice chairman and president of Tianjin Securities Investment Consulting Company Limited (天津證券投資諮詢有限公司). He was an engineer of the Business Department of China Shizheng Huabei College of Design (中國市政華北設計院計劃經營處), director and deputy general manager and senior engineer of Tianjin Eastern International Engineering Consultancy (天津東方國際工程諮詢). He joined the Company as an independent supervisor in November 2000 and has been appointed as a non-executive director since November 2003.

Mr. Wang Xiaofa, aged 44, is an economist. He graduated from Liaoning Finance College (遼寧財經學院) with a bachelor degree in Economics in 1985 and obtained a Master degree in Economics from North-East Finance University (東北財經大學) in 1996. He specializes in infrastructure finance and securities investment and he has been an assistant general manager of Beijing Guoyuan Investment Consulting Company (北京國元投資諮詢公司) from 2000. Mr. Wang Xiaofa has been appointed as an independent supervisor of the Company and as non-executive director of the Company since 12 September 2006 and 1 January 2008 respectively.

Independent Non-executive Directors

Professor Xian Guoming, aged 58, is a professor of Nankai University (南開大學) and the tutor of candidates pursuing doctoral degrees. He is the head of the Teda Faculty of Nankai University and the director of Research Center of Multi-national Corporations of Nankai University. Professor Xian also acts as the deputy secretary of China Academy of Global Economics, and as an independent director of Yifangda Funds Management Company and Nankai Gede Co., Ltd. He specializes in research on international investments by multi-national corporations. Professor Xian has been appointed as an independent non-executive director of the Company since August 2001.

Mr. Guan Tong, aged 41, graduated from the Enterprise Management Faculty (企業管理系) of Nankai University of China in 1993. He was appointed as an accountant of Tianjin Zhonghuan Industrial and Development Company (天津中環實業開發公司) from 1991 to 1997 and as a financial manager of Tianjin LG Electronic Company Limited (天津LG電子有限公司) from 1997 to 1999. Mr. Guan became a qualified PRC Certified Public Accountant in July 2001 and a PRC qualified valuer in October 2003. During the period from 1999 to 2004, Mr. Guan worked with Tianjin Tiandi Certified Public Accountants (天津天地會計師事務所) involving in the audit work of various types of domestic and foreign investment enterprises and in asset valuation. He also participated in the auditing work of a private enterprise in Tianjin which was applying for its shares to be listed on the Singapore Exchange Securities Trading Limited in Singapore. From September 2004, Mr. Guan works with Tianjin Start Point Certified Public Accountants (天津起點會計師事務所) as audit manager.

Directors *(continued)*

Independent Non-executive Directors *(continued)*

Mr. Wu Chen, aged 65, graduated from the Chemical Engineering Department of Tianjin College of Engineering in 1970. He was awarded the second prize of excellent scientific and technological achievements – N.P. compound fertilizer project in 1982. In April 1990 and December 1991, Mr. Wu was respectively awarded the second and the third prizes by Tianjin Nanjiao District People's Government and Validation Committee of National Spark Award (國家星火獎評審委員會) for his contributions in the transformation of compound fertilizer production line and the development of series of compound fertilizer products. In addition, he was recognized as a senior engineer by the Tianjin Engineering, Technological and Chemical Professional Senior Qualification Review Committee (天津市工程技術化工專業高級資格評審委員會) and given a certificate by Tianjin Municipal Personnel Bureau (天津人事局) in April 1996.

Supervisors

Mr. Zhao Tingying, aged 34, graduated from the Accounting Department of Tianjin University of Finance and Economics with a bachelor's degree in Economics in 1998. He joined TTII, the controlling shareholder of the Company, in July 1998 as the financial supervisor of TTII's Planning and Finance Department, and assumed the posts of financial supervisor, investment supervisor and investment manager after joining the Company in May 2001. In September 2004, Mr. Zhao was appointed as the director and vice general manager of Shandong TEDA Bioengineering Co., Ltd., a subsidiary of the Company, and was appointed as a supervisor of the Company in February 2007.

Mr. Yuan Wei, aged 59, graduated from the Tianjin School of Chinese Traditional Medicine in 1975. He previously held the position of head of quality control at the Tianjin Chinese Medicine Plant before joining Alpha in August 1994. He is currently the administrative officer of Alpha. Mr. Yuan Wei was appointed as a supervisor of the Company in September 2000.

Independent Supervisors

Mr. Gao Xianbiao, aged 48, graduated from the Agricultural Soil Department (土壤農化系) of Shandong Agricultural Industry University (山東農業大學) in 1982. He has got a technical post of researcher since December 1999. He was the deputy chief and the chief of Soil and Fertilizer Research Institute of Shandong Academy of Agricultural Science (山東省農業科學院土壤肥料研究所) during the periods from October 1997 to October 1999 and from October 1999 to December 2004 respectively. Since December 2004, he has been the chief of Tianjin Soil and Fertilizer Research Institute (天津市土壤肥料研究所) (now known as Tianjin Agricultural Resource and Environmental Research Institute (天津市農業資源和環境研究所)). During the period from December 1995 to October 2000, Mr. Gao was granted with a number of the Science and Technology Progress Awards (科學技術進步獎) in Shandong Province.

Mr. Zhao Kuiying, aged, 41, is an economist. He graduated from Nankai University with a bachelor degree in Finance in 1990 and subsequently obtained a master degree in Economics from Tianjin University of Finance and Economics (天津財經大學). He specializes in financial management and analysis. He was positioned in various posts in branches of the Agricultural Bank of China from 1990 to 2000 and China CITIC Bank from 2000 and has been the head of a branch office of China CITIC Bank in Tianjin since August 2005.

Senior Management

Chief Executive Officer

Mr. Hao Zhihui, whose biographical details are set out in the section headed "Executive Directors".

Qualified Accountant and Company Secretary

Mr. Ng Ka Kuen, Raymond, aged 49, was an associate member of the Association of Cost and Executive Accountants in September 1985 and became a fellow member of that Association in October 1986. In November 1997, he was awarded a Graduate Diploma in Administration and a Bachelor Degree of Arts by Australian Catholic University, Australia and Ottawa University, Ottawa, Kansas State, the United States of America respectively. Mr. Ng became a member of the Institute of Certified Public Accountants in Ireland in October 2002, a fellow member of the Institute of Chartered Secretaries and Administrators in November 2003 and an associate member of the Association of International Accountants in June 2004. In April and July 2005, Mr. Ng became a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and an associate member of the Taxation Institute of Hong Kong respectively. Before joining the Company, Mr. Ng has more than 10 years audit experience.

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the reporting period, all members of the Supervisory Committee of Tianjin TEDA Biomedical Engineering Company Limited have faithfully carried out their duties and obligations in accordance with the regulations of the Company Law and the Articles of Association, executing the functions of monitoring the operation and management of the Company and supervising the directors and senior management officers so as to guarantee the rights and interests of the shareholders, the Company and our staff.

I. Meeting of the Supervisory Committee

On 25 March 2009, the Supervisory Committee held the first meeting in 2009, at which the consolidated financial statements of the Group for the year 2008 audited by Shu Lun Pan Horwath Hong Kong CPA Limited was reviewed and approved.

On 7 May 2009, the Supervisory Committee held the second meeting in 2009, at which the first quarterly report of the unaudited results for the three months ended 31 March 2009 was reviewed and approved.

On 10 August 2007, the Supervisory Committee held the third meeting in 2009, at which the half-yearly report of the unaudited results for the six months ended 30 June 2009 was reviewed and approved.

On 5 November 2007, the Supervisory Committee held the fourth meeting in 2009, at which the third quarterly report of the unaudited results for the nine months ended 30 September 2009 was reviewed and approved.

On 16 March 2010, the Supervisory Committee held the first meeting in 2010, at which the consolidated financial statements of the Group for the year 2009 audited by BDO Limited was reviewed and approved.

II. Jobs Carried Out by the Supervisory Committee

During the reporting period, the members of the Supervisory Committee participated in the board meetings and general meetings, supervising the operation of the Company in accordance with the related laws. The Supervisory Committee is of the opinion that the Company has strictly complied with the Company Law, the Articles of Association and the relevant laws and regulations. In addition, the Company's decision making process was in compliance with laws and the Company established a relatively comprehensive internal control system. The Supervisory Committee was not aware of any actions of the Directors or senior management officers of the Company who, in carrying out their duties, violated any laws, regulations, the Articles of Association or were prejudicial to the interests of the Company.

The Supervisory Committee regularly reviews the Company's financial statements. To the best knowledge of the Supervisory Committee to date, there are no inappropriate disclosures in the financial statements and accounts of the Company. The auditor's report prepared by BDO Limited truly, fairly and accurately reflects the Group's financial position and operating results.

The Supervisory Committee carefully reviewed and agreed with the report of the directors, and audited financial reports proposed by the board of directors to be submitted to the Annual General Meeting.

By order of the Supervisory Committee
Tianjin TEDA Biomedical Engineering Company Limited
Zhao Tingying
Chairman of the Supervisory Committee

16 March 2010

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. In the opinion of the Board, the Company has complied with all the provisions of the Code during the period under review.

Directors' Securities Transactions

For the year ended 31 December 2009, 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 of all Directors, the Directors of the Company have complied with such code of conduct and the required standard of dealings.

Board of Directors and Board Meeting

Board Composition and Board Practices

The Board comprises nine Directors of the Company including three executive Directors, three non-executive Directors and three independent non-executive Directors. All executive Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no financial, business, family or other material/relevant relationship amongst the Directors. The Directors' biographical information is set out on page 13 to 16 under the section headed "Directors, Supervisors and Senior Management" of this annual report.

The Board, headed by the Chairman, Mr. Wang Shuxin (王書新), is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the board of Directors to the management include the preparation of annual and interim accounts for board approval before public reporting, execution of business strategies and initiatives adopted by the board of Directors, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

The Board members for the year ended 31 December 2009 were:

Executive Directors
Mr. Wang Shuxin (王書新)
Mr. Hao Zhihui (郝志輝) (Appointed in May 2009)
Mr. Xie Kehua (謝克華)

Non-executive Directors
Mr. Feng Enqing (馮恩慶)
Mr. Xie Guangbei (謝光北)
Mr. Wang Xiaofa (王校法)

Independent non-executive Directors
Professor Xian Guoming (冼國明)
Mr. Guan Tong (關彤)
Mr. Wu Chen (吳琛)

Board of Directors and Board Meeting *(continued)*

Board Composition and Board Practices *(continued)*

The Chairman of the Board and the Chief Executive Officer are held separately by two individuals to ensure their respective independence and accountability. The Chairman is responsible for chairing and convening the general meetings, chairing the board meetings, examining the implementation of the resolutions of the Board and formulating overall strategies and policies of the Company. The Chief Executive Officer is responsible for managing the Group's business and overall operations. The day-to-day running of the Company is delegated to the management with divisional heads responsible for different aspects of the business. During the period under review, the Company has complied with the requirement to separate the roles of Chairman and Chief Executive Officer as set out in Code provision A.2.1 of the Code. The Board has appointed Mr. Hao Zhihui to act as the Chief Executive Officer of the Company. The roles of Chairman and Chief Executive Officer are separated and are not concurrently assumed by the same person so as to increase the transparency and independence of corporate governance.

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

Non-executive directors (including independent non-executive directors) serve the important function of advising the management on strategy development and ensure that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding interests of shareholders and the Company as a whole.

The Board complied with the minimum requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors and one of them has the appropriate professional qualifications required under Rule 5.05 of the GEM Listing Rules.

Throughout the year, the Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. During the year, the Board held eight meetings for the discussion and approval of important matters such as the approval of quarterly results, interim results and annual results, dividends, the Group's annual budget, business and investments etc. In addition, the Group's management also met with certain non-executive Directors to seek their views on certain business or operational matters. Apart from the regular board meetings of the year, the board of Directors will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision and minutes of committee meetings in advance of each board meeting. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's Articles of Association. Notice of at least 15 days is given of a regular board meeting to give all Directors an opportunity to attend.

No insurance coverage has been purchased for any of the Directors as the Board do not foresee any contingent liabilities against the Group.

The board of Directors held a full board meeting for each quarter.

Board of Directors and Board Meeting *(continued)*

Board Composition and Board Practices *(continued)*

The Board held eight meetings in 2009, and the attendance record of the Board meetings is as follows:

Name of directors	Attendance/Number of Meetings held
Executive Directors	
Mr. Wang Shuxin (王書新)	8/8
Mr. Hao Zhihui (郝志輝) (Appointed in May 2009)	5/5
Mr. Xie Kehua (謝克華)	6/8
Non-executive Directors	
Mr. Feng Enqing (馮恩慶)	6/8
Mr. Wang Xiaofa (王校法)	5/8
Mr. Xie Guangbei (謝光北)	6/8
Independent non-executive Directors	
Professor Xian Guoming (冼國明)	5/8
Mr. Guan Tong (關彤)	8/8
Mr. Wu Chen (吳琛)	8/8

Board papers are circulated not less than 15 days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the board meetings. The Company Secretary attends all regular board meetings to advise on corporate governance and statutory compliance when necessary. Moreover, the Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all board meetings. The Company Secretary also keeps the minutes, which are open for inspection at any reasonable notice by any Director.

Nomination and Remuneration Committee

The Company has set up a nomination and a remuneration committee according to the Code. The two committees were merged and renamed as the "Nomination and Remuneration Committee", with a majority of the members thereof being independent non-executive Directors. The Nomination and Remuneration Committee comprises Mr. Xie Guangbei (謝光北), a non-executive Director, Mr. Wu Chen and Mr. Guan Tong, both independent non-executive Directors, with Mr. Xie Guangbei (謝光北) as the chairman of the nomination and remuneration committee. The nomination and remuneration committee held two general meetings in 2009.

The attendance record of the Nomination and Remuneration Committee is as follows:

Name of directors	Attendance/Number of Meetings held
Mr. Xie Guangbei（謝光北）	2/2
Mr. Guan Tong（關彤）	2/2
Mr. Wu Chen（吳琛）	2/2

The role and function of the remuneration committee included the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and determined the remuneration of non-executive and independent non-executive Directors and supervisors and independent supervisors of the Company. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

Nomination and Remuneration Committee *(continued)*

The remuneration committee of the Company has considered and reviewed the service contracts of the Directors and considers that the existing terms of the service contracts are fair and reasonable.

The Nomination Committee is responsible for formulating nomination policies, and gives its suggestions to the Board of Directors on nomination and appointment of directors and the succession of the Board of Directors. The Committee will also formulate the procedures for the selection of nominated persons, discuss the scale, structure and organization of the Board of Directors and assess the independence of independent non-executive directors. The Committee will provide sufficient resources so as to enable its members to perform their duties. When there is a vacancy of director or an additional director is deemed necessary, any member of the Nomination may be authorized to identify suitable candidates to assume the post of director. As soon as suitable persons are selected, the member of the Nomination Committee will propose to the Nomination Committee to appoint such persons, and the Nomination Committee will review the qualifications, experiences and background of the selected persons concerned, so as to decide whether they are suitable for the Group. Selected persons approved by the Nomination Committee will be recommended to the Board of Directors for final examination and approval, or (if applicable) to the Company's Annual General Meeting for approval from shareholders. Upon request, the written terms of reference of the Nomination Committee will be provided to shareholders of the Company.

Audit Committee

The Group had established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The audit committee comprises three independent non-executive Directors including Mr. Guan Tong (關彤) who possesses the appropriate professional qualifications as required under Rule 5.05(2) of the GEM Listing Rules.

A total of four audit committee meetings were held during the year to review and discuss the final, quarterly and interim results and annual financial statements respectively. Additional meetings may also be held by the audit committee from time to time to discuss special projects or other issues that the audit committee considers necessary. The external auditor of the Group may request a meeting if they consider necessary.

The authorities of the audit committee include (1) investigation of any activity within its term of reference; (2) seeking any information it requires from any employee; and (3) obtaining outside legal or other independent professional advice if it considers necessary.

The main duties of the audit committee are as follows:

- To consider the appointment of the external auditor, the audit fee, and any question of resignation or dismissal;
- To discuss with the external auditor the nature and scope of the audit;
- To review and monitor the external auditor, independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- To develop and implement policy on the engagement of external auditor to supply non-audit services;
- To review the Group's quarterly, interim and annual financial statements before submission to the Board;
- To discuss problems and qualified opinions arising from the final audits and any matters that the external auditor may wish to discuss;

Audit Committee *(continued)*

- To review the Group's statement on internal control system prior to endorsement by the Board;
- To consider the major findings of any internal investigation and the management's response; and
- To consider other topics, as defined by the Board.

The attendance record of the audit committee meetings is as follows:

Name of directors	**Attendance/Number of Meetings held**
Professor Xian Guoming (冼國明)	2/4
Mr. Guan Tong (關彤)	4/4
Mr. Wu Chen (吳琛)	4/4

Throughout the year under review, the audit committee discharged its responsibilities, reviewed and discussed the Group's unaudited quarterly results and unaudited interim results for 2009 and the annual audited financial statements and the internal control system of the Group.

Auditor's Remuneration

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

External Auditor

Shu Lun Pan Horwath Hong Kong CPA Limited, Certified Public Accountants ("Horwath"), had been recommended by the audit committee and appointed by the shareholders as the External Auditor of the Company and its subsidiaries with effect from 19 May 2009 until the conclusion of the forthcoming annual general meeting of the Company.

On 1 May 2009, Shu Lun Pan Horwath Hong Kong CPA Limited merged into BDO Limited ("BDO").

The annual financial statements for the financial year ended 31 December 2009 have been audited by BDO.

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

The Group's External Auditor is BDO for the year ended 31 December 2009 (for the year ended 31 December 2008: Horwath).

During the year, BDO and Horwath have not provided significant non-audit services to the Group. Set out below are the services offered by BDO and Horwath and their respective fees:

	Fee Charged	
Types of Services	**for the year ended 31 December 2009 RMB'000**	for the year ended 31 December 2008 RMB'000
Audit for the Group	**788**	1,000

Directors' Responsibility for the Financial Statements

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

The statements of the external auditor of the Company, BDO Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Auditor's Report on page 32 to 33 of this annual report.

Internal Control

The Company has conducted a review of its system of internal control periodically to ensure that it has adopted an effective and adequate internal control system. The Company convened meetings periodically to discuss financial, operational and risk management control measures. The audit committee also reviews the internal control systems and evaluates their adequacy, effectiveness and compliance on a regular basis.

Investor Relations and Communication with Shareholders

The Company has disclosed all necessary information to the shareholders and investors in compliance with GEM Listing Rules and uses a number of formal communications channels to account to shareholders and investors for the Company. These include (i) the publication of quarterly and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders of the Company to raise comments and exchanging views with the Board; (iii) the Company replying to the enquires from shareholders timely; (iv) updated and key information of the Group available on website of the Company; (v) the Company's website offering communication channel between the Company and its shareholders and investors; and (vi) the Company's share registrar in Hong Kong serves the shareholders regarding all share registration matters.

The Directors submit their report together with the audited financial statements of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009.

Principal Activities and Geographical Analysis of Operations

The principal activities of the Company are development and commercialization of biological compound fertilizer products, and medical and health products.

The activities of the subsidiaries are set out in Note 16 to the accompanying accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 6 to the accompanying financial statements.

Change of Share Capital

Details of the movements in share capital of the Company are set out in Note 27 to the accompanying financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 34 of this annual report.

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

Reserves

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statements of changes in equity on page 38 of this annual report and Note 28 to the accompanying financial statements respectively.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group and the Company are set out in Note 14 to the accompanying financial statements.

Pre-emptive Rights

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

Financial Summary

The summary of the results and the assets and liabilities of the Group for the last five financial years ended 31 December 2009 is set out on page 6 of this annual report.

Sufficiency of Public Float

Based on the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules") throughout the year ended 31 December 2009.

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.

Directors and Supervisors

The Directors and Supervisors during the year were:

Executive Directors
Mr. Wang Shuxin (王書新)
Mr. Hao Zhihui (郝志輝) (Appointed on 19 May 2009)
Mr. Xie Kehua (謝克華)

Non-executive Directors
Mr. Feng Enqing (馮恩慶)
Mr. Xie Guangbei (謝光北)
Mr. Wang Xiaofa (王校法)

Independent Non-executive Directors
Professor Xian Guoming (冼國明教授)
Mr. Guan Tong (關彤)
Mr. Wu Chen (吳琛)

Supervisors
Mr. Zhao Tingying (趙挺穎)
Mr. Yuan Wei (袁偉)

Independent Supervisors
Mr. Gao Xianbiao (高賢彪)
Mr. Zhao Kuiying (趙魁英)

Mr. Hao Zhihui（郝志輝）was appointed as the executive director on 19 May 2009. Therefore, the number of non-executive directors and independent non-executive directors of the Company remained at three respectively. The number of executive directors fell to two temporarily from 30 December 2008 to 18 May 2009 and increased to three since 19 May 2009. The number of supervisors of the Company remained at four, including two independent supervisors.

According to the provisions of the Company's Articles of Association, directors are appointed at the annual general meeting for a term of three years and shall have the right for re-election upon expiry of the term. All present directors of the Company were appointed for a term of three years and will continue in office upon re-election.

Directors' and Supervisors' Service Contracts

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

The initial term of these contracts was three years commencing on 1 January 2008 (except Mr. Hao Zhihui, whose service contract has become effective since 19 May 2009 and will expire on 31 December 2010) and thereafter subject to the approval of the shareholders' meeting of the Company, each service contract may be renewed for three years unless terminated by either party giving not less than one month's prior written notice to the other.

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

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

Directors' and Supervisors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which any of the directors, the supervisors of the Company or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Confirmation of Independence of Independent Non-executive Directors

The Company has received from each of its independent non-executive directors, namely Professor Xian Guoming, Mr. Wu Chen and Mr. Guan Tong, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company still considers the independent non-executive directors to be independent.

Biographical Details of Directors, Supervisors, Chief Executive Officer, Company Secretary and Qualified Accountant

Brief biographical details of the directors, the supervisors, Chief Executive Officer, the company secretary and qualified accountant of the Company are set out on pages 13 to 16 of this annual report.

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

As at 31 December 2009, 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:

	Number of shares held and nature of interests					Percentage of the issued share
Directors	**Personal** (Note 1)	**Family**	**Corporate**	**Other**	**Total**	**capital** (Note 2)
Mr. Xie Kehua	9,000,000	–	–	–	9,000,000	0.95%

Notes:

1. All represented domestic shares

2. Calculated based on the issued share capital prior to the allotment of 470,000,000 new domestic shares in August 2009. A new business licence of the Company was issued in February 2010.

Save as disclosed in this paragraph, as at 31 December 2009, 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 2009, 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 (Note 2)
Tianjin TEDA International Incubator	Beneficial owner	200,000,000 (Note 1)	21.06%

Notes:

1. All represented domestic shares.

2. Calculated based on the issued share capital prior to the allotment of 470,000,000 new domestic shares in August 2009. A new business licence of the Company was issued in February 2010.

Save as disclosed above, as at 31 December 2009, 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 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 2009, 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.

Major Customers and Suppliers

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

Purchases	
– The largest supplier:	7%
– Five largest suppliers combined	22%
Sales	
– The largest customer	3%
– Five largest customers combined	12%

As far as the directors are aware of, none of the directors or any of their associates, or any Shareholders (which, to the knowledge of the directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers for the year.

Connected Transactions

(1) The Tenancy Agreement

Date:	23 April 2008 and 12 February 2009
Tenant:	the Company
Landlord:	Tianjin TEDA International Incubator, a substantial shareholder of the Company
Location:	9th Floor, Block A2, Tianda High-Tech Park, No. 80, The 4th Avenue, TEDA, Tianjin, PRC. ("Premises A2")
Area:	approximately 604 square meters
Term:	each for a period of 1 year from 1 January 2008 to 31 December 2008 and 1 January 2009 to 31 December 2009
Rent:	RMB219,177 for the financial year ended 31 December 2008 and RMB326,268 for the financial year to be ended 31 December 2009

(2) The Tenancy Agreement

Date:	28 July 2008
Tenant:	Tianjin Alpha Health Care Products Co., Ltd, a non-wholly owned subsidiary of the Company
Landlord:	Tianjin TEDA International Incubator, a substantial shareholder of the Company
Location:	Block D3, Tianda High-Tech Park, No. 80, The 4th Avenue, TEDA, Tianjin, PRC ("Premises D3")
Area:	Approximately 4,970 square meters
Term:	For a period of 2 years from 1 January 2008 to 31 December 2009
Rent:	annual rent of RMB1,491,120

The Company and Alpha have rented Premises A2 and D3 since 2002 and 2000 respectively. From the year of 2000 to 31 December 2007, Alpha was exempted from rental payment for Premises D3 under governmental preferential policies as Alpha is categorized as a high technology enterprise by the government of Tianjin Economic — Technological Development Area. The terms of the Tenancy Agreements were reached after arm's length negotiation and were on normal commercial terms. The rent of Premises A2 and D3 under the Tenancy Agreements for the relevant years were determined by reference to the market rate of office premises with comparable quality in Tianda High-Tech Park of Tianjin. In addition, the Company was of the view that it would not be economical for the Company and Alpha to relocate their premises to other location when the rental free period expired as it would also incur additional relocation expenses.

The Directors (including the independent non-executive Directors) consider that the Tenancy Agreements were entered into in the ordinary and usual course of business of the Group and the terms, which are entered into on normal commercial basis, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Connected Transactions *(continued)*

The following rental payments made by the Group to TTII, a substantial shareholder of the Company, under two tenancy agreements for the year ended 31 December 2009 constituted continuing connected transactions of the Company which were subject to the reporting and announcement requirements set out in Rules 20.45 to 20.47 of the GEM Listing Rules but was exempted from the independent shareholders' approval requirements under Rule 20.34 of the GEM Listing Rules.

		2009		2008	
	Nature of transaction	**Group**	**Company**	Group	Company
		RMB	**RMB**	RMB	RMB
Ultimate holding company	Rental payment	**1,817,388**	**326,268**	1,710,297	219,177

Pursuant to Rule 20.38 of the GEM Listing Rules, the Board engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported their factual findings on these procedures to the Board. The independent non-executive directors have reviewed the continuing connected transactions and have confirmed that the transactions have been entered into by the Company in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the tenancy agreements which are fair and reasonable and in the interests of the shareholders of the Company as a whole and without exceeding the relevant cap disclosed in the previous relevant announcements.

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.

Summary of details of the Scheme is as follows:

- Purpose: To give incentives and rewards to selected employees and to keep them in the Group in order to maintain steady long-term development of the Group

- Participants: Full-time key employees including any executive directors of the Company and its subsidiaries who have been working for the Company or its subsidiaries for one or over one year and have shown good or outstanding performance for employees who are PRC nationals and have taken up any options to subscribe for the Company's H shares, they shall not be entitled to exercise the options until:

  (i) The current restrictions imposed by the relevant PRC laws and regulations restricting PRC nationals from subscribing for and dealing in H shares or any laws and regulations with similar effects have been abolished or removed, and

Share Option Scheme *(continued)*

(ii) The China Securities Regulatory Committee or other relevant government authorities in China have been approved the new issue of shares upon the exercise of any options which may be granted under the Scheme

No options had been granted by the Company under the Scheme since its adoption.

• Total number of ordinary shares available for issue	10,000,000 H Shares
• Percentage of the issued share capital that it represents as at the date of the annual report	1.42% of issued H shares
• Maximum entitlement of each participant	1% of the H Shares in issue at the date grant in any 12-month period (including both exercised and outstanding options).
• Period within which the securities must be taken up under an option	10 years commencing on the date of grant
• Minimum period for which an option must be held before it can be exercised	Not applicable
• Amount payable on acceptance of the option	HK$10 on acceptance of the option offer
• Period within which payments/calls/loans must be made/repaid	Not applicable
• Basis of determination of	The higher of (i) the closing price of the H stated in the Stock Exchange's Shares as the exercise price daily quotations sheet on the date of offer, which must be a business day, (ii) the average closing prices of the H Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer and (iii) the nominal value of a H Share.
• The remaining life of	The Scheme remains in force until 24 May 2012 unless otherwise the Scheme terminated under the terms of the Scheme.

During the year ended 31 December 2009, none of the directors or the supervisors or employees of the Company or other participants of the Scheme was granted with Options to subscribe for the H Shares of the Company.

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.

Corporate Governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 18 to 23 of this annual report.

Auditor

On 19 May 2009, Shu Lun Pan Horwath Hong Kong CPA Limited ("Horwath") was re-appointed, which appointment will continue to be effective until the conclusion of the forthcoming annual general meeting of the Company.

On 1 May 2009, Shu Lun Pan Horwath Hong Kong CPA Limited merged into BDO Limited ("BDO").

The financial statements of the Group for the year ended 31 December 2009 have been audited by BDO. A resolution will be submitted to the forthcoming annual general meeting to re-appoint BDO as the auditor of the Company.

On behalf of the Board
Wang Shuxin
Chairman

Tianjin, China, 16 March 2010

Tel: +852 2541 5041
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2541 5041
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25號

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

We have audited the financial statements of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 85, which comprise the consolidated and company statements of financial position as at 31 December 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 2009 and of the profit 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.

BDO Limited
Certified Public Accountants

Sum Yuk Fan, Sharon
Practising Certificate Number P04967

Hong Kong, 16 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	**2009** **RMB**	2008 RMB
Turnover	6	**432,000,259**	422,511,561
Cost of sales		**(346,253,026)**	(355,948,813)
Gross profit		**85,747,233**	66,562,748
Other income and net gains	7	**4,930,762**	3,794,004
Selling and distribution costs		**(39,006,107)**	(30,978,772)
Administrative expenses		**(28,731,194)**	(33,256,462)
Research and development expenses		**(11,520,084)**	(2,773,571)
Finance costs	8	**(6,734,851)**	(10,480,419)
Share of profit of an associate	29	**–**	1,183,305
Profit/(loss) before taxation	8	**4,685,759**	(5,949,167)
Income tax	9	**(611,214)**	(2,269,313)
Profit/(loss) and total comprehensive income for the year		**4,074,545**	(8,218,480)
Attributable to:			
Owners of the Company	10	**5,148,779**	(8,987,602)
Minority interests		**(1,074,234)**	769,122
		4,074,545	(8,218,480)
Earnings/(loss) per share – Basic (RMB)	12	**0.46 cents**	(1.44 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	Notes	2009 RMB	2008 RMB
Non-current assets			
Property, plant and equipment	14	**108,010,484**	110,241,188
Goodwill	15	**3,133,932**	3,133,932
Available-for-sale financial assets	17	**3,000,000**	3,000,000
Prepaid land lease payments	18	**5,503,972**	5,816,633
Total non-current assets		**119,648,388**	122,191,753
Current assets			
Inventories	19	**60,094,582**	78,974,912
Trade and bills receivables	20	**53,405,113**	53,778,927
Prepayments and other receivables	21	**33,405,081**	28,256,510
Amount due from ultimate holding company	32(b)	**26,087**	662,547
Restricted bank deposits	22	**11,250,000**	7,800,000
Bank balances and cash	22	**31,306,768**	17,886,821
Total current assets		**189,487,631**	187,359,717
Total assets		**309,136,019**	309,551,470
Current liabilities			
Trade and bills payables	23	**46,440,698**	40,096,651
Other payables and accruals	24	**53,587,463**	36,160,916
Government grants received in advance		**1,903,500**	3,429,800
Amounts due to ex-shareholders of a subsidiary	25	**–**	4,732,823
Amount due to a related company	32(b)	**–**	44,576,144
Bank borrowings	26	**48,500,000**	88,000,000
Total current liabilities		**150,431,661**	216,996,334
Net current assets/(liabilities)		**39,055,970**	(29,636,617)
Total assets less current liabilities carried forward		**158,704,358**	92,555,136

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	Notes	2009 RMB	2008 RMB
Total assets less current liabilities brought forward		**158,704,358**	92,555,136
Non-current liabilities			
Bank borrowings	26	**–**	8,000,000
TOTAL NET ASSETS		**158,704,358**	84,555,136
Capital and reserves attributable to owners of the Company			
Share capital	27	**142,000,000**	95,000,000
Reserves		**(7,081,471)**	(13,177,475)
Equity attributable to owners of the Company		**134,918,529**	81,822,525
Minority interests		**23,785,829**	2,732,611
TOTAL EQUITY		**158,704,358**	84,555,136

On behalf of the Board

Wang Shuxin
Director

Xie Kehua
Director

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	Notes	2009 RMB	2008 RMB
Non-current assets			
Property, plant and equipment	14	**287,002**	3,518,386
Interests in subsidiaries	16	**134,935,405**	140,303,010
Available-for-sale financial assets	17	**3,000,000**	3,000,000
Total non-current assets		**138,222,407**	146,821,396
Current assets			
Inventories	19	**–**	880,765
Prepayments and other receivables	21	**1,240,730**	12,391,519
Amount due from ultimate holding company	32(b)	**26,087**	662,547
Bank balances and cash	22	**3,674,708**	12,966,764
Total current assets		**4,941,525**	26,901,595
Total assets		**143,163,932**	173,722,991
Current liabilities			
Trade and bills payables	23	**26,918**	26,918
Other payables and accruals	24	**4,589,282**	9,390,650
Amount due to a related company	32(b)	**–**	10,000,000
Amounts due to ex-shareholders of a subsidiary	25	**–**	4,732,823
Bank borrowings	26	**10,000,000**	67,000,000
Total current liabilities		**14,616,200**	91,150,391
Net current liabilities		**(9,674,675)**	(64,248,796)
TOTAL NET ASSETS		**128,547,732**	82,572,600
Capital and reserves attributable to owners of the Company			
Share capital	27	**142,000,000**	95,000,000
Reserves	28	**(13,452,268)**	(12,427,400)
TOTAL EQUITY		**128,547,732**	82,572,600

On behalf of the Board

Wang Shuxin	**Xie Kehua**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital (Note 27) RMB	Share premium (Note 28) RMB	Surplus reserve (Note 28) RMB	Capital reserve (Note 28) RMB	Accumulated losses RMB	Attributable to owners of the Company RMB	Minority interests RMB	Total RMB
Balance as at 1 January 2008	**61,000,000**	**75,089,571**	**788,272**	**2,541,404**	**(82,388,734)**	**57,030,513**	**1,963,489**	**58,994,002**
Total comprehensive (loss)/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 between 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**
Total comprehensive income/(loss) for the year	–	–	–	–	5,148,779	5,148,779	(1,074,234)	4,074,545
Issue of shares	47,000,000	947,225	–	–	–	47,947,225	–	47,947,225
Additional contribution from minority interests	–	–	–	–	–	–	22,127,452	22,127,452
Reversal of over provision to reserve in prior years	–	–	(137,471)	–	137,471	–	–	–
Balance as at 31 December 2009	**142,000,000**	**75,816,410**	**996,166**	**2,541,404**	**(86,435,451)**	**134,918,529**	**23,785,829**	**158,704,358**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	**2009 RMB**	2008 RMB
Cash flows from operating activities			
Profit/(loss) before taxation		**4,685,759**	(5,949,167)
Amortisation of prepaid land lease payments		**312,661**	297,111
Depreciation		**9,418,717**	9,005,385
Interest expense		**6,734,851**	10,480,419
Interest income		**(293,306)**	(360,558)
Loss on disposal of property, plant and equipment		**52,853**	1,515,861
Share of results of an associate	29	**–**	(1,183,305)
Loss on disposal of an associate	29	**–**	559,751
Gain on disposal of a subsidiary	30	**–**	(1,754,988)
Operating cash flows before working capital changes		**20,911,535**	12,610,509
Decrease/(increase) in inventories		**18,880,330**	(22,507,923)
Decrease/(increase) in trade and bills receivables		**373,814**	(2,393,993)
(Increase)/decrease in prepayments and other receivables		**(5,148,571)**	3,235,321
Decrease in amount due from ultimate holding company		**636,460**	2,102,441
Decrease in non-current trade receivables		**–**	1,815,818
Increase/(decrease) in trade and bills payables		**6,344,047**	(65,639,869)
Increase in other payables and accruals		**18,182,389**	16,528,900
(Decrease)/increase in government grants received in advance		**(1,526,300)**	1,429,800
Increase in amount due to an associate		**–**	(3,587,159)
(Decrease)/increase in amount due to a related party		**(44,576,144)**	43,576,144
Cash generated from/(used in) operations		**14,077,560**	(12,830,011)
Income tax paid		**(1,367,056)**	(2,269,313)
Interest paid		**(6,734,851)**	(10,480,419)
Net cash generated from/(used in) operating activities		**5,975,653**	(25,579,743)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	**2009** **RMB**	2008 RMB
Cash flows from investing activities			
Purchase of property, plant and equipment	14	**(10,281,175)**	(14,929,627)
Payments to acquire lease prepayments		**–**	(1,229)
Repayment to ex-shareholders of a subsidiary		**(4,732,823)**	(27,000,000)
Proceeds from disposal of property, plant and equipment		**3,040,309**	171,961
Proceeds from disposal of an associate	29	**–**	14,415,920
Disposal of a subsidiary	30	**–**	(28,760)
(Increase)/decrease in restricted bank deposits		**(3,450,000)**	20,000,000
Interest received		**293,306**	176,558
Net cash used in investing activities		**(15,130,383)**	(7,195,177)
Cash flows from financing activities			
Issue of shares, net of share issue expenses of RMB112,155 (2008: RMB 749,907)		**47,947,225**	33,779,614
Capital injection from a minority shareholder		**22,127,452**	–
New bank borrowings		**87,500,000**	118,000,000
Repayment of bank borrowings		**(135,000,000)**	(118,700,000)
Net cash generated from financing activities		**22,574,677**	33,079,614
Net increase in cash and cash equivalents		**13,419,947**	304,694
Cash and cash equivalents at beginning of year		**17,886,821**	17,582,127
Cash and cash equivalents at end of year		**31,306,768**	17,886,821
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**31,306,768**	17,886,821

1. Corporate information

Tianjin TEDA Biomedical Engineering Company Limited (the "Company") is a joint stock company established on 8 September 2000 in the People's Republic of China ("PRC") with limited liability and its H shares were listed on the Hong Kong Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("GEM") on 18 June 2002. The Company's legal status became that of a Sino-foreign joint stock company with limited liability on 24 March 2003.

The address of its registered office is No. 12 Tai Hua Road, the 5th Avenue, TEDA Tianjin, PRC and its principal place of business is 9th Floor, Block A2, Tianda Hi-Tech Park, No. 80, the 4th Avenue, TEDA Tianjin, PRC.

The Company and its subsidiaries (hereafter referred as the "Group") principally engages in research and development and commercialisation of biological compound fertiliser products and medical and health products. The principal activities and other particulars of the subsidiaries are set out in Note 16 to the financial statements.

The directors of the Company regard Tianjin TEDA International Incubator, a state-owned enterprise established in the PRC and solely owned by TEDA State-owned Asset Administration Operation Company, as the ultimate holding company of the Company.

2. Adoption of new and revised standards

(a) Adoption of new and revised HKFRSs

The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Interpretation 18	Transfers of Assets from Customers

2. Adoption of new and revised standards *(continued)*

(a) Adoption of new and revised HKFRSs *(continued)*

The adoption of the above new/revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods, except for following changes:

HKAS 1 (Revised) "Presentation of Financial Statements"

The revised standard affects certain disclosures of financial statements. Under the revised standard, the Income Statement, the Balance Sheet and the Cash Flow Statements are renamed as the Statement of Comprehensive Income, the Statement of Financial Position and the Statement of Cash Flows respectively. All income and expenses arising from transactions with non-owners are presented under the Statement of Comprehensive Income; while the owners' changes in equity are presented under the Statement of Changes in Equity.

HKFRS 8 "Operating Segment"

HKFRS 8 replaces HKAS 14 "Segment Reporting", and requires operating segment to be identified on the basis of internal reports of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. As the business segments reported by the Group in accordance with the requirements of HKAS 14 are the same as the operating segments provided to the chief operating decision-maker as required by HKFRS 8, there are no changes to the operating segments and the relevant segment information on the adoption of HKFRS 8.

HKFRS 7 (Amendments) Improving Disclosures about Financial Statements

The amendments to HKFRS 7 expand the disclosure relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities including issued financial guarantee contracts.

(b) Potential impact arising on HKFRSs not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective, but potentially relevant to the Group's operations.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
Amendments to HKAS 32	Classification of Rights Issues[4]
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKFRS 3 (Revised)	Business Combinations[1]
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[5]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKFRS 9	Financial Instruments[7]

1 Effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1 January 2010

4 Effective for annual periods beginning on or after 1 February 2010

5 Effective for annual periods beginning on or after 1 July 2010

6 Effective for annual periods beginning on or after 1 January 2011

7 Effective for annual periods beginning on or after 1 January 2013

2. Adoption of new and revised standards *(continued)*

(b) Potential impact arising on HKFRSs not yet effective *(continued)*

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions.

The amendment to HKAS 17 made under the "Improvements to HKFRSs 2009", mandatory for accounting periods beginning on or after 1 January 2010, removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to the land is expected to pass at the end of the lease term. It provides new guidance which indicates that entity should use judgement to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. The Group will reassess the classification of land elements of unexpired leases at the date it adopts the amendment on the basis of information existing at the inception of the lease and recognise a lease newly classified as a finance lease retrospectively if the criteria of a finance lease is met.

The Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of the other new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. Basis of presentation

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention.

(c) Functional and presentation currency

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

4. Significant accounting policies

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective date of disposal, as appropriate.

All intercompany transactions, balances and unrealised gains on transactions between group enterprises are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

4. Significant accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Business combinations

Acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised in accordance with the accounting policy for goodwill in Note 4(e) to the financial statements.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(c) Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are included in the Company's statement of financial position at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Associates

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

The results and assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

4. Significant accounting policies *(continued)*

(d) Associates *(continued)*

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the assets transferred, in which case they are recognised immediately in profit or loss.

(e) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other asset of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On the disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(f) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to profit or loss in the year in which it is incurred. In situations where it is probable that future economic benefits associated with the subsequent expenditure will flow to the Group and the cost can be measured reliably, the expenditure is capitalised as an additional cost of the asset.

Depreciation is charged so as to write off the cost of assets, other than properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Buildings	5% – 20%
Plant and machinery	5% – 20%
Motor vehicles	12.5% – 20%
Furniture, fixtures and equipment	8% – 20%

Renovations and improvements are capitalised and depreciated over their expected useful lives.

4. Significant accounting policies *(continued)*

(f) Property, plant and equipment *(continued)*

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Construction in progress represents buildings, plant and machinery and other property, plant and equipment under construction and is stated at cost less any impairment losses. Cost comprises direct costs of construction as well as interest charges during the period of construction, installation and testing and certain exchange differences on any related borrowed funds. Capitalisation of interest charges ceases when substantially all the activities necessary to prepare the asset for its intended use are completed. Construction in progress is transferred to property, plant and equipment when it is completed and ready for its intended use.

(g) Owner occupied leasehold interest in land

The land and buildings elements of a lease are considered separately for the purposes of lease classifications, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease and is included in the cost of land and buildings under property, plant and equipment. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land use rights are classified as lease prepayments, which are carried at cost and amortised over the lease term on a straight-line basis. The unamortised lease prepayments for land use rights have been separately shown in the statement of financial position under current and non-current assets.

(h) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as intangible assets where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the assets that will generate probable future economic benefits. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as expenses are not recognised as assets in a subsequent period.

(i) Impairment of assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have reduced. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

4. Significant accounting policies *(continued)*

(i) Impairment of assets excluding goodwill *(continued)*

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes cost of purchase of materials computed using the weighted average method and, in the case of work in progress and finished goods, direct labour and an appropriate proportion of production overheads. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale. Provision is made for obsolete, slow moving or defective items where appropriate.

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

(k) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

The Group classifies its financial assets into loans and receivables and available-for-sale financial assets based on the purpose for which the assets were acquired. Financial assets are initially recognised at fair value plus any directly attributable transaction costs.

(i) Loans and receivables

Trade and bills receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Available-for-sale financial assets

Investments in securities are classified as available-for-sale financial assets and are stated at fair value. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses.

4. Significant accounting policies *(continued)*

(k) Financial assets *(continued)*

(ii) Available-for-sale financial assets (continued)

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity under the investment revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss.

Dividends on these available-for-sale financial assets are recognised in profit or loss when the Group's right to receive the dividends is established.

(iii) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty;

– default or delinquency in interest or principal payments;

– probability that the borrower will enter bankruptcy or financial re-organisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity investments carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

4. Significant accounting policies *(continued)*

(k) Financial assets *(continued)*

(iii) Impairment of financial assets (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(iv) Effective interest method

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

(v) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(l) Financial liabilities and equity instrument issued by the Group

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(iii Financial liabilities

The Group classifies its financial liabilities as other financial liabilities based on the purpose for which the liabilities were incurred.

4. Significant accounting policies *(continued)*

(l) Financial liabilities and equity instrument issued by the Group *(continued)*

(iv) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(v) Effective interest method

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

(vi) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(n) Leases

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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

4. Significant accounting policies *(continued)*

(o) Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(p) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(q) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

4. Significant accounting policies *(continued)*

(q) Taxation *(continued)*

(ii) Deferred tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

(r) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Renminbi ("RMB") which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

– exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings;

– exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

– exchange differences on the translation of non-monetary items that are carried at fair value with changes in fair value recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4. Significant accounting policies *(continued)*

(r) Foreign currencies *(continued)*

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Renminbi, using exchange rates prevailing at the end of reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve. Exchange differences recognised in profit or loss of group entities' individual financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation are reclassified to the foreign currency translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(s) Government grants

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

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(t) Employees' benefits

(i) Short term benefits

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of reporting period.

(ii) Pension obligations

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

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. Significant accounting policies *(continued)*

(v) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(w) Revenue recognition

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

(i) Revenue from the sale of products is recognised on the transfer of ownership, which generally coincides with the time of shipment.

(ii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

5. Critical accounting judgments and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of the Company's and the Group's assets and liabilities within the next financial year are discussed below.

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

5. Critical accounting judgments and key sources of estimation uncertainty *(continued)*

Provision against slow-moving inventories

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

Provision for doubtful debts

Provision for doubtful debts is made based on assessment of the recoverability of trade debtors and other receivables. The identification of doubtful debts requires management judgment and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of trade debtors and other receivables and doubtful debt expenses/written back in the period in which the estimate has been changed.

6. 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:

	2009	2008
	RMB	RMB
Fertiliser products	**357,084,657**	362,921,598
Medical and health products	**74,915,602**	59,589,963
	432,000,259	422,511,561

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two reportable segments. The 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:

– Manufacturing and sale of medical and health products

– Distribution of biological compound fertiliser products

There are no sales or other transactions between the reportable segments. The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. Segment assets and liabities exclude unallocated head office and corporate assets and liabilities which are managed on a group basis. Corporate 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 markers for assessment of segment performance.

6. Turnover *(continued)*

(a) Reportable segments *(continued)*

Segment information about these businesses is presented below:

(i) 2009 segment analysis:

	Medical and health products RMB	Fertiliser products RMB	Total RMB
Segment revenue	**74,915,602**	**357,084,657**	**432,000,259**
Segment profit	**5,083,554**	**15,748,233**	**20,831,787**
Unallocated costs			**(9,411,177)**
Operating profit			**11,420,610**
Finance costs			**(6,734,851)**
Profit before taxation			**4,685,759**
Taxation			**(611,214)**
Profit for the year			**4,074,545**
Segment assets	**47,291,558**	**261,208,374**	**308,499,932**
Unallocated assets			**636,087**
Total assets			**309,136,019**
Segment liabilities	**11,046,410**	**124,903,249**	**135,949,659**
Unallocated liabilities			**14,482,002**
Total liabilities			**150,431,661**
Allowance/(reversal) for impairment losses on receivables (Note 8)	**124,790**	**(1,444,597)**	**(1,319,807)**
Capital expenditure (Note 14)	**1,191,371**	**9,089,804**	**10,281,175**
Depreciation (Note 14)	**1,872,489**	**7,546,228**	**9,418,717**
Loss on disposal of property, plant and equipment (Note 8)	**17,173**	**35,680**	**52,853**

6. Turnover *(continued)*

(a) Reportable segments *(continued)*

(ii) 2008 segment analysis:

	Medical and health products RMB	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 of 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 (Note 8)	3,210,636	1,850,898	5,061,534
Capital expenditure (Note 14)	1,516,794	13,412,833	14,929,627
Depreciation (Note 14)	2,254,784	6,750,601	9,005,385
Loss on disposal of property, plant and equipment (Note 8)	1,495,716	20,145	1,515,861

6. Turnover *(continued)*

(b) Geographical information and major customers

The Group's revenue from external customers is derived solely from its operations in the PRC, where all its non-current assets are located. In 2009 and 2008, the revenue from the Group's largest customer amounted to less than 10 per cent of the Group's total revenue.

7. Other income and net gains

	2009	2008
	RMB	RMB
Government grants (note)	**3,571,800**	2,200,000
Write off of previous years unpaid rental expenses	**1,491,120**	–
Interest income	**293,306**	360,558
Others	**119,536**	398,209
Gain on disposal of a subsidiary (Note 30)	**–**	1,754,988
	5,475,762	4,713,755
Less: Business tax	**(545,000)**	(360,000)
Loss on disposal of an associate (Note 29)	**–**	(559,751)
	4,930,762	3,794,004

Note: Government grants mainly represent subsidies granted by the PRC Dongguan Government to Guangdong Fulilong Compound Fertilizers Co., Ltd., a wholly owned subsidiary of the Group, on the research and development of compound fertilisers. The subsidies were recognised in profit or loss only when the research and development has been completed and fulfilled the criteria set by the PRC Dongguan Government.

8. Profit/(loss) before taxation

	Notes	2009 RMB	2008 RMB
Profit/(loss) before taxation is arrived after charging/(crediting):			
Finance costs			
Interest expense on bank borrowings wholly repayable within five years		**6,734,851**	10,480,419
Amortisation of prepaid land lease payments	18	**312,661**	297,111
Auditor's remuneration		**788,180**	1,000,000
Cost of inventories sold		**346,253,026**	355,948,813
Depreciation on property, plant and equipment	14	**9,418,717**	9,005,385
(Reversal)/allowance for impairment losses on:			
– Trade receivables	20(c)	**(1,350,791)**	1,749,017
– Other receivables	21(b)	**30,984**	3,312,517
Write off other receivables	21(a)	**614,000**	–
Loss on disposal of property, plant and equipment, net		**52,853**	1,515,861
Operating lease rentals – land and buildings		**2,300,997**	2,194,811
Staff costs (including emoluments of directors and supervisors – Note 13):			
– Salaries and allowances		**29,307,779**	23,550,770
– Pension fund contribution		**1,948,379**	1,254,968
		31,256,158	24,805,738

9. Income tax

(a) Enterprise income tax ("EIT")

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 and Shandong Fulilong Fertilizer Co. Ltd. can continue to enjoy the preferential tax rates during the transitional period and are subject to EIT rate of 20% for the year (2008: 18%).

The Company has not provided for any EIT since there is no taxable income for the year (2008: nil).

On 16 December 2008, Guangdong Fulilong Compound Fertilizers Co., Ltd. was approved as a new and high technology enterprise and was therefore entitled to a preferential tax rate of 15% for the period from 16 December 2008 to 15 December 2011.

On 8 June 2009, Tianjin Alpha HealthCare Products Co. Ltd. was approved as a new and high technology enterprise and was therefore entitled to a preferential tax rate of 15% (2008: 18%) for the period from 8 June 2009 to 7 June 2012.

9. Income tax *(continued)*

(a) Enterprise income tax ("EIT") *(continued)*

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

	2009	2008
	RMB	RMB
Profit/(loss) before taxation	**4,685,759**	(5,949,167)
Calculated at statutory rate of 25% (2008: 25%)	**1,171,440**	(1,487,292)
Tax effect of non-taxable items	**(720,079)**	(2,289,670)
Tax effect of expenses not deductible for taxation purposes	**1,939,360**	3,654,925
Tax losses not recognised	**–**	1,652,063
Utilisation of tax losses previously not recognised	**(738,327)**	–
Tax rate differential	**(487,928)**	714,621
(Over)/under provision in prior years	**(553,252)**	1,994
Others	**–**	22,672
Taxation charge	**611,214**	2,269,313

(b) Deferred taxation

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

	2009		2008	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Year of expiry				
2009	**–**	**–**	13,427,000	13,427,000
2010	**2,779,000**	**–**	5,247,000	–
2011	**14,157,000**	**3,691,000**	14,642,000	4,177,000
2012	**9,235,000**	**4,917,000**	9,235,000	4,917,000
2013	**7,124,000**	**5,307,000**	7,124,000	5,307,000
	33,295,000	**13,915,000**	49,675,000	27,828,000

No deferred tax assets have been recognised (2008: nil) as the availability of future taxable profit to utilise the temporary differences is not probable.

10. (Profit)/loss attributable to owners of the Company

The profit/(loss) attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of a loss of RMB1,972,093 (2008: RMB16,145,034).

11. Dividend

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

12. Earnings/(loss) per share

The calculation of earnings/(loss) per share is based on the Group's profit attributable to owners of the Company of RMB5,148,779 (2008: loss of RMB8,987,602), divided by the weighted average number of shares issued during the year of 1,121,260,274 (2008: 623,972,603) shares.

Diluted earning per share is not presented as there are no dilutive potential ordinary shares outstanding during the year of 2009 and 2008.

13. Emoluments of directors, supervisors and employees

(a) Directors' and supervisors' emoluments

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

	2009	2008
	RMB	RMB
Fees	**220,000**	220,000
Salaries, housing and other allowances	**890,319**	755,818
Discretionary performance bonuses	**125,788**	53,521
Pension	**146,791**	80,434
	1,382,898	1,109,773

The number of directors and supervisors whose emoluments fell within the following bands:

	2009	2008
	RMB	RMB
Nil – RMB879,000 (2008: RMB881,000) (equivalent to Nil – HK$1,000,000)	**13**	13

13. Emoluments of directors, supervisors and employees *(continued)*

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

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

Executive directors:

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

	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Total
	RMB	RMB	RMB	RMB
2009				
Mr Wang Shuxin	**–**	**350,178**	**40,061**	**390,239**
Mr Xie Kehua	**–**	**269,847**	**40,529**	**310,376**
Mr Hao Zhihui (appointed on 19 May 2009)	**–**	**202,167**	**26,707**	**228,874**
	–	**822,192**	**107,297**	**929,489**
2008				
Mr Wang Shuxin	–	270,960	33,757	304,717
Mr Xie Kehua	–	227,384	22,484	249,868
Mr Zhang Songhong (resigned on 30 December 2008)	–	200,004	–	200,004
	–	698,348	56,241	754,879

Non-executive directors:

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

	2009	2008
	RMB	RMB
Mr Feng Enqing	**30,000**	30,000
Mr Wang Xiaofa	**30,000**	30,000
Mr Xie Guangbei	**30,000**	30,000
	90,000	90,000

13. Emoluments of directors, supervisors and employees *(continued)*

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

Independent non-executive directors:

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

	2009	2008
	RMB	RMB
Professor Xian Guoming	**30,000**	30,000
Mr Guan Tong	**30,000**	30,000
Mr Wu Chen	**30,000**	30,000
	90,000	90,000

Supervisors:

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

	Salaries, allowances and benefits in kind	**Retirement benefits scheme contributions**	**Total emoluments**
	RMB	RMB	RMB
2009			
Mr Zhao Tingying	**136,883**	**24,945**	**161,828**
Mr Yuan Wei	**57,032**	**14,549**	**71,581**
	193,915	**39,494**	**233,409**
2008			
Mr Zhao Tingying	110,991	24,193	135,184
Mr Yuan Wei	–	–	–
	110,991	24,193	135,184

13. Emoluments of directors, supervisors and employees *(continued)*

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

Independent supervisors:

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

	2009	2008
	RMB	RMB
Mr Gao Xianbiao	**20,000**	20,000
Mr Zhao Kuiying	**20,000**	20,000
	40,000	40,000

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2008: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2008: two) individuals during the year are as follows:

	2009	2008
	RMB	RMB
Salaries, housing and other allowances	**300,655**	386,718
Retirement benefits scheme contribution	**24,945**	25,768
Salaries, housing and other allowances	**325,600**	412,486

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
	RMB	RMB
Nil – RMB879,000 (2008: RMB881,000) (equivalent to Nil – HK$1,000,000)	**2**	2

(c) During the year, no emoluments were paid by the Group to the directors, supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2008: nil).

None of the directors and supervisors waived any emoluments during the year (2008: nil).

14. Property, plant and equipment

Group

	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures & equipment	Construction in progress	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Cost						
At 1 January 2008	49,850,819	61,643,313	6,163,383	3,656,824	20,304,873	141,619,212
Reclassification	(18,051,053)	–	–	18,051,053	–	–
Transfer from construction in progress	–	6,260,100	–	–	(6,260,100)	–
Additions	–	6,510,431	2,263,093	3,842,199	2,313,904	14,929,627
Disposals	(2,043,768)	(1,049,239)	(885,718)	(783,207)	–	(4,761,932)
At 31 December 2008	29,755,998	73,364,605	7,540,758	24,766,869	16,358,677	151,786,907
Reclassification	20,092,726	(65,381)	(287,302)	(19,740,043)	–	–
Additions	111,000	4,744,487	2,211,840	474,515	2,739,333	10,281,175
Disposals	(286,711)	(9,379,800)	(493,175)	(642,523)	–	(10,802,209)
At 31 December 2009	**49,673,013**	**68,663,911**	**8,972,121**	**4,858,818**	**19,098,010**	**151,265,873**
Accumulated depreciation						
At 1 January 2008	5,634,602	23,796,914	3,992,038	2,190,890	–	35,614,444
Reclassification	–	(103,624)	33,178	70,446	–	–
Charge for the year (Note 8)	1,131,770	5,978,924	882,007	1,012,684	–	9,005,385
Written back on disposal	(790,686)	(785,472)	(801,818)	(696,134)	–	(3,074,110)
At 31 December 2008	5,975,686	28,886,742	4,105,405	2,577,886	–	41,545,719
Reclassification	1,384,587	(297,099)	4,319	(1,091,807)	–	–
Charge for the year (Note 8)	1,205,451	5,632,178	1,197,330	1,383,758	–	9,418,717
Written back on disposal	(107,334)	(7,025,965)	(350,656)	(225,092)	–	(7,709,047)
At 31 December 2009	**8,458,390**	**27,195,856**	**4,956,398**	**2,644,745**	**–**	**43,255,389**
Carrying amount						
At 31 December 2009	**41,214,623**	**41,468,055**	**4,015,723**	**2,214,073**	**19,098,010**	**108,010,484**
At 31 December 2008	23,780,312	44,477,863	3,435,353	22,188,983	16,358,677	110,241,188

Note:

(1) The Group's buildings are held in the PRC under medium-term leases.

(2) A subsidiary of the Group is in a process of applying for the land use right certificate of buildings with a carrying amount of RMB1.3 million (2008: RMB1.4 million).

(3) At 31 December 2009, the carrying amount of property, plant and equipment pledged as security for certain of the Group's banking facilities amounted to RMB23 million (2008: RMB23 million) (Note 26).

14. Property, plant and equipment *(continued)*

Company

	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures & equipment	Total
	RMB	RMB	RMB	RMB	RMB
Cost					
At 1 January 2008	2,016,909	6,510,626	1,392,826	1,490,200	11,410,561
Additions	–	–	–	43,287	43,287
Disposals	(1,730,197)	–	–	–	(1,730,197)
At 31 December 2008	286,712	6,510,626	1,392,826	1,533,487	9,723,651
Additions	–	–	–	8,380	8,380
Disposals	(286,712)	(5,396,836)	–	(218,203)	(5,901,751)
At 31 December 2009	**–**	**1,113,790**	**1,392,826**	**1,323,664**	**3,830,280**
Accumulated depreciation					
At 1 January 2008	753,278	3,152,809	956,111	1,100,586	5,962,784
Charge for the year	11,890	667,770	156,053	76,493	912,206
Written back on disposal	(669,725)	–	–	–	(669,725)
At 31 December 2008	95,443	3,820,579	1,112,164	1,177,079	6,205,265
Charge for the year	11,890	339,243	152,931	193,529	697,593
Written back on disposal	(107,333)	(3,046,032)	–	(206,215)	(3,359,580)
At 31 December 2009	**–**	**1,113,790**	**1,265,095**	**1,164,393**	**3,543,278**
Carrying amount					
At 31 December 2009	**–**	**–**	**127,731**	**159,271**	**287,002**
At 31 December 2008	191,269	2,690,047	280,662	356,408	3,518,386

Note: The Company's buildings are held in the PRC under a medium-term lease.

15. Goodwill

	Group 2009 RMB	Group 2008 RMB
At 31 December	**3,133,932**	3,133,932

Impairment of goodwill

The recoverable amount of the goodwill is determined based on the cash generating unit ("CGU") of the Group's manufacture and distribution of diabetic health food and related products to which the goodwill belongs on the value in use basis. The calculation is based on the most recent financial budgets approved by management of the Group. The following key assumptions have been made for the purpose of analysis:

1 Gross margin ratio of 46% (2008: 49%)
2 Pre-tax discount rate of 14% (2008: 14%) per year
3 Average growth rate of 10% (2008: 24%)

Management determined the gross margin and average growth rate based mainly on past performance of the CGU. The discount rate is determined based on the PRC risk free interest rate adjusted by the specific risk associated with the CGU.

The recoverable amount of the goodwill determined in the above manner suggested that there was no impairment in the value of goodwill as at 31 December 2009.

The directors believe that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

16. Interests in subsidiaries

	Company 2009 RMB	Company 2008 RMB
Unlisted equity investments, at cost	**98,507,897**	75,437,897
Amounts due from subsidiaries	**36,427,508**	64,865,112
	134,935,405	140,303,010

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms.

16. Interests in subsidiaries *(continued)*

Particulars of the Group's subsidiaries as at 31 December 2009, which are all incorporated and operating in the PRC, are as follows:

	Date of incorporation and legal entity status	Registered capital (RMB'000)	Attributable equity interest held by the Group	Principal activities
Tianjin Alpha HealthCare Products Co., Ltd. 天津阿爾發保健品有限公司	15 August 1994, joint-venture enterprise	3,600	75%	Manufacture and distribution of diabetic health food and related products
Shandong Fulilong Fertilizer Industry Co. Ltd. 山東福利龍肥業有限公司	18 September 2005, joint-venture enterprise	62,792	51%	Research and development, production and sale of biological fertiliser, combined fertiliser, mixed fertiliser and plant fertiliser including the application of related technology
Guangdong Fulilong Compound Fertilizers Co. Ltd. ("GD Fulilong") 廣東福利龍複合肥有限公司	20 August 1996, limited liability company	16,327	100%	Manufacture and sale of compound fertilisers

17. Available-for-sale financial assets

	Group and Company	
	2009	2008
	RMB	RMB
Unlisted equity investment, at cost	**3,000,000**	3,000,000

The Company holds 10% of the registered capital of 深圳市諾高生物工程有限公司, a private company incorporated in the PRC and is principally engaged in sale and production of medical equipment. The investment is measured at cost less impairment at the end of reporting period because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably.

18. Prepaid land lease payments

	Group	
	2009	2008
	RMB	RMB
Cost		
At 1 January	**6,807,324**	6,806,095
Additions	**–**	1,229
At 31 December	**6,807,324**	6,807,324
Accumulated amortisation		
At 1 January	**670,253**	373,142
Charge for the year (Note 8)	**312,661**	297,111
At 31 December	**982,914**	670,253
Carrying amount		
At 31 December	**5,824,410**	6,137,071
Portion classified as current assets (included in prepayments and other receivables)	**320,438**	320,438
Non-current assets	**5,503,972**	5,816,633
	5,824,410	6,137,071

The Group's prepaid land lease payments comprise medium term leases of land in the PRC.

At 31 December 2009, no prepaid land lease payments were pledged as security for certain of the Group's banking facilities (2008: RMB3.0 million) (Note 26).

19. Inventories

	2009		2008	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Raw materials	**39,311,864**	**1,196,461**	55,089,418	973,519
Work-in-progress	**441,031**	**–**	2,505,282	223,902
Finished goods	**16,429,338**	**–**	17,475,522	737,955
Packaging materials	**8,214,646**	**–**	7,113,524	–
	64,396,879	**1,196,461**	82,183,746	1,935,376
Less: Provision for inventory obsolescence	**(4,302,297)**	**(1,196,461)**	(3,208,834)	(1,054,611)
	60,094,582	**–**	78,974,912	880,765

At 31 December 2009, inventories pledged as security for certain of the Group's banking facilities amounted to RMB 23 million (2008: RMB41.8 million) (Note 26).

At 31 December 2009, a provision of RMB265,304 (2008: nil) made in prior years against the carrying value of finished goods has been reversed. This reversal arose due to the subsequent sales of those inventories previously reserved for.

The cost of inventories recognised as an expense during the year includes RMB2,763,448 (2008: RMB2,960,689) in respect of write-downs of inventory to its net realisable value.

20. Trade and bills receivables

	Group	
	2009	2008
	RMB	RMB
Trade receivables (note (a))	**58,462,088**	60,717,997
Less: Allowance for doubtful debts (note (c))	**(5,306,975)**	(6,939,070)
	53,155,113	53,778,927
Bills receivables	**250,000**	–
	53,405,113	53,778,927

20. Trade and bills receivables *(continued)*

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 end of reporting periods:

	Group	
	2009	2008
	RMB	RMB
Within 3 months	**28,607,503**	28,386,329
Between 3 to 6 months	**15,827,777**	17,553,897
Between 6 to 12 months	**6,632,363**	5,650,602
Over 1 year	**7,394,445**	9,127,169
	58,462,088	60,717,997

(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	
	2009	2008
	RMB	RMB
At 1 January	**6,939,070**	6,580,089
(Reversal)/additional allowance (Note 8)	**(1,350,791)**	1,749,017
Disposal of a subsidiary	**–**	(1,001,357)
Uncollectible amounts written off	**(281,304)**	(388,679)
At 31 December	**5,306,975**	6,939,070

21. Prepayments and other receivables

	2009		2008	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Other receivables	**6,886,158**	**1,892,870**	15,238,848	8,313,051
Less: Allowance for doubtful debts (note b)	**(1,306,790)**	**(754,815)**	(4,075,262)	(2,829,974)
	5,579,368	**1,138,055**	11,163,586	5,483,077
Amount due from an ex-subsidiary (note a)	**–**	**–**	6,752,853	6,752,853
Deposits and prepayments	**27,825,713**	**102,675**	10,340,071	155,589
	33,405,081	**1,240,730**	28,256,510	12,391,519

21. Prepayments and other receivables *(continued)*

(a) The amount due from an ex-subsidiary was interest bearing at market rates. During the year, the Company received settlement of RMB6,138,853 from the ex-subsidiary and wrote off the remaining balance of RMB614,000.

(b) Allowance for doubtful debts

	2009		2008	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
At 1 January	**4,075,262**	**2,829,974**	1,901,888	500,330
Additional allowance (Note 8)	**30,984**	**(59,731)**	3,312,517	2,329,644
Disposal of a subsidiary	**–**	**–**	(1,131,551)	–
Uncollectible amounts written off	**(2,799,456)**	**(2,015,428)**	(7,592)	–
At 31 December	**1,306,790**	**754,815**	4,075,262	2,829,974

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.

22. Bank balances and cash and restricted bank deposits

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

As at 31 December 2009, cash and bank balances denominated in RMB amounted to approximately RMB30,621,000 (2008: approximately RMB9,434,000). RMB is not freely convertible into foreign currencies in the PRC. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

The restricted bank deposits were denominated in RMB and pledged to secure the Group's and Company's credit facilities granted by banks.

23. Trade and bills payables

	2009		2008	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Trade payables	**8,940,698**	**26,918**	14,096,651	26,918
Bills payables	**37,500,000**	**–**	26,000,000	–
	46,440,698	**26,918**	40,096,651	26,918

23. Trade and bills payables *(continued)*

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:

	2009		2008	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Within 3 months	**29,986,108**	**–**	32,434,904	–
Between 3 to 6 months	**13,733,871**	**–**	4,576,156	–
6 months to one year	**2,279,280**	**–**	1,848,513	–
Over one year	**441,439**	**26,918**	1,237,078	26,918
	46,440,698	**26,918**	40,096,651	26,918

24. Other payables and accruals

	2009		2008	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Other payables (Note 32)	**25,542,491**	**1,754,299**	13,994,517	3,065,035
Accruals	**3,248,763**	**15,847**	5,192,459	55,572
Receipt in advance	**21,977,073**	**–**	10,703,897	–
Payable to Social Security Fund (Note)	**2,819,136**	**2,819,136**	6,270,043	6,270,043
	53,587,463	**4,589,282**	36,160,916	9,390,650

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

25. Amounts due to ex-shareholders of a subsidiary

On 31 October 2006, the Group acquired the remaining 49% interest in GD Fulilong from the minority shareholders of the subsidiary at a cash consideration of RMB33,402,972. The amount of unpaid consideration as at 31 December 2008 was RMB4,732,823, which was fully repaid during the year ended 31 December 2009.

26. Bank borrowings

	2009		2008	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Secured against property, plant and equipment and inventories (note (i))	**21,500,000**	**–**	27,500,000	–
Secured against prepaid land lease payments (note (ii))	**–**	**–**	500,000	–
Unsecured (note (iii))	**27,000,000**	**10,000,000**	68,000,000	67,000,000
	48,500,000	**10,000,000**	96,000,000	67,000,000

Note:

(i) Secured against property, plant and equipment and inventories with a total carrying amount of about RMB46 million (2008: RMB65 million) (Notes 14 and 19).

(ii) Secured against prepaid land lease payments at 31 December 2008 with a carrying amount of RMB3.0 million (Note 18).

(iii) Unsecured loans are guaranteed as follows:

	2009		2008	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Guarantees were provided by:				
– The Company (Note 36)	**3,000,000**	**–**	1,000,000	–
– Two subsidiaries of the Company	**24,000,000**	**10,000,000**	67,000,000	67,000,000
	27,000,000	**10,000,000**	68,000,000	67,000,000

(iv) The bank borrowings of the Group bore interest ranging from 5.3% to 9.8% (2008 : 7.8% to 9.8%) per annum.

(v) Bank borrowings are repayable as follows:

	2009		2008	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
On demand or within one year	**48,500,000**	**10,000,000**	88,000,000	67,000,000
After one year but within two years	**–**	**–**	8,000,000	–
	48,500,000	**10,000,000**	96,000,000	67,000,000

27. Share capital

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

	2009		2008	
	Number (million)	**RMB (million)**	Number (million)	RMB (million)
Ordinary shares of RMB 0.1 each:				
Domestic shares				
Beginning of year	**245**	**24**	279	28
Issue for cash during the year	**470**	**47**	–	–
Converted into H shares	**–**	**–**	(34)	(4)
End of year	**715**	**71**	245	24
H shares				
Beginning of year	**705**	**71**	331	33
Issue for cash during the year	**–**	**–**	340	34
Converted from domestic shares	**–**	**–**	34	4
End of year	**705**	**71**	705	71
Total, end of year	**1,420**	**142**	950	95

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 and 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 Renminbi. 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 Renminbi. 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.

On 15 December 2008, 374,000,000 new placing H shares were allotted at a price of HK$0.115 per share (the "New Placing H Shares") (the "Placing"). 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 ultimate holding company, which held 38.36% equity interest in the Company prior to the Placing. The New Placing H Shares represent approximately 39.37% of the issued share capital of the Company upon completion of the Placing.

On 21 August 2009, the Company issued and allotted a total of 470,000,000 new domestic shares to the subscribers at RMB0.1023 (HK$0.116) each.

27. Share capital *(continued)*

(b) Movements in 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 2009, none of the directors or supervisors, employees or other participants of the Scheme had any rights to acquire the H Shares in the Company (2008: nil).

28. Reserves

	Share premium RMB (note(i))	**Capital reserve** RMB (note(iii))	**Accumulated losses** RMB	**Total** RMB
The Company				
At 1 January 2008	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)
Issue of shares	947,225	–	–	947,225
Loss for the year	–	–	(1,972,093)	(1,972,093)
At 31 December 2009	75,816,410	(2,312,483)	(86,956,195)	(13,452,268)

(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, net of share issue expenses.

(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.

29. Disposal of an associate

GD Fulilong previously held 40% equity interest in Shaanxi Xing Fu Fertilizer Company Limited 陝西興福肥業有限責任公司 ("Shaanxi Xing Fu"). The other 60% equity interest was held by Shaanxi Xinghua Chemistry Company Limited ("Shaanxi Xinghua"), a company established in the PRC with limited liability.

On 30 June 2008, GD Fulilong entered into an equity transfer agreement to dispose of its entire 40% equity interest to Shaanxi Xinghua at a total consideration of RMB19,604,195 of which RMB14,415,920 was settled by cash and the remaining balance was settled by inventories at fair value of RMB5,188,275, resulting in a loss on disposal of RMB559,751.

Summarised financial information in respect of Shaanxi Xing Fu at the date of disposal is set out below:

	30/06/2008
	RMB
Total assets	89,929,333
Total liabilities	(39,519,468)
Net assets	50,409,865
Group's share of net assets of associate	20,163,946

	Six months ended 30/06/2008
	RMB
Revenue	43,969,866
Profit for the period	2,958,262
Group's share of result of associate for the period	1,183,305

30. Disposal of a subsidiary

On 30 November 2008, the Company entered into an equity transfer agreement pursuant to which the Company agreed to dispose of its entire 100% equity interests in Tianjin Wantai Bio-Development Co., Ltd. ("Wantai") to an independent third party individual, at a cash consideration of RMB1.

Details of net liabilities disposed of are as follows:

	RMB
Trade receivables, prepayments and other receivables	4,434,975
Cash and bank balances	28,761
Trade payables, other payables and accruals	(6,218,723)
Net liabilities	(1,754,987)
Gain on disposal	1,754,988
Total consideration	1
Net cash outflow arising on disposal:	
Cash consideration received	1
Cash and bank balances disposed of	(28,761)
	28,760

Wantai contributed approximately RMB414,000 to the Group's turnover and approximately loss of RMB1,479,000 to the Group's loss for the year ended 31 December 2008.

31. Commitments

(a) Capital commitments

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

	Group	
	2009	2008
	RMB	RMB
Authorised and contracted for		
– Acquisition of plant and machinery	**13,755,040**	12,990,000

31. Commitments *(continued)*

(b) Operating lease commitments

At the end of reporting period, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2009	2008
	RMB	RMB
Within one year	**469,604**	1,956,813
After one year but within five years	**1,895,030**	1,891,956
After five years	**6,765,034**	6,997,839
	9,129,668	10,846,608

Operating lease payments represent rentals payable by the Group for certain of its office and factory premises and staff quarters. Lease are negotiated for terms ranged from 2 to 32 years (2008: 6 to 32 years) and rentals are fixed over the corresponding terms of the leases.

32. Related parties transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Except for those transactions disclosed elsewhere in these financial statements, details of transactions between the Group and other related parties are disclosed below.

(a) During the year and in the ordinary course of business, the Group had the following material transactions with the ultimate holding company:

	2009		2008	
Nature of transaction	**Group**	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Rental payment	**1,817,388**	**326,268**	1,710,297	219,177

The above transactions are continuing connected transactions, in respect of which the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

32. Related parties transactions *(continued)*

(b) Amounts due from/(to) related parties represent:

	2009		2008	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Ultimate holding company	**26,087**	**26,087**	662,547	662,547
穩健投資	–	–	(44,576,144)	(1,000,000)

The directors of the Company consider 深圳市穩健投資發展有限公司 ("穩健投資"), a private company established in the PRC, as a related party as Mr. Zhang Songhong (張松鴻), a director of the Company until 30 December 2008, is also a director of 穩健投資. Pursuant to an agreement dated 9 March 2009 signed between 穩健投資 and an independent third party, the entire balance was assumed by the independent third party. Unpaid balance amounted to RMB19.7 million and was included as other payables as at 31 December 2009 (Note 24).

All balances due from/(to) related parties are unsecured, non-interest bearing and have no fixed repayment terms.

(c) Members of key management personnel during the year comprised the executive directors only whose remuneration is set out in Note 13 to the financial statements.

33. Capital risk management

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

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

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

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

33. Capital risk management *(continued)*

The net debt-to-adjusted capital ratio at 31 December 2009 and 2008 was as follows:

	Group	
	2009	2008
	RMB	RMB
Bank borrowings	**48,500,000**	96,000,000
Amount due to a related company	**–**	44,576,144
Amounts due to ex-shareholders of a subsidiary	**–**	4,732,823
Total debts	**48,500,000**	145,308,967
Less: Cash and cash equivalents and restricted bank deposits	**42,556,768**	25,686,821
Net debt	**5,943,232**	119,622,146
Total equity	**158,704,358**	84,555,136
Net debt-to-adjusted equity ratio	**3.7%**	141%

34. Financial risk management

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

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

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

(a) Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 7% (2008: 7%) and 29% (2008: 26%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

34. Financial risk management *(continued)*

(a) Credit risk *(continued)*

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Notes 20 and 21 respectively.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and restricted bank deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

(b) Liquidity risk

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

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

The Group	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years
	RMB	RMB	RMB	RMB
2009				
Bank borrowings	**48,500,000**	**49,684,169**	**49,684,169**	**–**
Trade and bills payables	**46,440,698**	**46,440,698**	**46,440,698**	**–**
Other payables and accruals	**53,587,463**	**53,587,463**	**53,587,463**	**–**
	148,528,161	**149,712,330**	**149,712,330**	**–**
2008				
Bank borrowings	96,000,000	98,327,787	89,474,953	8,852,834
Trade and bills payables	40,096,651	40,096,651	40,096,651	–
Other payables and accruals	36,160,916	36,160,916	36,160,916	–
Amount due to a related company	44,576,144	44,576,144	44,576,144	–
Amounts due to ex-shareholders of a subsidiary	4,732,823	4,732,823	4,732,823	–
	221,566,534	223,894,321	215,041,487	8,852,834

34. Financial risk management *(continued)*

(b) Liquidity risk *(continued)*

The Company	Carrying amount RMB	Total contractual undiscounted cash flow RMB	Within 1 year or on demand RMB
2009			
Bank borrowings	**10,000,000**	**10,282,039**	**10,282,039**
Trade and bills payables	**26,918**	**26,918**	**26,918**
Other payables and accruals	**4,589,282**	**4,589,282**	**4,589,282**
	14,616,200	**14,898,239**	**14,898,239**
Financial guarantees issued			
Maximum amount guaranteed		**3,000,000**	**3,000,000**
2008			
Bank borrowings	67,000,000	67,882,113	67,882,113
Trade and bills payables	26,918	26,918	26,918
Other payables and accruals	9,390,650	9,390,650	9,390,650
Amounts due to ex-shareholders of a subsidiary	4,732,823	4,732,823	4,732,823
	81,150,391	82,032,504	82,032,504
Financial guarantees issued			
Maximum amount guaranteed		1,000,000	1,000,000

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings, cash at bank and restricted bank deposits. Bank borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively. The Group's interest rate profile as monitored by management is set out below.

The Group's fair value interest-rate risk mainly arises from bank borrowings as disclosed in Note 26. Bank borrowings were issued at fixed rates which expose the Group to fair value interest-rate risk. The Group has no cash flow interest-rate risk as there are no borrowings which bear floating interest rates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

34. Financial risk management *(continued)*

(c) Interest rate risk *(continued)*

The following table details the interest rate profile of the Group's and the Company's borrowings at the end of reporting period.

	Group			
	2009		2008	
	Effective interest rate		Effective interest rate	
	%	**RMB**	%	RMB
Fixed rate borrowings				
Bank borrowings	**6.48%**	**48,500,000**	8.4%	96,000,000

	Company			
	2009		2008	
	Effective interest rate		Effective interest rate	
	%	**RMB**	%	RMB
Fixed rate borrowings				
Bank borrowings	**6.37%**	**10,000,000**	7.95%	67,000,000

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after taxation and accumulated losses by approximately RMB400,000 (2008: increase/decrease the Group's loss after taxation by approximately RMB986,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis for 2008.

(d) Currency risk

Currency risk to the Group is minimal as most of the Group's transactions are carried out in RMB.

(e) Price risk

The Group is not exposed to any equity securities risk. The Group is exposed to the commodity price risk primarily through its purchase of raw materials for the production of fertilisers. The directors manage this exposure by forming a team to closely monitor the price fluctuation and will consider hedging the risk exposure should the need arise.

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2009 and 2008, except for the amounts due from subsidiaries which are unsecured, non-interest bearing and have no fixed repayment terms. Given these terms it is not meaningful to disclose their fair values.

(g) Fair values estimation

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

35. Summary of financial assets and financial liabilities by category

The carrying amounts of the financial assets and financial liabilities as recognised at 31 December 2009 and 2008 may be categorised as follows:

	2009		2008	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Financial assets				
Loans and receivables (including cash and bank balances and restricted bank deposits)	101,567,336	4,838,850	98,044,735	25,865,242
Available-for-sale financial assets	3,000,000	3,000,000	3,000,000	3,000,000
	104,567,336	7,838,850	101,044,735	28,865,242
Financial liabilities				
Financial liabilities measured at amortised cost	148,528,161	14,616,200	221,566,534	91,150,391

36. Contingent liabilities

The Company guaranteed the banking facilities granted to certain of its subsidiaries amounting to RMB 3 million (2008: RMB1 million).

As at 31 December 2009, all (2008: all) the above banking facilities granted were utilised.

37. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 16 March 2010.

NOTICE IS HEREBY GIVEN THAT an annual general meeting ("AGM") of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") will be held at 9th Floor, Block A2, Tianda High-Tech Park, No. 80 The 4th Avenue, TEDA, Tianjin, the People's Republic of China (the "PRC") on Monday, 10 May 2010 at 9:30 a.m. to consider the following ordinary resolutions:

1. To consider and, if thought fit, approve the report of the directors' of the Company for 2009;

2. To consider and, if thought fit, approve the report of the Supervisory Committee of the Company for 2009;

3. To consider and, if thought fit, approve the audited consolidated accounts of the Company for the year ended 31 December 2009;

4. To consider and, if thought fit, approve that no final dividend is declared for 2009;

5. To consider and, if thought fit, approve the proposal of appointing BDO Limited as auditors of the Company and authorize the directors of the Company to fix their remuneration; and

6. To transact any other business.

By order of the Board
Wang Shuxin
Chairman

Tianjin, China

16 March 2010

Notes:

1. Any shareholders of the Company entitled to attend and vote at the meeting mentioned above is entitled to appoint one or more proxies to attend and vote at the meeting on his, her or its behalf in accordance with the articles of association of the Company. A proxy needs not be a shareholder of the Company.

2. In order to be valid, the proxy form of the holder of the H Shares of the Company and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority shall be deposited at Computershare Hong Kong Investor Services Limited of Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (the "Company's Share Registrar") not less than 24 hours before the time for holding the meeting or 24 hours before the time appointed for taking the poll.

3. In order to be valid, the proxy form of the holder of the Domestic Shares and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority shall be deposited at the registered address of the Company not less than 24 hours before the time for holding the meeting or 24 hours before the time appointed for taking the poll.

4. Shareholders of the Company or their proxies shall produce documents of their proof of identity when attending the meeting.

5. The register of the shareholders of the Company will be closed from 9 April 2010 to 10 May 2010 (both days inclusive), during which no transfer of shares will be registered.

   As regards holders of H Shares and in order to ascertain the entitlement to attendance at the above meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar not later than 8 April 2010 at 4:00 p.m. for registration.

6. Shareholders of the Company who intend to attend the meeting mentioned above should notify in writing of their attendance by sending such notice of the Company by hand, post or fax not later than 20 April 2010.

7. The registered address of the Company and the contact data of the Company are as follows:
   No. 12 Tai Hua Road, The 5th Avenue, TEDA, Tianjin, the PRC
   Fax No.: (8622)5981 6909