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)

ACCOMPLISHING A NEW MILESTONE

ANNUAL REPORT 2011

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

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

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

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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 GEM of the Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Content

Corporate Introduction

Tianjin TEDA Biomedical Engineering Company Limited ("TEDA Biomedical" or the "Company" and together with its subsidiaries, collectively the "Group") was incorporated on 8 September 2000 and listed on GEM of the Stock Exchange of Hong Kong on 18 June 2002 (Stock Code: HK08189), with a registered capital of RMB142,000,000. The Group is mainly engaged in two sectors: biological compound fertilizer products, including series of biological compound fertilizer products under the brand of "Fulilong" used for the promotion of balanced growth of grains and fruit and vegetables and health care products, including series of health care products under the brand of "Alpha", covering diabetic health care products with the function of regulating the blood sugar level and sugar-free products beneficial to the health of human body.

These two sectors that TEDA Biomedical is engaged in are the sunrise industry encouraged by the country which have a good prospect for development.

Group Structure

Tianjin TEDA

Tianjin TEDA Biomedical Engineering Company Limited

100%

Guangdong Fulilong Compound Fertilizers Co., Ltd. (“Guangdong Fulilong”)

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

51%

Shandong Hidersun Fertilizer Industry Co., Ltd. (“Shandong Hidersun”)

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

100%

Tianjin Alpha HealthCare Products Co., Ltd. (“Alpha”)*

(principally engaged in the research, development, manufacture and sales of sugra-reducing health products and sugar-free products)

* According to the Notice of the Company on 17 June 2011, upon the acquisition of 25% equity interest of Alpha, a subsidiary of the Company, the Company owns 100% equity interest of Alpha.

Corporate Information

Executive Directors
Mr. Wang Shuxin
Mr. Hao Zhihui
Mr. Zhang Chunsheng (appointed on 8 August 2011)
Mr. Xie Kehua (resigned on 10 June 2011)

Non-executive Directors
Mr. Feng Enqing
Mr. Xie Guangbei
Mr. Ou Linfeng (appointed on 8 August 2011)
Mr. Wei Jingquan (resigned on 10 June 2011)

Independent non-executive Directors
Mr. Guan Tong
Mr. Wu Chen
Mr. Cao Kai (appointed on 1 January 2011)

Supervisors
Ms. Yang Chunyan (appointed on 1 January 2011)
Ms. Liu Jinyu (appointed on 8 August 2011)
Mr. Zhao Tingying (resigned on 10 June 2011)

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
Mr. Guan Tong
Mr. Wu Chen
Mr. Cao Kai (appointed on 1 January 2011)

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

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
Rooms 1712–1716, 17th Floor Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Company Website
www.bioteda.com

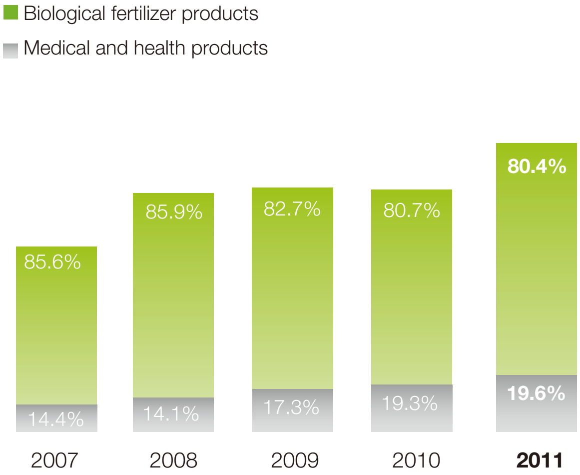
Stock Code
8189

Financial Highlights

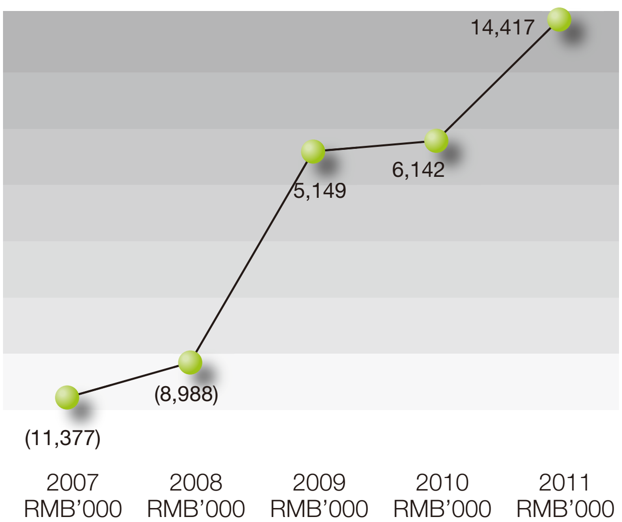
	For the year ended 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011** **RMB'000**
Results					
Turnover	327,955	422,512	432,000	429,057	**511,151**
Gross profit	50,639	66,563	85,747	85,760	**99,268**
Gross margin	15.44%	15.75%	19.85%	19.99%	**19.42%**
Profit/(loss) attributable to the shareholders	(11,377)	(8,988)	5,149	6,142	**14,417**
Earnings/(loss) per share	(1.87) cents	(1.44) cents	0.46 cents	0.43 cents	**1.02 cents**

	For the year ended 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011** **RMB'000**
Assets & Liabilities					
Total assets	325,601	309,551	309,136	309,073	**324,299**
Total liabilities	266,607	224,996	150,432	142,376	**145,888**
Equity attributable to the shareholders	57,031	81,823	134,919	141,061	**156,039**

Turnover and breakdown



Profit/(loss) attributable to the Shareholders



Chairman's Statement

Dear shareholders,

In a twinkling, it has been already the tenth anniversary for the listing of TEDA Biomedical on the GEM in Hong Kong. During its development over the last decade, TEDA Biomedical has always adhered to the rationale of development that is centered on green, ecology and energy conservation with its market-oriented approach, while persistently developing and providing products and services which are contributed to the improvement of the health of mankind and ecological agriculture. During the past ten years, the Company prudently moved forward and achieved steady growth despite of the obstacles from time to time.

On behalf of the Board of TEDA Biomedical, I am pleased to present to you the annual report of the Company for the year ended 31 December 2011.

OPERATIONAL REVIEW

With the gradual taking effect of the tightening monetary policies in China and the volatility of global economy since 2011, especially against the backdrop of inflation prevailing around the globe, small and medium enterprises have been facing higher pressure for survival. Despite the challenges faced by the Group over the last year, TEDA Biomedical managed to record significant growth in the operating results as compared with last year with the concerted efforts of all the staff in TEDA Biomedical. During the period under review and taken into consideration of the Company's long-term development, the Board and the management of the Company has acquired 25% equity interest in Alpha, a subsidiary of the Company and disposed some of the fixed assets in Guangdong Fulilong. Such activities are in line with the long-term interests of the shareholders and have ascertained the development model of Guangdong Fulilong.

FINANCIAL REVIEW

For the year ended 31 December 2011, the total turnover of the Group in the biological compound fertilizer segment and the health food segment was RMB511,150,674, representing a year-on-year increase of 19.13%, and the gross profit was RMB99,268,305, representing a year-on-year increase of 15.75%. The profit attributable to the owners of the Company was RMB14,417,026, representing a year-on-year increase of 134.72%. During the period under review, the Group strengthened its budget management, and, notwithstanding the persistent increase of the labor cost and the production cost per unit, the Group was capable of improving our overall profitability by extending its market share and increasing its sales.

OUTLOOK

Looking forward, in an environment where the global economic uncertainties prevail and the associated risks increase, small and medium enterprises will also operate and develop in fickle conditions under the short-term and long-term impacts of the rapid deceleration of the economic growth in China, the higher inflation rates and the transformation of economy. However, we have built great confidence in the biological compound fertilizer segment and the health food segment, and have prepared ourselves well enough for rapid development of the enterprise. In 2012, we will strive to gain the support from the governmental departments and scientific and technical research institutions in Binhai New District in Tianjin, and in the meanwhile, further our investment in research and development and marketing. We do believe that, all the staff of TEDA Biomedical will face up to any challenge bravely without any fear, strive for innovation, and seize all the development opportunities to deliver a better performance on top of the successful operating results achieved in 2011.

APPRECIATION

On behalf of the Board of the Company, I would like to express my gratitude to the management and all the staff for their unremitting efforts in the past year, and express my sincere thanks to the shareholders and the institutional investors for their great support to and deep trust in the Company.

Wang Shuxin
Chairman

8 March 2012

MANAGEMENT
DISCUSSION AND ANALYSIS

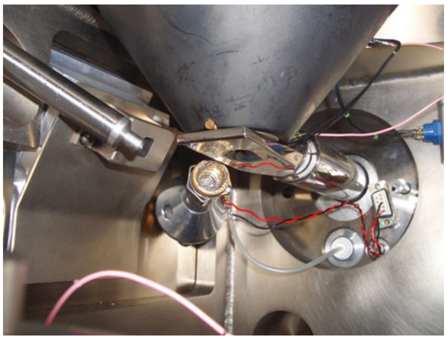
BUSINESS REVIEW

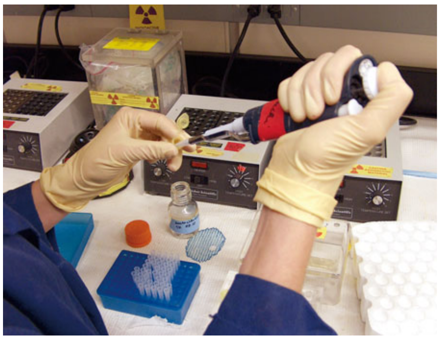
Biological compound fertilizer products

The year 2011 is the starting year of China's 12th Five-year Plan. Thanks to series of policies and measures that the central government has undertaken to actively cope with the international financial crisis and maintain stable and rapid economic development, industrial economy generally sustained a favorable momentum and continued to develop under the direction of macro control policy. With the strong support of local government and department, China's fertilizer industry has achieved remarkable results this year, which in turn brought significant contribution to China's rapid development of agriculture and the stable yield and the increasing income for the farmers. In the past year, under the background of global inflation, the price of international food and crude oil rose substantially while the price of various raw materials for the production of fertilizers also continuously increased and driven by the cost raise. Enterprises faced higher operational risk in the trend of increasing cost and sale price. In particular, national macro-control policies on restricting the liquidity has presented difficulties to the operations of small to medium enterprises while manufacturers and distributors have adopted prudent operation strategy of Fast in and Fast out. In addition, natural disasters, such as continuous drought in winter and spring in the winter wheat region in the north and six southern provinces of China and drought and flood in the Yangtze River Valley in 2011, have also had some adverse impacts on the fertilizer market. Faced with numerous unfavorable market factors, the Group has undertaken proactive measures to overcome challenges and after one-year struggle, the Group has achieved significant improvement in the operational results as compared with last year.

Health care products

As the impact of international financial crisis to the substantial economy, numerous industries were affected in different extent, however the health care products industry of China maintained a balanced momentum of growth. According to the speculation of Health Food Association of China, the market scale of China' health care products reached RMB100 billion in 2010, which has surpassed Japan and ranked the second in the world. However, the expenditure per capita on healthcare products in China is only 1/20 of that in America and 1/15 in Japan, reflecting the bright prospects and vast development potential of the healthcare products. The stimulus of national macroeconomic development and policy factors have promoted the release of market demand potential for health care products whereas the high return of the industry is also a major motivator for promoting stable development of health care products industry. Although there are over 1,600 enterprises which produce health care products with GMP accreditation, few can compete with multinational corporations. In the last year, confronted with the fierce market competition and such unfavorable factors as the increase in the price of raw materials and labor cost, the Group's health care products segment was capable of developing in a steady manner and by leveraging on the market influence of "Alpha" brand, the Group was capable of boosting the management efficiency as well as reducing the cost through the reasonable and orderly adjustments to the management and this rendered a significant improvement to the operational results of the Group's health care products industry.





FINANCE REVIEW

Operational results

Turnover, gross profit and gross margin

For the year ended 31 December 2011, the major businesses of the Group were biological compound fertilizer products and medical and health products, which in aggregate achieved an annual sales of RMB511,150,674, representing an increase of 19.13% as compared to last year(31 December 2010: RMB429,057,203). In particular, the Group recorded an annual sales of RMB411,002,282 for compound fertilizer products, representing an increase of 18.77% as compared to last year(31 December 2010: RMB346,047,210); the Group recorded an annual sales of RMB100,148,392 for health care products, representing an increase of 20.64% as compared to last year (31 December 2010: RMB83,009,993).

For the year ended 31 December 2011, the overall gross profit of the Group's two businesses was RMB99,268,305, representing an increase of 15.75% as compared to last year (31 December 2010: RMB85,760,494); the overall gross margin of the Group was 19.42%, representing a slight decrease compared to last year (31 December 2010: the overall gross margin was 19.99%), mainly due to the significant increase in the purchase price of raw materials and the labor cost for production in 2011.

Other income and net gains

For the year ended 31 December 2011, other income and net gains of the Group was RMB5,071,404, representing an increase of 167.55% as compared to last year (31 December 2010: RMB1,895,443), mainly due to the increase of realized profit from the disposal of the fixed assets of Guangdong Fulilong, a subsidiary company.

Selling and distribution costs

For the year ended 31 December 2011, selling and distribution costs of the Group was RMB39,841,448, on the premise of a substantial increase of 19.13% in total turnover, representing only an increase of 3.11% as compared to last year (31 December 2010: RMB38,636,230); during the review period, selling and distribution costs accounted for 7.79% of the total turnover, representing a slight decrease as compared to last year (31 December 2010: selling and distribution costs accounted for 9.00% of the total turnover). The main reason is that the Group, while endeavored to enlarge the market share of biological compound fertilizer products which in turn contribute to a significant increase in sales, has actively adjusted its market strategy and reasonably controlled the selling expense based on the market features of different regions with a view to ensuring the profitability of the Company.

Administrative expenses

For the year ended 31 December 2011, administrative expenses of the Group were RMB27,014,853 (31 December 2010: RMB22,777,339), accounting for 5.28% of the total turnover, almost in line with the level as compared to last year (31 December 2010: administrative expenses accounted for 5.30% of the total turnover). Against the backdrop of substantial increase of the total turnover, the increase of the Group's administrative expenses was mainly due to the increase in the labor cost and the rental of premises.

Research and development fees

For the year ended 31 December 2011, research and development fees of the Group were RMB12,066,344, representing a decrease of 15.92% as compared to last year (31 December 2010: RMB14,351,365). During the review period, the research and development fee of the Group was mainly applied to the further improvement and trial production and new manufacturing techniques and new products developed.

Finance costs

For the year ended 31 December 2011, finance costs of the Group were RMB6,415,263, representing an increase of 63.94% as compared to last year (31 December 2010: RMB3,913,014), mainly due to the fact that Group has increased its bank loans and the interest rate on borrowings also increased. The details are set in Note 9 to the accounts.

Profit for the year

For the year ended 31 December 2011, the profit attributable to the owner of the Company was RMB14,417,026, representing an increase of 134.72% as compared to last year (31 December 2010: RMB6,142,042), accounting for 2.82% of the total turnover (31 December 2010: the profit attributable to the owner of the Company accounted for 1.43% of the total sales); earnings per share of the Company were RMB1.02 cents compared to RMB0.43 cents of same period of last year. During the review period, the Group strengthened its budget control over expenses, particularly that the Group has undertaken reasonable control over the selling expense which accounted for the largest proportion of the budget. Meanwhile the Group reasonably adjusted the R & D expenses according to the Group's R & D plan and raised the overall profitability of the Company through boosting market share and expanding the sales in the background of increasing labor cost per unit and the production cost.

STRUCTURES OF SHARE CAPITAL

As at 31 December 2011, structures of the Company's share capital were set out in Note 28 to the accounts.

SEGMENTAL INFORMATION

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

The results of the Group by segments for the year ended 31 December 2011 and the year ended 31 December 2010 are disclosed in Note 6 to the accounts.

INVESTMENTS OF SIGNIFICANCE/ ACQUISITION AND SELLING

Details are set out in "Major Acquisitions and Connected Transactions" and "Disposal of Fixed Assets" of Directors' Report on page 25 to 26 to this annual report.

MAJOR ACQUISITIONS AND CONNECTED TRANSACTIONS

As disclosed in the announcement of the Company dated 17 June 2011, the Company entered into an acquisition agreement to acquire 25% equity interest in Tianjin Alpha Healthcare Products Co., Ltd. ("Alpha"), a subsidiary of the Company at the consideration of RMB4,600,000 (equivalent to approximately HK$5,540,000). The consideration was determined by the vendor and the Company after arm's length negotiation with reference to the asset valuation of RMB19,260,000 of Alpha.

The Company previously owned 75% equity interest in Alpha. As Alpha is at the stage of profit growth, upon completion of the acquisition, Alpha has become a wholly-owned subsidiary of the Company, and the Company is entitled to the control of Alpha's 100% equity interest, hence, all of the profit generated by Alpha. The directors (including all the independent non-executive directors) consider that the terms of the acquisition agreement are fair and reasonable and in the interest of the Company and the shareholders as a whole.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During 2011, the Group financed its operations mainly by internally generated cash and banking facilities.

As at 31 December 2011, the Group's current assets and net current assets were about RMB220,902,956 (31 December 2010: RMB190,049,570) and RMB75,015,433 (31 December 2010: RMB52,673,920) respectively. The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was 1.51 (31 December 2010: 1.38). The Group's current assets as at 31 December 2011 comprised mainly cash and bank balances of RMB32,336,570 (31 December 2010: RMB46,992,433), trade receivables of RMB56,081,170 (31 December 2010: RMB50,186,307) and inventories of RMB75,798,020 (31 December 2010: RMB69,984,901).

As at 31 December 2011, the total bank borrowings of the Group amounted to RMB93,500,000 (31 December 2010: RMB82,500,000). The bank borrowings are denominated in Renminbi and provided by various licensed banks in China with variable interest rates ranging from 5.6% to 8.5% (31 December 2010: fixed rate 5.3% to 7.0%) per annum. Of the bank borrowings, a total amount of RMB60,500,000 will mature in the first half of 2012, a total amount of RMB33,000,000 will mature in the second half of 2012.

As at 31 December 2011, the Group's consolidated total assets and net consolidated assets were about RMB324,298,632 (31 December 2010: RMB309,073,258) and RMB178,411,109 (31 December 2010: RMB166,697,608) respectively. The Group's consolidated gearing ratio, defined as the ratio of total liabilities to total assets, was 0.45 (31 December 2010: 0.46). As at 31 December 2011, the Group's gearing ratio, defined as the ratio of total bank borrowings to total assets, was 0.29 (31 December 2010: 0.27).

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2011, the Company had contingent liabilities amounting to RMB33,000,000 (31 December 2010:RMB34,000,000) in connection with the provision of guarantee as security for bank loans granted to its subsidiaries.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, the Group had 715 employees (2010: 715 employees). Remunerations of the Group's employees are determined in accordance with the terms of government policies and by reference to market level and the performance, qualifications and experience of employees. Discretionary bonuses are paid to few employees as recognition of and reward for their contribution to the corporate development. Other benefits include contributions to retirement schemes, medical schemes, unemployment insurance schemes and housing allowances.

DISPOSAL OF FIXED ASSETS

As disclosed in the announcement of the Company dated 8 November 2011, Guangdong Fulilong Compound Fertilizers Co., Ltd., a wholly owned subsidiary of the Company, as the vendor, and Wufang Economic Cooperation, Xiansha District, Gaobu Town, as the purchaser, entered into an agreement on 7 November 2011 for the sale and purchase of the fixed assets at an aggregate consideration of RMB18,535,200. Pursuant to the terms of the agreement, the disposal is scheduled to be completed within 90 business days from the date of the agreement. As the applicable percentage ratios (as defined in the GEM Listing Rules) of the disposal exceed 5% but are less than 25%, the disposal constitutes a discloseable transaction for the Company under the GEM Listing Rules.

On 25 June 1996, the vendor (as a transferee) and the purchaser (as a transferor) entered into an agreement for the sale and purchase of the land located at Wufang Anliangwei, Xiansha District, Gaobu Town, Dongguan City, Guangdong Province and the building thereon at an aggregate consideration of RMB4,176,800. The purchaser was under an obligation to obtain all necessary land use right certificates for the vendor for the purpose of perfecting the transfer of the legal titles of the land and the building. As the purchaser has failed to obtain the land use right certificate in respect of the land, and has therefore, failed to transfer the legal title of the land to the vendor. In light of the time lapsed for perfecting the transfer of the legal title of the land and the legal constraints countered by the vendor and the purchaser in completing the same, the vendor and the purchaser entered into the agreement, pursuant to which, the purchaser agreed to buy back the land and the building from the vendor at an aggregate consideration of RMB5,605,500 as compensation with reference to the valuation result of the land and the building. In addition, the purchaser also agreed to purchase the machineries at a consideration of RMB12,929,700, being the value of the machineries with reference to a valuation report. The total consideration of the sale and purchase of the fixed assets under the agreement is therefore RMB18,535,200. The consideration was arrived after arm's length negotiations between the vendor and the purchaser and by reference to the market value of similar properties in similar locations and the valuation of the machineries prepared by a professional valuer. The disposal is expected to realize a profit of approximately RMB4,161,996 based on the consideration of RMB18,535,200 minus the book value of the fixed assets of RMB14,373,204 as at 31 August 2011. The directors of the Company (including all the independent non-executive directors) are of the view that the terms of the agreement including the consideration are on normal commercial terms, and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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. Any surplus cash will be placed as deposits with licensed banks in China.

FUTURE OUTLOOK

Looking ahead to 2012, on the premise of maintaining overall fundamental stability of China's macro economy, the pace of economic growth rate will slow down while the inflation will tend to become stable. Meanwhile, the sovereign debt crisis in Europe will be the dominating factor affecting international economic environment, which could probably pose new challenge to the long-term stability of China's economy due to the difficulties in the recovery of the substantial economy of developed countries in Europe and America.

Agriculture, a critical element to China's economy, and fertilizers, the basic raw materials of modernized agriculture and crucial materials for ensuring high and stable yields of agriculture, play a significant role in national economy and social development. While the incessant development of the fertilizer industry also contributes to China's industrialization and urbanization as well as to the growth of income and reduction of expenditures of farmers. "The development Guidelines for Petroleum and Chemical Industry under the 12th Five-Year Plan" published by China Petroleum and Chemical Industry Federation encourages the application of compound fertilizers, special fertilizers and slow/controlled-release fertilizers, biological fertilizers, fully water-soluble fertilizers, liquid fertilizers as well as the application of new type fertilizers produced by low grade phosphorite. The Central Committee of the State Council has long been attaching great importance to the development of agriculture and it is the ninth consecutive year that a focus on "three rural issues" is made in the Central No. 1 document published in 2012 while stronger emphases on agricultural technology has also been placed. The central government will continuously increase the expenditure for "three rural issues" to serve as a momentum to the growth in agricultural production, farmer's income and rural prosperity and also promote the success and development of the fertilizer market. Although we should not be optimistic towards the national macroeconomic environment in 2012 when the price of fertilizer raw materials is likely to stay at a high level, the fertilizer market will still be well supported by the rising food price in the global market as well as the price of domestic agriculture products. With the growing pace of modernization China's agricultural industry and the higher requirements on energy saving and emission reduction and environment protection, the scientific application of fertilizers, the improvement in the utilization of fertilizers and the minimization of environmental damage caused by fertilizers will become the center and direction of future development of fertilizer market.

In addition, from the global point perspective, health care products industry is a sunrise industry and one of the industries with fastest growth in the world trade. In recent years, the sales of global health care products increased by 13% per year. Health care products industry with the features of low pollution, high employment, high utilization of land, low consumption of energy and overall favorable economic returns, complies with the direction of the structural adjustments of the national and regional industries. With the income growth of the population and the wide spread of health care information and knowledge, the health consciousness and consumption concept of the public will continue to change. In the 5 to 10 years, the growth in the demand for health care products will be more distinctive. The common challenges that domestic health care products enterprises face in future will be how to integrate the edges in resources, persistently strengthen the core competitiveness of the corporation, maintain rapid growth, and compete with international giants. The rapid growth in the population of diabetics and the demand for health care products from the public will offer brilliant prospect for the market of health care products, such as blood sugar regulators and sugar-free products.

In 2012, the Group will further develop new products to meet the market demand and optimize the product mix based on the different characteristics of the two industries on top of the success divided in the operation results of last year. Meanwhile, the Group will integrate of marketing resources, structure a stable and effective marketing network, fully exploit the potentials of the sale of the market with our in-depth analysis, and improve the market management while help to attract clients through the enterprises with an aim to take the lead in the fierce market competition and maintain stronger competitive edges.

The Board of the Company believes that the Company will achieve better results and bring higher returns to the shareholders in 2012.

Directors,
Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Wang Shuxin ("Mr. Wang"), aged 47, is the Chairman of the Board of Directors of the Company 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 ("Mr. Hao"), aged 50, graduated from Tianjin Medical University in August 1984 with a bachelor's degree in medicine and thereafter taught in the university. He also completed his master's degree in Medicine offered by the same university in August 1992. From May 1995 to August 1997, he was in charge of production and technology in DPC (Tianjin) Co., Ltd (天津德普生物技術和醫學產品有限公司). From September 1997 to September 2000, he worked in Tianjin TEDA International Incubator and was the chief of the Medicine Industry Department (醫藥產業部部長). In March 2004, he graduated from the School of Continuing Education of Tsinghua University, Business Administration Major. From September 2000 to August 2006, he has assumed the posts of chief investment officer, chairman of the Supervisory Committee and executive vice president (常務副總裁) in the Company. He has been the President of the Company from August 2006 to April 2011. Mr. Hao has been appointed as an executive director of the Company since May 2009 and the vice chairman of the Board of Directors of the Company since April 2011.

Mr. Zhang Chunsheng ("Mr. Zhang"), aged 45, graduated in 1989 with a bachelor degree. After graduation from university, Mr. Zhang had worked in various bureaus of People's Government of Guangdong Province as officer, senior officer, principal officer, deputy division director, division director and deputy director-general. During 2005 to 2009, Mr. Zhang worked in the Hong Kong Representative Office of the Central Government, and in 2010, he was appointed as the chairman of Pleasant Culture Media Co., Limited (大自在文化傳播公司) and has been appointed as the chairman of Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment") since 2010 and holds all of its shares. Xiangyong Investment is a substantial shareholder of the Company, holding 180,000,000 common shares of the Company, representing approximately 12.68% of the issued share capital of the Company. Mr. Zhang has been appointed as the Chief Executive Officer of the Company since April 2011, and has been appointed as the executive director of the Company since August 2011.

Mr. Xie Kehua ("Mr. Xie"), aged 55, 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 and resigned as an executive director of the Company on 10 June 2011.

DIRECTORS *(continued)*

Non-executive Directors

Mr. Feng Enqing ("Mr. Feng"), aged 53, 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 supervisor of Alpha and the chief engineer of TTII and has been the assistant director of Tianjin TEDA International Incubator since 2009. He was appointed as deputy director of the Industrialization Promotion Center (Tianjin Binhai) under National 863 Plan in 2011. He joined the Company in September 2000 and was appointed as a non-executive director.

Mr. Xie Guangbei ("Mr. Xie"), aged 57, 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. Ou Linfeng ("Mr. Ou"), aged 41, graduated with professional business accounting qualification from Guangdong Chaoyang TV University (廣東潮陽廣播電視大學) in 1997. Between August 1994 and December 1998, Mr. Ou was the head of accounting department of the Chaoyang Branch of China Construction Bank and from January 1999 to November 2001, Mr. Ou was appointed a sales manager of Taiyuan Lingyunda Trade Company (太原淩雲達貿易公司). He was appointed by our Group in December 2001 as a sales manager of Guangdong Fulilong, a wholly owned subsidiary of the Company. Since May 2011, Mr. Ou has been promoted to the deputy general manager of Guangdong Fulilong. Mr. Ou was appointed as a non-executive director of the Company in August 2011.

Mr. Wei Jingquan ("Mr. Wei"), aged 33, graduated from Nanchang University in July 2000 with a bachelor's degree in Chemical Engineering and Process (化工工藝). He worked in the Plastic Corp. of Grace T.H.W. Group (宏仁集團塑膠廠) in Guangzhou as the vice chief of the technology section from October 2001 to November 2002. From December 2002 to June 2006, he held various positions in Guangdong Fulilong Compound Fertilizers Co., Ltd. (廣東福利龍複合肥有限公司) ("Guangdong Fulilong"), including manager of the human resources department, manager of the production department, manager of the quality control department, deputy director of the technology center, assistant to general manager and vice general manager. He was appointed as the general manger of Guangdong Fulilong in July 2006. In September 2007, he received a master's degree in industrial engineering (工業工程) from the School of Business Administration of South China University of Technology. He is also an editor of the journal Guangdong Fertilizer Industry (《廣東肥業》). Mr. Wei resigned as a non-executive director of the Company on 10 June 2011.

Independent Non-executive Directors

Mr. Guan Tong, aged 43, 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 67, 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.

Mr. Cao Kai, aged 55, graduated from Northwest College of Agronomy with a bachelor's degree in 1985. He is a high-end fertilizer formulator and a council member of the China Agro-technological Extension Association (中國農業技術推廣協會), an expert of the Annual Conference for Chinese Experts on Fertilizer Industry (中國肥料業專家年會). In April 2005, He also assumes the position of agricultural extension researcher (推廣研究員). On 15 January 2006, he joined the Shandong Technology Development Center (山東省技術開發服務中心) as the deputy director of Shandong Xinghuo Science and Technology Service Center (山東星火科技服務中心). In January 2006, he became a member of the "Science and Technology 110" Professional Service Group (科技"110"專家服務團). In March 2009, he won the China Fertilizer Industry Innovator Award (中國肥料業創新人物獎).

SUPERVISORS

Ms. Yang Chunyan ("Ms. Yang"), aged 35, graduated from Tianjin University (天津大學) in 2005 with a bachelor's degree in financial management. She acquired the title of intermediate-level accountant in 2008. She worked at the Finance Department of TTII from June 1996 to August 2000 and has been working with the Financial Management Department of the Company since September 2000, and was appointed as Chairman of the Trade Union of the Group since 28 June 2007 and a supervisor of the Company in January 2010.

Ms. Liu Jinyu ("Ms. Liu"), aged 39, graduated with a degree in Corporate Management and Human Resources Management from Tianjin Nankai University (天津南開大學). Between 1997 and 2001, she was positioned as the chief officer of the human resources department of Tianjin New World Department Store Co., Ltd. (天津新世界百貨有限公司). Then she was engaged as the manager of the general department of Tianjin Zhongying Food Co., Ltd (天津中迎食品有限公司) from 2001 to 2003 and as the human resources manager of Tianjin Auchan Hypermarkets Co., Ltd (天津歐尚超市有限公司) from 2003 to 2007. Ms. Liu joined the Company as human resources manager in 2007 and has been appointed as deputy officer of the President's office of the Company since April 2011. Ms. Liu was appointed as a supervisor of the Company in August 2011.

Mr. Zhao Tingying, aged 36, 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. Zhao resigned as the supervisor of the Company on 10 June 2011.

INDEPENDENT SUPERVISORS

Mr. Gao Xianbiao, aged 50, 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, 43, 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. Zhang Chunsheng, whose biographical details are set out in the section headed “Executive Directors”.

Qualified Accountant and Company Secretary

Mr. Ng Ka Kuen, Raymond, aged 51, 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 (the "Supervisory Committee") of our Company have faithfully carried out their duties and obligations in accordance with the requirements of the PRC Company Law and the Association of our Company, executing the functions of monitoring the operation and management of the Company and supervising the directors and senior management officers so as to actively guarantee the rights and interests of the shareholders, the Company and our staff.

I. MEETING OF THE SUPERVISORY COMMITTEE

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

1. On 10 March 2011, the Supervisory Committee held the first meeting in 2011, at which the consolidated financial statements of the Group for the year 2010 audited by BDO Limited was reviewed and approved.

2. On 11 May 2011, the Supervisory Committee held the second meeting in 2011, at which the first quarterly report of the unaudited results for the three months ended 31 March 2011 was reviewed and approved.

3. On 9 August 2011, the Supervisory Committee held the third meeting in 2011, at which the appointment of Ms. Yang Chunyan as the Chairman of the Group's Supervisory Committee as proposed by the Nomination and Remuneration Committee was received and approved.

4. On 10 August 2011, the Supervisory Committee held the fourth meeting in 2011, at which the half-year report of the unaudited results of the Company for the six months ended 30 June 2011 was reviewed and approved.

5. On 3 November 2011, the Supervisory Committee held the fifth meeting in 2011, at which the third quarterly report of the unaudited results of the Company for the nine months ended 30 September 2011 was reviewed and approved.

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE OPERATION OF THE COMPANY IN 2011

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

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE OPERATION OF THE COMPANY IN 2011 *(continued)*

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

3. As to the equity acquisition and assets disposal of the Company: during the reporting period, the Company acquired 25% equity interest in Tianjin Alpha HealthCare Products Co., Ltd., a subsidiary of the Company, and disposed of certain land, structures and related production equipment that was outdated and to be eliminated of Guangdong Fulilong Compound Fertilizers Co., Ltd., the whole process of which is on open, fair and just bases and in compliance with relevant laws and regulations. The trading prices are fair, reasonable and objective, and are in the interest of the Company and all the shareholders as a whole.

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

8 March 2012

Directors' Report

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 2011.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

The activities of the subsidiaries are set out in Note 17 to the accounts.

An analysis of the Group's performance for the year by the Group's reportable segments is set out in Note 6 to the accounts.

CHANGE OF SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 28 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 39 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 43 of this annual report and Note 29 to the consolidated 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 15 to the accounts.

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 2011 is set out on page 5 of this annual report.

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

Re-designation of Directors, Appointment of the Vice-chairman of the Board and Change of Chief Executive Officer

During the period under review, Mr. Hao Zhihui, an executive director of the Company, resigned as the chief executive officer of the Company as he was appointed as the vice-chairman of the Board on 20 April 2011. Also on 20 April 2011, the Board announced that Mr. Zhang Chunsheng was appointed as the chief executive officer of the Company.

Resignation and Appointment of Directors and Supervisor

Mr. Xie Kehua, an executive director of the Company, Mr. Wei Jingquan, a non-executive director of the Company, and Mr. Zhao Tingying, a supervisor of the Company resigned on 10 June 2011. At an extraordinary general meeting of the Company held on 8 August 2011, Mr. Zhang Chunsheng was appointed as an executive director, Mr. Ou Linfeng was appointed as a non-executive director and Ms. Liu Jinyu was appointed as a supervisor of the Company. The service contracts of all the directors and supervisors will be expired on 31 December 2013. Details of the said resignations and appointments were disclosed by the announcement and the circular of the Company both dated 17 June 2011.

The directors and supervisors (latest development has been shown) during the year were:

Executive Directors
Mr. Wang Shuxin (王書新) (re-elected on 1 January 2011)
Mr. Hao Zhihui (郝志輝) (re-elected on 1 January 2011)
Mr. Zhang Chunsheng (張春生) (appointed on 8 August 2011)
Mr. Xie Kehua (謝克華) (re-elected on 1 January 2011; resigned on 10 June 2011)

Non-executive Directors
Mr. Feng Enqing (馮恩慶) (re-elected on 1 January 2011)
Mr. Xie Guangbei (謝光北) (re-elected on 1 January 2011)
Mr. Ou Linfeng (歐林豐) (appointed on 8 August 2011)
Mr. Wei Jingquan (危敬權) (appointed on 1 January 2011; resigned on 10 June 2011)

Independent Non-executive Directors
Mr. Guan Tong (關彤) (re-elected on 1 January 2011)
Mr. Wu Chen (吳琛) (re-elected on 1 January 2011)
Mr. Cao Kai (曹凱) (appointed on 1 January 2011)

Supervisors
Ms. Yang Chunyan (楊春燕) (appointed on 1 January 2011)
Ms. Liu Jinyu (劉金玉) (appointed on 8 August 2011)
Mr. Zhao Tingying (趙挺穎) (re-elected on 1 January 2011; resigned on 10 June 2011)

Independent Supervisors
Mr. Gao Xianbiao (高賢彪) (re-elected on 1 January 2011)
Mr. Zhao Kuiying (趙魁英) (re-elected on 1 January 2011)

DIRECTORS AND SUPERVISORS *(continued)*

Resignation and Appointment of Directors and Supervisor *(continued)*

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

According to the requirements of the Association of the Company, all the directors and supervisors of the Company are appointed for a term of three years and are eligible for 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 2011. The service contracts of the Company's directors and supervisors (except Mr. Zhang Chunsheng, Mr. Ou Linfeng and Ms. Liu Jinyu whose service contracts have become effective since 8 August 2011 and will expire on 31 December 2013) were renewed for three years commencing from 1 January 2011 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.

CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' REMUNERATION AND TOP FIVE REMUNERATION PERSONS

Details of directors' remuneration and the top five remuneration persons are set out respectively in Note 14 to the accounts.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors, namely Mr. Guan Tong, Mr. Wu Chen and Mr. Cao Kai, 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 14 to 17 of this annual report.

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

As at 31 December 2011, the interests of the directors and supervisors of the Company and their respective associates in the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) were as follows:

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

Directors/Supervisors/ Executive Officers	Number of shares held and nature of interests					Percentage of the issued share capital
	Personal	Family	Corporate	Other	Total	
Mr. Zhang Chunsheng	–	2,415,000 (Note 1)	180,000,000 (Note 2)	–	182,415,000	12.85%
Mr. Xie Kehua	9,000,000 (Note 3)	–	–	–	9,000,000	0.63%

Note1: Mr. Zhang Chunsheng is deemed to be interested in 2,415,000 H shares due to his wife's, Jin Ling, personal interest in such H shares.

Note2: Such shares are held by Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment"), and Mr. Chang Chunsheng is the beneficial owner of 100% interest in Xiangyong Investment. All the shares represent domestic shares.

Note3: Mr. Xie Kehua is personally interested in 9,000,000 domestic shares. Mr. Xie Kehua has resigned as an executive director on 10 June 2011.

Save as disclosed in this paragraph, as at 31 December 2011, none of the Directors or the Supervisors of the Company had interest in any securities and underlying shares and debentures of the Company or any of its associated corporations, which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the following persons (other than the Directors and the Supervisors of the Company) had interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

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

Name of shareholders	Capacity	Number of ordinary shares	Percentage of the issued share capital
Tianjin TEDA International Incubator ("Incubator")	Beneficial owner	200,000,000 (Note)	14.08%
Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment")	Beneficial owner	180,000,000 (Note)	12.68%
Shandong Zhinong Fertilizers Company Limited ("Zhinong Fertilizers")	Beneficial owner	170,000,000 (Note)	11.97%
Dongguan Lvye Fertilizers Company Limited ("Lvye Fertilizers")	Beneficial owner	120,000,000 (Note)	8.45%

Note: All of the shares represent domestic shares.

Save as disclosed above, as at 31 December 2011, the Directors of the Company were not aware of any other person (other than the Directors and the Supervisors of the Company) who had an interest and short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

MANAGEMENT CONTRACTS

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

COMPETING INTERESTS

During the year ended 31 December 2011, 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	14%
– Five largest suppliers combined	32%
Sales	
– The largest customer	2%
– Five largest customers combined	10%

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

MAJOR ACQUISITIONS AND CONNECTED TRANSACTIONS

As disclosed in the announcement of the Company dated 17 June 2011, the Company entered into an acquisition agreement to acquire 25% equity interest in Tianjin Alpha Healthcare Products Co., Ltd. ("Alpha"), a subsidiary of the Company at the consideration of RMB4,600,000 (equivalent to approximately HK$5,540,000). The consideration was determined by the vendor and the Company after arm's length negotiation with reference to the asset valuation of RMB19,260,000 of Alpha.

The Company previously owned 75% equity interest in Alpha. As Alpha is at the stage of profit growth, upon completion of the acquisition, Alpha has become a wholly-owned subsidiary of the Company, and the Company is entitled to the control of Alpha's 100% equity interest, hence, all of the profit generated by Alpha. The directors (including all the independent non-executive directors) consider that the terms of the acquisition agreement are fair and reasonable and in the interest of the Company and the shareholders as a whole.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During 2011, the Group financed its operations mainly by internally generated cash and banking facilities.

As at 31 December 2011, the Group's current assets and net current assets were about RMB220,902,956 (31 December 2010: RMB190,049,570) and RMB75,015,433 (31 December 2010: RMB52,673,920) respectively. The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was 1.51 (31 December 2010: 1.38). The Group's current assets as at 31 December 2011 comprised mainly cash and bank balances of RMB32,336,570 (31 December 2010: RMB46,992,433), trade receivables of RMB56,081,170 (31 December 2010: RMB50,186,307) and inventories of RMB75,798,020 (31 December 2010: RMB69,984,901).

As at 31 December 2011, the total bank borrowings of the Group amounted to RMB93,500,000 (31 December 2010: RMB82,500,000). The bank borrowings are denominated in Renminbi and provided by various licensed banks in China with variable interest rates ranging from 5.6% to 8.5% (31 December 2010: fixed rate 5.3% to 7.0%) per annum. Of the bank borrowings, a total amount of RMB60,500,000 will mature in the first half of 2012, a total amount of RMB33,000,000 will mature in the second half of 2012.

As at 31 December 2011, the Group's consolidated total assets and net consolidated assets were about RMB324,298,632 (31 December 2010: RMB309,073,258) and RMB178,411,109 (31 December 2010: RMB166,697,608) respectively. The Group's consolidated gearing ratio, defined as the ratio of total liabilities to total assets, was 0.45 (31 December 2010: 0.46). As at 31 December 2011, the Group's gearing ratio, defined as the ratio of total bank borrowings to total assets, was 0.29 (31 December 2010: 0.27).

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2011, the Company had contingent liabilities amounting to RMB33,000,000 (31 December 2010:RMB34,000,000) in connection with the provision of guarantee as security for bank loans granted to its subsidiaries.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, the Group had 715 employees (2010: 715 employees). Remunerations of the Group's employees are determined in accordance with the terms of government policies and by reference to market level and the performance, qualifications and experience of employees. Discretionary bonuses are paid to few employees as recognition of and reward for their contribution to the corporate development. Other benefits include contributions to retirement schemes, medical schemes, unemployment insurance schemes and housing allowances.

DISPOSAL OF FIXED ASSETS

As disclosed in the announcement of the Company dated 8 November 2011, Guangdong Fulilong Compound Fertilizers Co., Ltd., a wholly owned subsidiary of the Company, as the vendor, and Wufang Economic Cooperation, Xiansha District, Gaobu Town, as the purchaser, entered into an agreement on 7 November 2011 for the sale and purchase of the fixed assets at an aggregate consideration of RMB18,535,200. Pursuant to the terms of the agreement, the disposal is scheduled to be completed within 90 business days from the date of the agreement. As the applicable percentage ratios (as defined in the GEM Listing Rules) of the disposal exceed 5% but are less than 25%, the disposal constitutes a discloseable transaction for the Company under the GEM Listing Rules.

On 25 June 1996, the vendor (as a transferee) and the purchaser (as a transferor) entered into an agreement for the sale and purchase of the land located at Wufang Anliangwei, Xiansha District, Gaobu Town, Dongguan City, Guangdong Province and the building thereon at an aggregate consideration of RMB4,176,800. The purchaser was under an obligation to obtain all necessary land use right certificates for the vendor for the purpose of perfecting the transfer of the legal titles of the land and the building. As the purchaser has failed to obtain the land use right certificate in respect of the land, and has therefore, failed to transfer the legal title of the land to the vendor. In light of the time lapsed for perfecting the transfer of the legal title of the land and the legal constraints countered by the vendor and the purchaser in completing the same, the vendor and the purchaser entered into the agreement, pursuant to which, the purchaser agreed to buy back the land and the building from the vendor at an aggregate consideration of RMB5,605,500 as compensation with reference to the valuation result of the land and the building. In addition, the purchaser also agreed to purchase the machineries at a consideration of RMB12,929,700, being the value of the machineries with reference to a valuation report. The total consideration of the sale and purchase of the fixed assets under the agreement is therefore RMB18,535,200. The consideration was arrived after arm's length negotiations between the vendor and the purchaser and by reference to the market value of similar properties in similar locations and the valuation of the machineries prepared by a professional valuer. The disposal is expected to realize a profit of approximately RMB4,161,996 based on the consideration of RMB18,535,200 minus the book value of the fixed assets of RMB14,373,204 as at 31 August 2011. The directors of the Company (including all the independent non-executive directors) are of the view that the terms of the agreement including the consideration are on normal commercial terms, and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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. Any surplus cash will be placed as deposits with licensed banks in China.

FUTURE OUTLOOK

Looking ahead to 2012, on the premise of maintaining overall fundamental stability of China's macro economy, the pace of economic growth rate will slow down while the inflation will tend to become stable. Meanwhile, the sovereign debt crisis in Europe will be the dominating factor affecting international economic environment, which could probably pose new challenge to the long-term stability of China's economy due to the difficulties in the recovery of the substantial economy of developed countries in Europe and America.

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

  (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

SHARE OPTION SCHEME *(continued)*

• 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 exercise price	The higher of (i) the closing price of the H Shares 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	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 2011, none of the Directors or the Supervisors or full-time 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 Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules and by reference to the "Guidelines for The Establishment of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The audit committee provides an important link between the Board and the Company's auditor in matters coming within the scope of the Group's audit. The primary duties of the committee are to review and supervise the financial reporting process of the Group. It also reviews the effectiveness of the external audit, internal controls and risk evaluation. The audit committee of the Company comprises three independent non-executive directors, namely Mr. Guan Tong, Mr. Wu Chen and Mr. Cao Kai, among whom, Mr. Guan Tong has been appointed as the chairman of the committee due to his professional qualifications in accounting and auditing experience.

The audit committee had held four meetings during the current financial year, and it has also reviewed the audited annual results of the Group for the year ended 31 December 2011.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 30 to 36 of this annual report.

SUFFICIENCY OF THE PUBLIC FLOAT

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

AUDITOR

On 10 May 2011, BDO Limited ("BDO") was re-appointed, which appointment will continue to be effective until the conclusion of the forthcoming annual general meeting of the Company.

The financial statements of the Group for the year ended 31 December 2011 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, 8 March 2012

Corporate Governance
Report

CORPORATE GOVERNANCE PRACTICES

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

DIRECTORS' SECURITIES TRANSACTIONS

For the year ended 31 December 2011, 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 efforts, time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position. There is no financial, business, family or other material/relevant relationship amongst the Directors. The Directors' biographical information is set out on page 14 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 2011 were:

Executive Directors
Mr. Wang Shuxin (王書新)
Mr. Hao Zhihui (郝志輝)
Mr. Zhang Chunsheng (張春生) (appointed on 8 August 2011)
Mr. Xie Kehua (謝克華) (resigned on 10 June 2011)

Non-executive Directors
Mr. Feng Enqing (馮恩慶)
Mr. Xie Guangbei (謝光北)
Mr. Ou Linfeng (歐林豐) (appointed on 8 August 2011)
Mr. Wei Jingquan (危敬權) (resigned on 10 June 2011)

Independent Non-executive Directors
Mr. Guan Tong (關彤)
Mr. Wu Chen (吳琛)
Mr. Cao Kai (曹凱) (appointed on 1 January 2011)

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. Zhang Chunsheng 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 complies with the minimum requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors and each of its independent non-executive Directors has made an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company believes, all of the independent non-executive directors are in compliance with the guidelines of independence set out in Rule 5.09 of the GEM Listing Rules and are therefore all independent persons as defined therein. And one of them has the appropriate professional qualifications required under Rule 5.05(2) 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 twelve 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 person 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.

BOARD OF DIRECTORS AND BOARD MEETING *(continued)*

Board Composition and Board Practices *(continued)*

The Board of Directors holds at least four meetings per year (one official Board meeting for each quarter at least). The Board held twelve meetings in total in 2011, and the attendance records of the Board members are as follows:

Name of directors	Attendance/Number of Meetings held
Executive Directors	
Mr. Wang Shuxin (王書新)	12/12
Mr. Hao Zhihui (郝志輝)	12/12
Mr. Zhang Chunsheng (張春生) (appointed on 8 August 2011)	5/5
Mr. Xie Kehua (謝克華) (resigned on 10 June 2011)	5/6
Non-executive Directors	
Mr. Feng Enqing (馮恩慶)	12/12
Mr. Xie Guangbei (謝光北)	8/12
Mr. Ou Linfeng (歐林豐) (appointed on 8 August 2011)	5/5
Mr. Wei Jingquan (危敬權) (resigned on 10 June 2011)	5/6
Independent non-executive Directors	
Mr. Guan Tong (關彤)	11/12
Mr. Wu Chen (吳琛)	11/12
Mr. Cao Kai (曹凱)	9/12

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. To the knowledge of the Directors, there is no financial, business, family or other material relationships amongst the members of the Board. The Company Secretary attends all regular board meetings to 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 established a remuneration committee and a nomination committee with written terms of reference in compliance with the Code. The Nomination and Remuneration Committee comprises Mr. Xie Guangbei (謝光北), a non-executive Director, Mr. Guan Tong (關彤) and Mr. Wu Chen (吳琛), both independent non-executive Directors, with Mr. Xie Guangbei (謝光北) as the chairman of the Nomination and Remuneration Committee.

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)	5/5
Mr. Guan Tong (關彤)	5/5
Mr. Wu Chen (吳琛)	5/5

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 committee 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 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.

The role and function of the remuneration committee include 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 the determination of 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.

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.

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;
- 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**
Mr. Guan Tong (關彤)	4/4
Mr. Wu Chen (吳琛)	4/4
Mr. Cao Kai (曹凱)	3/4

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 2011 and the audited financial statements for the year ended 31 December 2011 and the internal control system of the Group.

AUDITOR'S REMUNERATION

The audit committee of the Company is responsible for considering the remuneration 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

BDO Limited ("BDO", Certified Public Accountant), had been recommended by the audit committee and appointed by the shareholders as the external auditor of the Company and its subsidiaries with effect from 10 May 2011 until the conclusion of the forthcoming annual general meeting of the Company.

The annual consolidated financial statements for the financial year ended 31 December 2011 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 2011 (for the year ended 31 December 2010: BDO).

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

	Fee Charged	
Types of Services	**for the year ended 31 December 2011 RMB'000**	for the year ended 31 December 2010 RMB'000
Audit for the Group	**727**	728

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 consolidated financial statements of the Group is set out in the Auditor's Report on pages 37 to 38 of this annual report.

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

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 used 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.

Independent
Auditor's Report

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

We have audited the consolidated financial statements of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 92, which comprise the consolidated and company statements of financial position as at 31 December 2011, and 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give true and fair view 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 and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with our agreed terms of 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows 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

Lam Pik Wah
Practising Certificate Number P05325

Hong Kong, 8 March 2012

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2011

	Notes	2011 RMB	2010 RMB
Turnover	7	**511,150,674**	429,057,203
Cost of sales		**(411,882,369)**	(343,296,709)
Gross profit		**99,268,305**	85,760,494
Other income and net gains	8	**5,071,404**	1,895,443
Selling and distribution costs		**(39,841,448)**	(38,636,230)
Administrative expenses		**(27,014,853)**	(22,777,339)
Research and development expenses		**(12,066,344)**	(14,351,365)
Finance costs	9	**(6,415,263)**	(3,913,014)
Profit before income tax expenses	9	**19,001,801**	7,977,989
Income tax (expenses)/credit	10	**(2,688,300)**	15,261
Profit and total comprehensive income for the year		**16,313,501**	7,993,250
Attributable to:			
Owners of the Company		**14,417,026**	6,142,042
Non-controlling interests		**1,896,475**	1,851,208
		16,313,501	7,993,250
Earnings per share – Basic (RMB)	13	**1.02 cents**	0.43 cents

Consolidated Statement
of Financial Position

As at 31 December 2011

	Notes	2011 RMB	2010 RMB
Non-current assets			
Property, plant and equipment	15	**80,077,920**	101,111,320
Goodwill	16	**3,133,932**	3,133,932
Available-for-sale financial assets	18	**3,000,000**	3,000,000
Prepaid land lease payments	19	**17,183,824**	11,778,436
Total non-current assets		**103,395,676**	119,023,688
Current assets			
Inventories	20	**75,798,020**	69,984,901
Trade and bills receivables	21	**56,081,170**	50,186,307
Prepayments and other receivables	22	**56,687,196**	17,914,668
Amount due from ultimate holding company	31(b)	**–**	18,261
Restricted bank deposits	24	**–**	4,953,000
Bank balances and cash	24	**32,336,570**	46,992,433
Total current assets		**220,902,956**	190,049,570
Total assets		**324,298,632**	309,073,258
Current liabilities			
Trade and bills payables	25	**13,086,695**	35,804,644
Other payables and accruals	26	**37,157,536**	24,000,746
Tax payable		**2,143,292**	70,260
Bank borrowings	27	**93,500,000**	77,500,000
Total current liabilities		**145,887,523**	137,375,650
Net current assets		**75,015,433**	52,673,920
Total assets less current liabilities		**178,411,109**	171,697,608
Non-current liabilities			
Bank borrowings	27	**–**	5,000,000
NET ASSETS		**178,411,109**	166,697,608

As at 31 December 2011

	Notes	2011 RMB	2010 RMB
Capital and reserves attributable to owners of the Company			
Share capital	28	**142,000,000**	142,000,000
Reserves		**14,038,546**	(939,429)
Equity attributable to owners of the Company		**156,038,546**	141,060,571
Non-controlling interests		**22,372,563**	25,637,037
TOTAL EQUITY		**178,411,109**	166,697,608

On behalf of the Board

Wang Shuxin
Director

Zhang Chunsheng
Director

Statement of Financial Position

As at 31 December 2011

	Notes	2011 RMB	2010 RMB
Non-current assets			
Property, plant and equipment	15	**276,332**	150,494
Investments in subsidiaries	17	**106,781,397**	98,507,897
Available-for-sale financial assets	18	**3,000,000**	3,000,000
Total non-current assets		**110,057,729**	101,658,391
Current assets			
Prepayments and other receivables	22	**1,977,620**	710,146
Amount due from ultimate holding company	31(b)	**–**	18,261
Amount due from subsidiaries	23	**48,122,406**	40,703,082
Bank balances and cash	24	**1,197,992**	2,787,246
Total current assets		**51,298,018**	44,218,735
Total assets		**161,355,747**	145,877,126
Current liabilities			
Trade and bills payables	25	**26,918**	26,918
Amount due to a subsidiary	23	**10,178,961**	3,015,311
Other payables and accruals	26	**4,340,251**	3,789,721
Bank borrowings	27	**10,000,000**	8,000,000
Total current liabilities		**24,546,130**	14,831,950
Net current assets		**26,751,888**	29,386,785
NET ASSETS		**136,809,617**	131,045,176
Capital and reserves			
Share capital	28	**142,000,000**	142,000,000
Reserves	29	**(5,190,383)**	(10,954,824)
TOTAL EQUITY		**136,809,617**	131,045,176

On behalf of the Board

Wang Shuxin
Director

Zhang Chunsheng
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2011

	Share capital Note 28 RMB	Share premium Note 29(i) RMB	Surplus reserve Note 29(ii) RMB	Capital reserve Note 29(iii) RMB	Accumulated losses RMB	Attributable to owners of the Company RMB	Non-controlling of the interests RMB	Total RMB
Balance as at 1 January 2010	142,000,000	75,816,410	996,166	2,541,404	(86,435,451)	134,918,529	23,785,829	158,704,358
Profit and total comprehensive income for the year	–	–	–	–	6,142,042	6,142,042	1,851,208	7,993,250
Transfer to reserves	–	–	518,834	–	(518,834)	–	–	–
Balance as at 31 December 2010	142,000,000	75,816,410	1,515,000	2,541,404	(80,812,243)	141,060,571	25,637,037	166,697,608
Acquisition of non-controlling interests	–	–	–	–	560,949	560,949	(5,160,949)	(4,600,000)
Profit and total comprehensive income for the year	–	–	–	–	14,417,026	14,417,026	1,896,475	16,313,501
Transfer to reserves	–	–	870,483	–	(870,483)	–	–	–
Balance as at 31 December 2011	142,000,000	75,816,410	2,385,483	2,541,404	(66,704,751)	156,038,546	22,372,563	178,411,109

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2011

	Notes	2011 RMB	2010 RMB
Cash flows from operating activities			
Profit before income tax expenses		**19,001,801**	7,977,989
Amortisation of prepaid land lease payments		**304,101**	320,437
Depreciation		**9,957,652**	9,157,866
Interest expense		**6,415,263**	3,913,014
Interest income		**(198,383)**	(247,794)
(Gain)/loss on disposal of property, plant and equipment		**(4,671,584)**	83,692
Operating cash flows before working capital changes		**30,808,850**	21,205,204
Increase in inventories		**(5,813,119)**	(9,890,319)
(Increase)/decrease in trade and bills receivables		**(5,894,863)**	3,218,806
(Increase)/decrease in prepayments and other receivables		**(38,788,866)**	15,490,415
Decrease in amount due from ultimate holding company		**18,261**	7,826
Decrease in trade and bills payables		**(22,717,949)**	(10,636,057)
Increase/(decrease) in other payables and accruals		**13,156,790**	(28,526,113)
Decrease in government grants received in advance		**–**	(1,903,500)
Cash used in operations		**(29,230,896)**	(11,033,738)
Income tax paid		**(615,268)**	(975,083)
Interest paid		**(6,415,263)**	(3,913,014)
Net cash used in operating activities		**(36,261,427)**	(15,921,835)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3,084,167)**	(8,943,732)
Proceeds from disposal of property, plant and equipment		**19,418,248**	6,438
Acquisition of prepaid land lease prepayments		**(6,279,900)**	–
Decrease in restricted bank deposits		**4,953,000**	6,297,000
Interest received		**198,383**	247,794
Net cash generated from/(used in) investing activities		**15,205,564**	(2,392,500)
Cash flows from financing activities			
Acquisition of non-controlling interest		**(4,600,000)**	–
New bank borrowings		**88,500,000**	99,500,000
Repayment of bank borrowings		**(77,500,000)**	(65,500,000)
Net cash generated from financing activities		**6,400,000**	34,000,000
Net (decrease)/increase in cash and cash equivalents		**(14,655,863)**	15,685,665
Cash and cash equivalents at beginning of year		**46,992,433**	31,306,768
Cash and cash equivalents at end of year		**32,336,570**	46,992,433
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		**32,336,570**	46,992,433

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 Company and its subsidiaries (hereafter referred to as the "Group") principally engages in research and development and commercialisation of biological compound fertiliser products and health care products. The principal activities and other particulars of the subsidiaries are set out in Note 17 to the consolidated financial statements. The address of its registered office and principal place of business is No. 12 Tai Hua Road, the 5th Avenue, Tianjin, People's Republic of China.

As at 31 December 2011, Tianjin TEDA International Incubator (the "TTII"), a state-owned enterprise established in the PRC and solely owned by TEDA State-owned Asset Administration Operation Company, held 200,000,000 shares representing 14.08% of the Company's total share capital and is the major single largest shareholder of the Company.

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

(a) Adoption of new/revised HKFRSs – Effective 1 January 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

Except as explained below, the adoption of these new and revised standards and interpretations has no significant impact on the Group's financial statements.

HKFRS 3 (Amendments) – Business Combinations

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements as there was no business combination transaction during the year.

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

(a) Adoption of new/revised HKFRSs – Effective 1 January 2011 *(continued)*

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and no material impact has been noted for comparative periods disclosure. The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for comparative period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. The Group has reassessed the identification of its related parties in accordance with the revised definition.

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

The following new and revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[5]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 12	Disclosure of Interest in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Instruments[4]
HKAS 28 (2011)	Investments in Associates and Joint Venture[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

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

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

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKAS 12 – Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

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

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

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs and the directors so far concluded that the application of these new or revised HKFRSs will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated 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. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listings Rules").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of consideration given in exchange of goods.

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2011 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

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

(b) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

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

(c) Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is capitalised as a separate asset with any impairment in carrying amount being recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Goodwill *(continued)*

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

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

(d) 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 construction in progress, 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.

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 appropriate class of property, plant and equipment when it is completed and ready for its intended use.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Prepaid land lease payments

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid land lease payments" in the statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

(f) 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.

(g) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, prepaid land lease payments and the Company's investment in subsidiaries 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Impairment of other assets *(continued)*

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 to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(h) 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.

(i) Financial instruments

(i) Financial assets

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.

Loans and receivables

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

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available for sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss. 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 measured at cost less impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial instruments *(continued)*

(ii) Impairment loss on financial assets

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

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

For loans and receivables

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

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

For available-for-sale financial assets

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.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities include trade and other payable and borrowings; they are initially measured at fair value, net of directly attributable costs incurred. Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial instruments *(continued)*

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

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

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

(j) 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(k) 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)*

(l) Provisions and contingent liabilities

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

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

(m) Income tax

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

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

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

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

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

(n) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Foreign currencies

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

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

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

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

(p) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Employees' benefits

(i) *Short term benefits*

Salaries, annual bonuses and paid annual leaves are accrued in the year in which the associated services are rendered by employees. Where payments or settlements are deferred and the effect would be material, these amounts are stated at their present value.

(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.

(r) Capitalisation of borrowing costs

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

(s) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

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

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Related parties *(continued)*

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

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

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

The entity is controlled or jointly controlled by a person identified in (a). A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

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

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

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

5. CRITICAL ACCOUNTING 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.

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

Key sources of estimation uncertainty *(continued)*

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 judgement 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.

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. SEGMENT INFORMATION

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

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 health care products
- Distribution of biological compound fertiliser products

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

6. SEGMENT INFORMATION *(continued)*

(a) Segment revenue and results

For the year ended 31 December 2011

	Health care products RMB	Fertiliser products RMB	Elimination RMB	Total RMB
Sales to external customers	**100,148,392**	**411,002,282**	**–**	**511,150,674**
Segment profits before income tax expenses	**6,549,185**	**12,452,616**	**–**	**19,001,801**

For the year ended 31 December 2010

	Health care Products RMB	Fertiliser products RMB	Elimination RMB	Total RMB
Sales to external customers	83,009,993	346,047,210	–	429,057,203
Inter-segment sales	39,830	15,790,847	(15,830,677)	–
Total	83,049,823	361,838,057	(15,830,677)	429,057,203
Segment profits before income tax expenses	2,098,029	5,879,960	–	7,977,989

6. SEGMENT INFORMATION *(continued)*

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2011 RMB	2010 RMB
Segment assets		
Health care products	**66,509,565**	65,329,944
Fertiliser products	**257,789,067**	243,725,053
Segment assets	**324,298,632**	309,054,997
Unallocated	**–**	18,261
Consolidated total assets	**324,298,632**	309,073,258

The unallocated assets represented the amount due from ultimate holding company at Note 31(b).

	2011 RMB	2010 RMB
Segment liabilities		
Health care products	**52,817,155**	50,289,368
Fertiliser products	**88,882,095**	88,397,024
Segment liabilities	**141,699,250**	138,686,392
Unallocated	**4,188,273**	3,689,258
Consolidated total liabilities	**145,887,523**	142,375,650

The unallocated liabilities represent the other payable for the Company in Note 26.

6. SEGMENT INFORMATION *(continued)*

(c) Other segment information included in segment profit or segment assets

For the year ended 31 December 2011

	Health care products RMB	Fertiliser products RMB	Total RMB
Interest income	**25,936**	**172,447**	**198,383**
Finance costs	**2,547,628**	**3,867,635**	**6,415,263**
Amortisation of prepaid land lease payments	**–**	**304,101**	**304,101**
Depreciation	**786,041**	**9,171,611**	**9,957,652**
Additions to non-current assets	**1,067,259**	**8,296,808**	**9,364,067**
Loss/(gain) on property, plant and equipment	**6,990**	**(4,678,574)**	**(4,671,584)**

For the year ended 31 December 2010

	Health care products RMB	Fertiliser products RMB	Total RMB
Interest income	33,562	214,232	247,794
Finance costs	1,401,275	2,511,739	3,913,014
Amortisation of prepaid land lease payments	–	320,437	320,437
Depreciation	1,169,276	7,988,590	9,157,866
Additions to non-current assets	635,461	8,308,271	8,943,732
Gain/(loss) on property, plant and equipment	88,979	(5,287)	83,692

6. SEGMENT INFORMATION *(continued)*

(d) 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 2011 and 2010, the revenue from the Group's largest customer amounted to less than 10 per cent of the Group's total revenue.

7. TURNOVER

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

	2011 RMB	2010 RMB
Fertiliser products	**411,002,282**	346,047,210
Health care products	**100,148,392**	83,009,993
	511,150,674	429,057,203

8. OTHER INCOME AND NET GAINS

	2011 RMB	2010 RMB
Gain on disposal of property, plant and equipment	**4,671,584**	–
Government grants (Note)	**610,400**	1,903,500
Interest income	**198,383**	247,794
Others	**251,037**	104,149
	5,731,404	2,255,443
Less: Business tax	**(660,000)**	(360,000)
	5,071,404	1,895,443

Note: Government grants mainly represent subsidies granted by the PRC Government to subsidiaries 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 Government.

9. PROFIT BEFORE INCOME TAX EXPENSES

	Note	2011 RMB	2010 RMB
Profit before income tax expenses is arrived after charging/(crediting):			
Finance costs			
Interest expense on bank borrowings wholly repayable within five years		**6,415,263**	3,913,014
Auditor's remuneration		**813,262**	841,100
Carrying amount of inventories sold			
Cost of inventories sold		**369,822,768**	307,121,554
Depreciation on property, plant and equipment	15	**9,957,652**	9,157,866
Amortisation of prepaid land lease payments	19	**304,101**	320,437
Allowance/(reversal) for impairment losses on:			
– Trade receivables	21(b)	**920,686**	529,249
– Other receivables	22(a)	**682,916**	38,169
(Gain)/loss on disposal of property, plant and equipment, net		**(4,671,584)**	83,692
Operating lease rentals – land and buildings		**2,880,968**	2,791,863
Staff costs (including emoluments of directors and supervisors):			
– Salaries and allowances		**32,585,101**	29,051,326
– Pension fund contribution		**2,243,672**	2,186,302
		34,828,773	31,237,628

10. INCOME TAX EXPENSES

(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 can continue to enjoy the preferential tax rates during the transitional period and are subject to EIT rate of 24% for the year (2010: 22%).

Shandong Hidersun Fertiliser Industry Co., Ltd. ("Shandong Hidersun"), a foreign invested enterprise, was granted the 5-year tax holiday with full exemption for the first two years, followed by 50% tax exemption for the consecutive three years. The tax holiday started in year ended 31 December 2006 and expired the year ended 31 December 2010. Shandong Hidersun was therefore entitled to unified enterprise income tax rate of 25% during year ended 31 December 2011 (2010: 12.5%).

On 16 December 2008, Guangdong Fulilong Compound Fertilisers Co., Ltd. was approved as a new and high technology enterprise and was therefore entitled to a preferential tax rate of 15% (2010: 15%) for the period from 16 December 2008 to 15 December 2011.

On 8 June 2010, Tianjin Alpha Health Care Products Co. Ltd. was approved as a new and high technology enterprise and was therefore entitled to a preferential tax rate of 15% (2010: 15%) for the period from 8 June 2010 to 7 June 2012.

The income tax expenses/(credit) for the year can be reconciled to the Group's profit for the year as follows:

	2011 RMB	2010 RMB
Profit before income tax expenses	**19,001,801**	7,977,989
Calculated at statutory rate of 25% (2010: 25%)	**4,750,450**	1,994,497
Tax effect of non-taxable items	**(229,146)**	(445,288)
Tax effect of expenses not deductible for taxation purposes	**1,144,915**	726,838
Utilisation of tax losses previously not recognised	**(1,922,923)**	(847,380)
Tax rate differential	**(1,214,282)**	(635,305)
Under/(over) provision in prior years	**159,286**	(808,623)
Income tax expenses/(credit)	**2,688,300**	(15,261)

10. INCOME TAX EXPENSES *(continued)*

(b) Deferred taxation

At 31 December 2011, the Group and the Company have unused tax losses of RMB3,822,000 and RMB3,822,000 respectively (2010: RMB9,348,000 and RMB9,348,000) available for offset against future profits which would expire within five years since the respective years in which the tax losses were incurred. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. All unused tax losses will be expired after five years since their date of incurrence.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of a profit of RMB5,764,441 (2010: RMB2,497,444).

12. DIVIDEND

No dividend has been paid or declared by the Company during the year (2010: Nil).

13. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit attributable to owners of the Company of RMB14,417,026 (2010: RMB6,142,042), divided by the weighted average number of shares of 1,420,000,000 (2010: 1,420,000,000) shares.

Diluted earnings per share is not presented as there are no dilutive potential ordinary shares outstanding during the years of 2011 and 2010.

14. 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:

	2011 **RMB**	2010 RMB
Fees	**240,889**	249,224
Salaries, housing and other allowances	**1,291,079**	962,200
Discretionary performance bonuses	**246,601**	199,772
Pension	**277,751**	220,875
	2,056,320	1,632,071

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

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

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

Executive directors:

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

	Fees emoluments RMB	Salaries, allowances and benefits in kind RMB	Retirement benefits scheme contributions RMB	Total RMB
2011				
Mr Wang Shuxin	**–**	**355,884**	**71,662**	**427,546**
Mr Xie Kehua (resigned on 10 Jun 2011)	**–**	**242,992**	**37,199**	**280,191**
Mr Zhang Chunsheng (appointed on 8 Aug 2011)	**–**	**191,667**	**–**	**191,667**
Mr Hao Zhihui	**–**	**310,199**	**68,178**	**378,377**
	–	**1,100,742**	**177,039**	**1,277,781**
2010				
Mr Wang Shuxin	–	373,992	65,481	439,473
Mr Xie Kehua	–	257,020	43,161	300,181
Mr Hao Zhihui	–	309,166	59,985	369,151
	–	940,178	168,627	1,108,805

Non-executive directors:

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

	2011 RMB	2010 RMB
Mr Feng Enqing	**38,374**	33,643
Mr Wang Xiaofa (term expired on 31 Dec 2010)	**–**	33,643
Mr Xie Guangbei	**38,374**	33,643
Mr Wei Jingquan (appointed on 1 Jan and resigned on 10 Jun 2011)	**69,490**	–
Mr Ou Linfeng (appointed on 8 Aug 2011)	**131,072**	–
	277,310	100,929

14. 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 are as follows:

	2011 **RMB**	2010 RMB
Professor Xian Guoming (term expired on 31 Dec 2010)	**–**	33,643
Mr Guan Tong	**38,374**	33,643
Mr Chao Kai (appointed on 1 Jan 2011)	**34,731**	–
Mr Wu Chen	**38,374**	33,643
	111,479	100,929

Supervisors:

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

	Salaries, allowances and benefit in kind RMB	**Retirement benefits scheme contributions RMB**	**Total RMB**
2011			
Mr Zhao Tingying (resigned on 10 Jun 2011)	**138,383**	**50,987**	**189,370**
Ms Yang Chunyan (appointed on 1 Jan 2011)	**64,238**	**19,061**	**83,299**
Ms Liu Jinyu (appointed on 8 Aug 2011)	**42,831**	**21,590**	**64,421**
	245,452	**91,638**	**337,090**
2010			
Mr Zhao Tingying	160,574	32,447	193,021
Mr Yuan Wei	61,220	19,801	81,021
	221,794	52,248	274,042

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

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

Independent supervisors:

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

	2011 RMB	2010 RMB
Mr Gao Xianbiao	**26,330**	23,683
Mr Zhao Kuiying	**26,330**	23,683
	52,660	47,366

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2010: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2010: two) individuals during the year are as follows:

	2011 RMB	2010 RMB
Salaries, housing and other allowances	**138,382**	328,049
Retirement benefits scheme contributions	**50,987**	32,447
Salaries, housing and other allowances	**189,369**	360,496

The emoluments fell within the following bands:

	Number of individuals	
	2011 RMB	2010 RMB
Nil – RMB830,231 (2010: RMB856,000) (equivalent to Nil – HK$1,000,000)	**1**	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 (2010: Nil).

None of the directors and supervisors waived any emoluments during the year (2010: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB	Plant and machinery RMB	Motor vehicles RMB	Furniture, fixtures and equipment RMB	Construction in progress RMB	Total RMB
Cost						
At 1 January 2010	49,673,013	68,663,911	8,972,121	4,858,818	19,098,010	151,265,873
Transfer to prepaid land lease payment	–	–	–	–	(6,594,900)	(6,594,900)
Reclassification		10,350,068	6,000	286,089	(10,642,157)	–
Additions	1,654,171	4,118,552	763,317	406,308	2,001,384	8,943,732
Disposals	–	(1,956,367)	(598,291)	(223,110)	–	(2,777,768)
At 31 December 2010	51,327,184	81,176,164	9,143,147	5,328,105	3,862,337	150,836,937
Additions	346,999	849,187	1,181,154	706,827	–	3,084,167
Disposals	(3,507,000)	(29,312,539)	(718,924)	(96,139)	–	(33,634,602)
At 31 December 2011	48,167,183	52,712,812	9,605,377	5,938,793	3,862,337	120,286,502
Accumulated depreciation						
At 1 January 2010	8,458,390	27,195,856	4,956,398	2,644,745	–	43,255,389
Charge for the year (Note 9)	1,416,588	6,054,333	1,225,811	461,134	–	9,157,866
Written back on disposals	–	(1,956,367)	(577,834)	(153,437)	–	(2,687,638)
At 31 December 2010	9,874,978	31,293,822	5,604,375	2,952,442	–	49,725,617
Charge for the year (Note 9)	1,452,353	6,795,531	1,160,130	549,638	–	9,957,652
Written back on disposals	(2,582,528)	(16,230,658)	(570,171)	(91,330)	–	(19,474,687)
At 31 December 2011	8,744,803	21,858,695	6,194,334	3,410,750	–	40,208,582
Carrying amount						
At 31 December 2011	39,422,380	30,854,117	3,411,043	2,528,043	3,862,337	80,077,920
At 31 December 2010	41,452,206	49,882,342	3,538,772	2,375,663	3,862,337	101,111,320

Note:

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

(2) At 31 December 2011, the carrying amount of property, plant and equipment pledged as security for certain of the Group's banking facilities amounted to RMB67 million (2010: RMB55 million) (Note 27).

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company

	Plant and machinery RMB	Motor vehicles RMB	Furniture, fixtures and equipment RMB	Total RMB
Cost				
At 1 January 2010	1,113,790	1,392,826	1,323,664	3,830,280
Disposals	–	(172,940)	(992,101)	(1,165,041)
At 31 December 2010	1,113,790	1,219,886	331,563	2,665,239
Additions	–	–	153,458	153,458
Disposals	–	–	(96,137)	(96,137)
At 31 December 2011	1,113,790	1,219,886	388,884	2,722,560
Accumulated depreciation				
At 1 January 2010	1,113,790	1,265,095	1,164,393	3,543,278
Charge for the year	–	66,737	69,771	136,508
Written back on disposals	–	(172,940)	(992,101)	(1,165,041)
At 31 December 2010	1,113,790	1,158,892	242,063	2,514,745
Charge for the year	–	–	22,813	22,813
Written back on disposals	–	–	(91,330)	(91,330)
At 31 December 2011	1,113,790	1,158,892	173,546	2,446,228
Carrying amount				
At 31 December 2011	–	60,994	215,338	276,332
At 31 December 2010	–	60,994	89,500	150,494

16. GOODWILL

	Group	
	2011	2010
	RMB	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 health care food and related products to which the goodwill belong on the value in use basis. The calculation is based on the most recent financial budgets for the next five years approved by management of the Group. The following key assumptions have been made for the purpose of analysis:

1 Gross margin ratio of 48% (2010: 48%)
2 Pre-tax discount rate of 14% (2010: 15%) per year
3 Average growth rate of 7% (2010: 9%)

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 2011.

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.

17. INVESTMENT IN SUBSIDIARIES

	Company 2011 RMB	2010 RMB
Unlisted equity investments, at cost	**106,781,397**	98,507,897

Particulars of the Group's subsidiaries as at 31 December 2011, 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 Health Care Products Co., Ltd. 天津阿爾發保健品有限公司	15 August 1994, limited liability company	3,600	100% (note)	Manufacture and distribution of diabetic health food and related products
Shandong Hidersun Fertiliser Industry Co., Ltd. 山東海得斯肥業有限公司	18 September 2005, joint-venture enterprise	62,792	51%	Engaging in the research and development, production and sale of biological fertilisers, combined fertilisers, mixed fertilisers and plant fertilisers including the application of related technology
Guangdong Fulilong Compound Fertilisers Co., Ltd. 廣東福利龍複合肥有限公司	20 August 1996, limited liability company	20,000	100%	Manufacture and sale of compound fertilisers

Note:

In August 2011, the Company acquired the remaining 25% equity interest of Tianjin Alpha Health Care Products Co. Ltd. ("Tianjin Alpha") from independent non-controlling interest for consideration of RMB4,600,000. Tianjin Alpha became wholly-owned subsidiary of the Company since the date of acquisition.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Company	
	2011	2010
	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 sales and production of medical equipment. The investment is measured at cost less impairment at the end of reporting period because the variability in 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. The Group and the Company plan to hold this available-for-sales financial assets for the foreseeable future.

19. PREPAID LAND LEASE PAYMENTS

	Group	
	2011	2010
	RMB	RMB
Cost		
At 1 January	**13,402,224**	6,807,324
Additions	**6,279,900**	–
Transferred from property, plant and equipment (Note 15)	**–**	6,594,900
Disposals	**(816,800)**	–
At 31 December	**18,865,324**	13,402,224
Accumulated amortisation		
At 1 January	**1,303,351**	982,914
Charge for the year (Note 9)	**304,101**	320,437
Written back on disposals	**(230,051)**	–
At 31 December	**1,377,401**	1,303,351
Carrying amount		
At 31 December	**17,487,923**	12,098,873
Portion classified as current assets (included in prepayments and other receivables)	**304,099**	320,437
Non-current assets	**17,183,824**	11,778,436
	17,487,923	12,098,873

The Group's prepaid land lease payments comprise medium term leases of land in the PRC. A subsidiary of the Group is in a process of applying for the land use right certificate with a carrying amount of RMB6.2 million (2010: RMB1.1 million).

20. INVENTORIES

	2011 Group RMB	2011 Company RMB	2010 Group RMB	2010 Company RMB
Raw materials	**35,655,643**	**336,542**	36,209,507	336,542
Work-in-progress	**804,265**	**–**	939,165	–
Finished goods	**30,618,882**	**–**	25,422,670	–
Packaging materials	**9,672,553**	**–**	8,479,301	–
	76,751,343	**336,542**	71,050,643	336,542
Less: Provision for inventory obsolescence	**(953,323)**	**(336,542)**	(1,065,742)	(336,542)
	75,798,020	**–**	69,984,901	–

At 31 December 2011, inventories pledged as security for certain of the Group's banking facilities amounted to RMB39 million (2011: RMB37 million) (Note 27).

At 31 December 2011, a provision of RMB508,631 (2010: RMB3,236,555) made in prior years against the carrying value of finished goods has been reversed. This reversal arose due to increase in the estimated net realisable value of certain fertiliser products with the subsequent sales of those inventories previously reserved for.

21. TRADE AND BILLS RECEIVABLES

	Group 2011 RMB	Group 2010 RMB
Trade receivables (note (a))	**60,005,285**	54,529,101
Less: Allowance for doubtful debts (note (b))	**(3,924,115)**	(4,842,794)
	56,081,170	49,686,307
Bills receivables	**–**	500,000
	56,081,170	50,186,307

21. TRADE AND BILLS RECEIVABLES *(continued)*

Notes:

(a) The Group generally grants credit terms of 120 days to major customers and 90 days to others trade customers. The following is an ageing analysis of trade receivables at the end of the reporting periods:

	Group 2011 RMB	2010 RMB
Within 3 months	**41,067,899**	30,931,209
Between 3 to 6 months	**11,845,354**	13,668,315
Between 6 to 12 months	**3,935,240**	3,957,368
Over 1 year	**3,156,792**	5,972,209
	60,005,285	54,529,101

The Group has fully provided 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 has been spread over a number of counterparties and customers.

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

	Group 2011 RMB	2010 RMB
At 1 January	**4,842,794**	5,306,975
Impairment loss recognised (Note 9)	**920,686**	529,249
Bad debt written off	**(1,839,365)**	(993,430)
At 31 December	**3,924,115**	4,842,794

(c) Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

21. TRADE AND BILLS RECEIVABLES *(continued)*

Notes: *(continued)*

(d) Trade receivables that were past due but not impaired are as follows:

	Group	
	2011	2010
	RMB	RMB
Within 3 months	**10,707,207**	11,450,923
Between 3 to 6 months	**1,539,126**	12,950,505
Between 6 to 12 months	**–**	1,937,143
Over 1 year	**–**	512,122
	12,246,333	26,850,693

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

22. PREPAYMENTS AND OTHER RECEIVABLES

	2011		2010	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Other receivables	**15,069,966**	**3,008,352**	5,511,285	1,995,977
Less: allowance for doubtful debts (note a)	**(2,288,080)**	**(1,401,894)**	(1,918,617)	(1,492,004)
	12,781,886	**1,606,458**	3,592,668	503,973
Deposits and prepayments	**43,905,310**	**371,162**	14,322,000	206,173
	56,687,196	**1,977,620**	17,914,668	710,146

22. PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

(a) Allowance for doubtful debts

	2011		2010	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
At 1 January	**1,918,617**	**1,492,004**	1,306,790	754,815
Additional allowance (Note 9)	**682,916**	**–**	38,169	(18,770)
(Recovery on)/uncollectible amounts written off	**(313,453)**	**(90,110)**	573,658	755,959
At 31 December	**2,288,080**	**1,401,894**	1,918,617	1,492,004

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

Other receivables are assessed to be impaired individually at each reporting date and impairments losses of the Group and the Company amounting to RMB2,288,080 (2010: RMB1,918,617) and RMB1,401,894 (2010: RMB1,492,004) respectively have been made as at 31 December 2011. The individually impaired receivables are recognised based on the indication of financial difficulties and default in payments. Consequently, specific impairment provision was recognised. The Group does not hold any collateral over these balances. Other receivables, deposits and prepayments are non-interest bearing.

23. AMOUNT DUE FROM/(TO) SUBSIDIARIES

The amounts due from/(to) subsidiaries are unsecured and repayable on demand. The amounts due are interest-free except for loans from a subsidiary totalling RMB43,461,850 (2010: RMB Nil) that bear interest at 7.23% per annum.

24. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

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 2011, cash and bank balances denominated in RMB amounted to approximately RMB31,466,740 (2010: approximately RMB46,776,000). 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 during year ended 31 December 2010 were denominated in RMB and pledged to secure the Group's credit facilities granted by banks.

25. TRADE AND BILLS PAYABLES

	2011 Group RMB	2011 Company RMB	2010 Group RMB	2010 Company RMB
Trade payables	**13,086,695**	**26,918**	19,294,644	26,918
Bills payables	**–**	**–**	16,510,000	–
	13,086,695	**26,918**	35,804,644	26,918

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

	2011 Group RMB	2011 Company RMB	2010 Group RMB	2010 Company RMB
Within 3 months	**8,318,545**	**–**	30,653,797	–
Between 3 and 6 months	**1,989,570**	**–**	1,459,917	–
Between 6 and 12 months	**610,929**	**–**	3,021,015	–
Over 1 year	**2,167,651**	**26,918**	669,915	26,918
	13,086,695	**26,918**	35,804,644	26,918

26. OTHER PAYABLES AND ACCRUALS

	2011 Group RMB	2011 Company RMB	2010 Group RMB	2010 Company RMB
Other payables	**17,982,319**	**814,033**	8,034,217	1,060,035
Accruals	**3,876,052**	**865,883**	1,298,766	15,259
Receipt in advance	**12,638,830**	**–**	11,953,336	–
Payable to Social Security Fund (note)	**2,660,335**	**2,660,335**	2,714,427	2,714,427
	37,157,536	**4,340,251**	24,000,746	3,789,721

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).

27. BANK BORROWINGS

	2011 Group RMB	2011 Company RMB	2010 Group RMB	2010 Company RMB
Secured against property, plant and equipment and inventories (note (i))	**50,500,000**	**–**	40,500,000	–
Unsecured (note (ii))	**43,000,000**	**10,000,000**	42,000,000	8,000,000
	93,500,000	**10,000,000**	82,500,000	8,000,000

The bank borrowings based on the agreed terms of repayment granted by banks are as follows:

	2011 Group RMB	2011 Company RMB	2010 Group RMB	2010 Company RMB
On demand or within one year	**93,500,000**	**10,000,000**	77,500,000	8,000,000
After one year but within two years	**–**	**–**	5,000,000	–
	93,500,000	**10,000,000**	82,500,000	8,000,000

Notes:

(i) Secured against property, plant and equipment and inventories with a total carrying amount of about RMB106 million (2010: RMB92 million) (Notes 15 and 20).

(ii) Unsecured loans are guaranteed as follows:

	2011 Group RMB	2011 Company RMB	2010 Group RMB	2010 Company RMB
Guarantees were provided by:				
– The Company	**33,000,000**	**–**	34,000,000	–
– Two subsidiaries of the Company	**–**	**–**	8,000,000	8,000,000
– Other (Note)	**10,000,000**	**10,000,000**	–	–
	43,000,000	**10,000,000**	42,000,000	8,000,000

Note: The loan was guaranteed by a Tianjin local governmental body to support the financing of PRC enterprises.

(iii) The bank borrowings of the Group bear interest at floating effective interest rate ranging from 5.6% to 8.5% (2010: fixed rate 5.3% to 7.0%) per annum.

28. SHARE CAPITAL

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

	2011 Number (million)	2011 RMB (million)	2010 Number (million)	2010 RMB (million)
Ordinary shares of RMB0.1 each:				
Domestic shares				
At 1 January and 31 December	**715**	**71**	715	71
H shares				
At 1 January and 31 December	**705**	**71**	705	71
Total at 31 December	**1,420**	**142**	1,420	142

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.

(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 2011, none of the directors or supervisors, employees or other participants of the Scheme had any rights to acquire the H Shares in the Company (2010: Nil).

29. RESERVES

The Company	Share premium RMB (note(i))	Capital reserve RMB (note(iii))	Accumulated losses RMB	Total RMB
At 1 January 2010				
Issue of shares	75,816,410	(2,312,483)	(86,956,195)	(13,452,268)
Profit and total comprehensive income for the year	–	–	2,497,444	2,497,444
At 31 December 2010	75,816,410	(2,312,483)	(84,458,751)	(10,954,824)
Profit and total comprehensive income for the year	–	–	5,764,441	5,764,441
At 31 December 2011	75,816,410	(2,312,483)	(78,694,310)	(5,190,383)

(i) Share premium

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

(ii) Surplus reserve

In accordance with the PRC Companies Law, the Company and its subsidiaries are required to transfer 10% of their profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to the statutory surplus reserve (until such reserve reaches 50% of the registered capital of the respective companies). The statutory surplus reserve is non-distributable and can be used to make up losses or to increase share capital. Except for the reduction of losses incurred, other usage should not result in the statutory surplus reserve falling below 25% of the registered capital.

(iii) Capital reserve

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

30. COMMITMENTS

(a) Capital commitments

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

	Group	
	2011	2010
	RMB	RMB
Authorised and contracted for		
– Acquisition of plant and machinery	**662,596**	174,964

(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	
	2011	2010
	RMB	RMB
Within one year	**1,358,686**	1,568,622
After one year but within five years	**1,914,661**	5,121,130
After five years	**4,136,207**	6,256,191
	7,409,554	12,945,943

Operating lease payments represent rentals payable by the Group for certain of its office and factory premises and staff quarters. Leases are negotiated for terms ranged from 2 to 31 years (2010: 2 to 32 years) and rentals are fixed over the corresponding terms of the leases.

31. 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:

	2011		2010	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Nature of transaction				
Rental payments	–	–	2,115,612	326,268

The above transactions in 2010 were 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.

(b) Amounts due from related parties represent:

	2011		2010	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Ultimate holding company	–	–	18,261	18,261

All balances due from 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 and non-executive directors only whose remuneration is set out in Note 14 to the financial statements.

32. CAPITAL RISK MANAGEMENT

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

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

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

The net debt-to-adjusted capital ratio at 31 December 2011 and 2010 was as follows:

	Group	
	2011	2010
	RMB	RMB
Total debts – Bank borrowings	**93,500,000**	82,500,000
Less: Bank balances and cash and restricted bank deposits	**(32,336,570)**	(51,945,433)
Net debts	**61,163,430**	30,554,567
Total equity	**178,411,109**	166,697,608
Net debt-to-adjusted equity ratio	**34.3%**	18.3%

33. 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 4% (2010: 7%) and 14% (2010: 30%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Notes 21 and 22 respectively.

33. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk

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

The following table details the remaining contractual maturities at the end of reporting period of the Group's 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 RMB	Total contractual undiscounted cash flow RMB	Within 1 year or on demand RMB	More than 1 year but less than 2 years RMB
2011				
Bank borrowings	**93,500,000**	**96,928,596**	**96,928,596**	**–**
Trade and bills payables	**13,086,695**	**13,086,695**	**13,086,695**	**–**
Other payables	**24,518,706**	**24,518,706**	**24,518,706**	**–**
	131,105,401	**134,533,997**	**134,533,997**	**–**
2010				
Bank borrowings	82,500,000	85,894,874	80,451,981	5,442,893
Trade and bills payables	35,804,644	35,804,644	35,804,644	–
Other payables	12,047,410	12,047,410	12,047,410	–
	130,352,054	133,746,928	128,304,035	5,442,893

33. 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
2011			
Bank borrowings	**10,000,000**	**10,639,280**	**10,639,280**
Trade and bills payables	**26,918**	**26,918**	**26,918**
Amount due to a subsidiary	**10,178,961**	**10,178,961**	**10,178,961**
Other payables	**4,340,251**	**4,340,251**	**4,340,251**
	24,546,130	**25,185,410**	**25,185,410**
Financial guarantees issued			
Maximum amount guaranteed	**–**	**33,000,000**	**33,000,000**
2010			
Bank borrowings	8,000,000	8,219,364	8,219,364
Trade and bills payables	26,918	26,918	26,918
Amount due to a subsidiary	3,015,311	3,015,311	3,015,311
Other payables	3,789,721	3,789,721	3,789,721
	14,831,950	15,051,314	15,051,314
Financial guarantees issued			
Maximum amount guaranteed	–	34,000,000	34,000,000

33. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings were issued at variable rates and at fixed rates for year ended 31 December 2011 and 2010 expose the Group to cash flow interest rate risk and fair value interest risk respectively. The Group has no significant interest bearing assets apart from cash and bank deposits. The Group's interest rate profile as monitored by management is set out below.

The Group's cash flow interest rate and fair value interest-rate risks mainly arise from bank borrowings as disclosed in Note 27. Bank borrowings were issued at fixed rates during year ended 31 December 2010 which expose the Group to fair value interest-rate risk. The Group has cash flow interest-rate risk during the year ended 31 December 2011 as there are borrowings which bear floating interest rates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

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

	Group			
	2011		2010	
	Effective interest rate %	**RMB**	Effective interest rate %	RMB
Borrowings				
Fixed rate borrowings	**–**	**–**	6.32%	83,500,000
Variable rate borrowing	**7.21%**	**93,500,000**	–	–
		93,500,000		82,500,000

	Company			
	2011		2010	
	Effective interest rate %	**RMB**	Effective interest rate %	RMB
Borrowings				
Fixed rate borrowings	**–**	**–**	5.31%	8,000,000
Variable rate borrowing	**7.88%**	**10,000,000**	–	–
		10,000,000		8,000,000

33. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Interest rate risk *(continued)*

At 31 December 2011, 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 before taxation and accumulated losses by approximately RMB612,000 (2010: increase/decrease the Group's profit after taxation by approximately RMB519,000).

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 2010.

(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 2011 and 2010, except for the amounts due from/(to) subsidiaries which are unsecured, non-interest bearing and have repayable on demand terms and available-for-sale financial asset which is stated at cost less impairment at the end of reporting period. 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.

34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the financial assets and financial liabilities as recognised at 31 December 2011 and 2010 may be categorised as follows:

	2011		2010	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Financial assets				
Loans and receivables (including bank balances and cash and restricted bank deposits)	**101,199,626**	**50,926,856**	105,742,669	44,012,562
Available-for-sale financial assets	**3,000,000**	**3,000,000**	3,000,000	3,000,000
	104,199,626	**53,926,856**	108,742,669	47,012,562
Financial liabilities				
Financial liabilities measured at amortised cost	**127,229,349**	**13,501,286**	124,478,620	9,086,954

35. CONTINGENT LIABILITIES

The Company guaranteed the banking facilities granted to certain of its subsidiaries amounting to RMB33 million (2010: RMB34 million). As at 31 December 2011 and 2010, all of the above banking facilities granted was utilised.

36. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current year's presentation and the details are as follows:

The reversal of provision of obsolete stock under other income and net gains in prior year amounted to RMB2,383,274 has been reclassified to cost of sales.

37. SUBSEQUENT EVENT

Pursuant to announcement dated 17 February 2012, the Company for itself and on behalf of TTII and the placing agent entered into the placing agreement pursuant to which the placing agent has conditionally agreed to place, on a best efforts basis, not more than 192,500,000 H shares.

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 8 March 2012.

Notice of Annual General Meeting

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 Tuesday, 8 May 2012 at 9:30 a.m. to consider, if thought fit, passing the following resolutions as ordinary resolutions:

1. To consider and, if thought fit, approve the report of the directors' of the Company for 2011;

2. To consider and, if thought fit, approve the report of the Supervisory Committee of the Company for 2011;

3. To consider and, if thought fit, approve the audited consolidated financial statement of the Group for the year ended 31 December 2011;

4. To consider and, if thought fit, approve the proposal of appointing BDO Limited as auditor of the Company for the financial year of 2012 and authorize the directors of the Company to fix their remuneration; and

5. To transact any other business.

By order of the Board
Wang Shuxin
Chairman

Tianjin, China
9 March 2012

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 need 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 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 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. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. The register of the shareholders of the Company will be closed from 7 April 2012 to 8 May 2012 (both days inclusive), during which no transfer of shares of the Company will be registered. As regards holders of H Shares of the Company 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 6 April 2012 at 4:00 p.m. for registration.

6. Shareholders of the Company who intend to attend the meeting mentioned above should complete and deliver the reply slip for attendance to the Company's Share Registrar or the registered address of the Company by hand, post or fax not later than 18 April 2012.

7. The registered address of the Company and the contact details of the Company are as follows:

   No. 12 Tai Hua Road, The 5th Avenue, TEDA, Tianjin, the PRC
   Fax No.: (8622) 59816909

As at the date of this announcement, the Board comprises of three executive Directors, being Mr. Wang Shuxin, Mr. Hao Zhihui and Mr. Zhang Chunsheng; three non-executive Directors, being Mr. Feng Enqing, Mr. Xie Guangbei and Mr. Ou Linfeng and three independent non-executive Directors, being Mr. Cao Kai, Mr. Wu Chen and Mr. Guan Tong.

This announcement, for which the directors of 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 Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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