天津泰達生物醫學工程股份有限公司

Tianjin TEDA Biomedical Engineering Company Limited

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

(Stock Code: 8189)

ANNUAL REPORT 2008

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

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BACKGROUND

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

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

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

Tianjin TEDA Biomedical Engineering Company Limited

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

100%

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

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

75%

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

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

51%

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

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

CORPORATE INFORMATION

Executive Directors
Mr. Wang Shuxin
Mr. Xie Kehua

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

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

Supervisors
Mr. Zhao Tingying
Mr. Yuan Wei

Independent Supervisors
Mr. Gao Xianbiao
Mr. Zhao Kuiying

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

Compliance Officer
Mr. Wang Shuxin

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

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

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

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

Auditors
Shu Lun Pan Horwath Hong Kong CPA 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
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Nos. 21–22 Connaught Road
Central
Hong Kong

Hong Kong Share Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F Hopewell Centre
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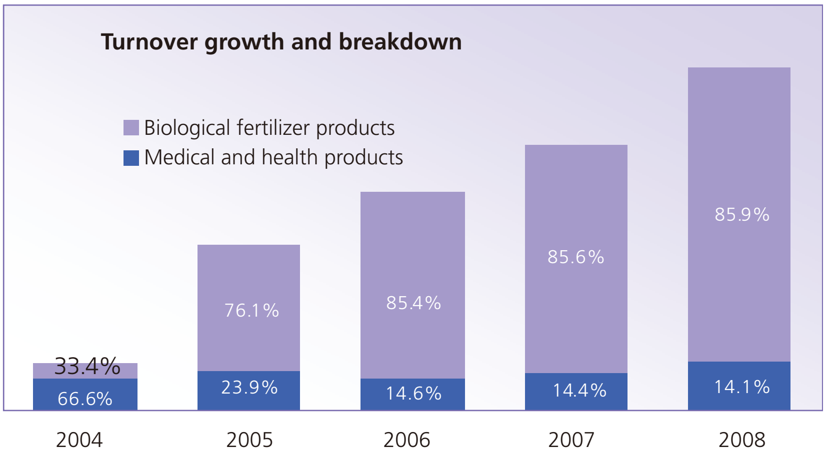
Wanchai, Hong Kong

Company Website
www.bioteda.com

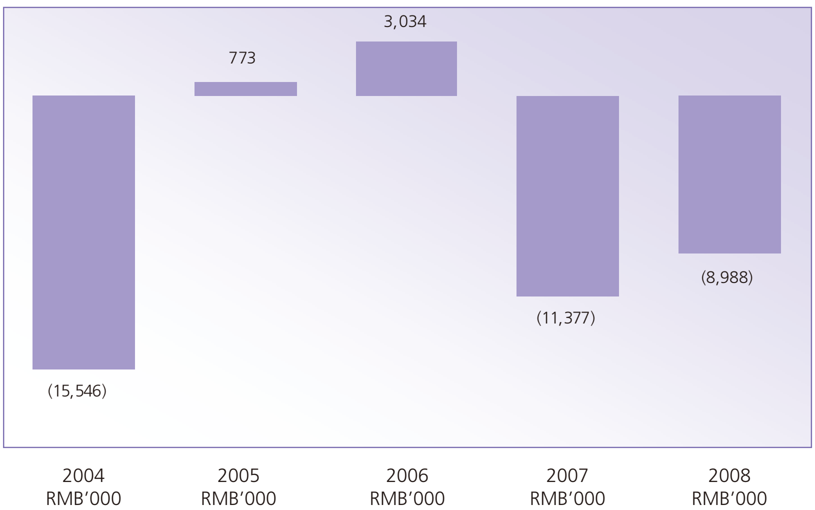
Stock Code
8189

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

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



Loss/Profit attributable to shareholders



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of TEDA Biomedical, I present the annual report of the Company for the year ended 31 December 2008.

The Group's combined annual sales income amounted to RMB422,511,561, representing an increase of 28.83% as compared to the corresponding period of the last year. The scale of operation continued to maintain a rapid growth momentum. With respect to our two major business segments, namely biological fertilizer products and medical and health products, the former contributed 85.9% of the growth.

The domestic raw materials prices drastically fluctuated during 2008 after its persistent escalation in 2007 and this has complicated the market situation that the Group encountered at different stages throughout 2008. With the dedicated efforts made by our management team in strengthening the control over the procurement channels of raw materials and enhancing the bargaining power, the raw materials costs were effectively under control. Nevertheless, in the view of the continuous changes in the raw materials market, the Company has realized that the magnitude of the series of measures undertaken was insufficient to mitigate the pressures on supply and costs of the upstream business in its product chain. The effect of price fluctuations has been gradually passed to the end-users who would significantly reduce their purchase at the time when substantial increase or fall in prices is recorded. In the first half of 2008, it was the Company's concern that the storage of raw materials could dampen its output level which would in turn render us incapable of meeting our consumers' demand and yet the Company was subjected to the pressure from the Company's turnover growth in the second half of the year.

The Group has timely realized such complicated market environment and made prompt adjustment to its product structure and marketing strategy by focusing on raising its gross profit instead of increasing its market share. We insisted on promoting higher value-added products in the market and enlarged our market share simultaneously. For the year ended 31 December 2008, the Group's income from the sales of fertilizer products was increased by 29.35% as compared with the corresponding period of the previous year, and the gross margin reached 10.48% while income from the sales of medical and health products which mainly comprise sugar reducing and sugar-free products was RMB59.59 million, representing an increase of 25.79% over the last year. For the year ended 2008, the Group's loss attributable to shareholders, however, amounted to RMB8.99 million.

The Group was able to cushion the effect of the fluctuations in raw materials prices gradually by timely adjustment to its product structure and marketing strategy while enlarging its market share under such harsh condition. Under the depressed domestic economic environment, the Company should adopt suitable marketing strategies and fully manifest its economies of scale so as to gain a new impetus of growth for the future while attaining sustainable profit.

In 2008, the Board, the Supervisory Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee and various management departments of the Company have played their respective roles to improve the corporate governance standards and optimize the internal control system.

On behalf of the Board, I would like to express my heartfelt gratitude to all business partners, customers and shareholders of TEDA Biomedical. With our close cooperation and determined effort, we will overcome the difficulties while pursuing greater development.

Wang Shuxin
Chairman

25 March 2009

Business Review

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

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

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

Operating Environment

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

Operating Environment *(continued)*

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

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

Sales and Financial Highlights

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

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

Sales and Financial Highlights *(continued)*

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

Production and Research and Development

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

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

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

Financial Status and Capital Structure

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

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

Future Outlook

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

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

Segmental information

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

The results of the Group by segments for the year ended 31 December 2008 and the year ended 31 December 2007 are disclosed in Note 5 to the accompanying accounts.

Liquidity, financial resources and gearing ratio

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

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

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

Liquidity, financial resources and gearing ratio *(continued)*

As at 31 December 2008, the Group's gearing ratio, defined as the ratio of total bank borrowings to total assets, was 0.310 (31 December 2007: 0.297). The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was 0.863 (31 December 2007: 0.677).

Charges on the Group's assets and contingent liabilities

As at 31 December 2008, the Company had contingent liabilities amounting to RMB1,000,000 (31 December 2007: RMB700,000) in connection with the provision of guarantee as security for bank loans granted to it subsidiaries.

Discloseable transaction – disposal of an associate

As disclosed in the Company's announcement dated 15 August 2008 and circular dated 1 September 2008 in relation to "Discloseable Transaction – Disposal of an Associate", the Group's wholly-owned subsidiary, Guangdong Fulilong Compound Fertilizers Co., Limited (廣東福利龍複合肥有限公司) entered into the Equity Transfer Agreement on 13 August 2008, pursuant to which Guangdong Fulilong agreed to dispose of 40% equity interests in Shaanxi Xing Fu Fertilizer Company Limited (陜西興福肥業有限公司) to Shaanxi Xinghua Chemistry Company Limited (陜西興化化學股份有限公司) at a total consideration of RMB21,927,960 (approximately HK$24,974,897). The Purchaser is a PRC company listed on the Shenzhen Stock Exchange and is an Independent Third Party of the Company. Pursuant to Chapter 19 of the GEM Listing Rules, the disposal of the 40% equity interests in Shaanxi Xing Fu by Guangdong Fulilong constitutes a discloseable transaction of the Company. As the conditions precedent to the completion of this transaction set out in the above circular have been fulfilled, Guangdong Fulilong and the Company will not hold any equity interest in Shaanxi Xing Fu, and Shaanxi Xing Fu will then cease to be an associate of the Company.

Change of principal place of business in Hong Kong

As announced in the Company's announcement in relation to "Change of Principal Place of Business in Hong Kong" dated 6 November 2008, the principal place of business of the Company in Hong Kong was changed to 4th Floor, The Chinese Club Building, Nos. 21-22 Connaught Road Central, Hong Kong with effect from 10 November 2008.

Completion of placing of new H Shares

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

Employees and remuneration policies

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

Exposure to foreign currency risk

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

Treasury Policy

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

Directors

Executive Directors

Mr. Wang Shuxin, aged 44, is the Chairman of the Board of Directors of the Company and its subsidiaries and is responsible for the Company's strategic planning and business development. Mr. Wang was instrumental in the establishment of Tianjin TEDA International Incubator (天津泰達國際創業中心) ("TTII") in April 1996 and has been the legal representative of Tianjin TEDA Institute of Biomaterials and Medical Engineering (天津開發區泰達生物材料與醫學工程研究所) ("IBME") since January 1998. He was appointed as Chairman of the Board of Directors of the Company in September 2000. Mr. Wang graduated from Tianjin University (天津大學) in 1988 with a master's degree in Organic Chemical Engineering (有機化工專業). In February 1999, he obtained a postgraduate qualification in accounting from Tianjin University of Finance and Economics (天津財經學院). In 1997, Mr. Wang participated in the commercialization of the technology relating to clinical catheters. He subsequently became involved in the establishment of IBME in January 1998 and received one of the Ten Outstanding Youth awards (十大傑出青年) in 1998.

Mr. Xie Kehua, aged 52, 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.

Non-executive Directors

Mr. Feng Enqing, aged 50, graduated from Tianjin Industrial University (天津工業大學) in 1982 with a degree in textile chemical engineering (紡織化學工程) and joined TTII as the project manager in 1996. He was previously the supervisor and chief engineer of Tianjin Xinggang Textile Manufacture (天津新港紡織廠). Mr. Feng is a director of Alpha and the chief engineer of TTII. He joined the Company in September 2000.

Mr. Xie Guangbei, aged 54, 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 the US. He is the investment and financial consultant of the Office of Residential Property Commercialization headed by the Ministry of Construction of the PRC. He is also the vice chairman and president of Tianjin Securities Investment Consulting Company Limited (天津證券投資諮詢有限公司). He was an engineer of the Business Department of China Shizheng Huabei College of Design (中國市政華北設計院計劃經營處), director and deputy general manager and senior engineer of Tianjin Eastern International Engineering Consultancy (天津東方國際工程諮詢). He joined the Company as an independent supervisor in November 2000 and has been appointed as a non-executive director since November 2003.

Mr. Wang Xiaofa, aged 43, is an economist. He graduated from Liaoning Finance College (遼寧財經學院) with a bachelor degree in Economics in 1985 and obtained a Master degree in Economics from North-East Finance University (東北財經大學) in 1996. He specializes in infrastructure finance and securities investment and he has been an assistant general manager of Beijing Guoyuan Investment Consulting Company (北京國元投資諮詢公司) from 2000. Mr. Wang Xiaofa has been appointed as an independent supervisor of the Company and as non-executive director of the Company since 12 September 2006 and 1 January 2008 respectively.

Directors *(continued)*

Independent Non-executive Directors

Professor Xian Guoming, aged 57, is a professor of Nankai University (南開大學) and the tutor of candidates pursuing doctoral degrees. He is the head of the Teda Faculty of Nankai University and the director of Research Center of Multi-national Corporations of Nankai University. Professor Xian also acts as the deputy secretary of China Academy of Global Economics, and as an independent director of Yifangda Funds Management Company and Nankai Gede Co., Ltd. He specializes in research on international investments by multi-national corporations. Professor Xian has been appointed as an independent non-executive director of the Company since August 2001.

Mr. Guan Tong, aged 40, 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.

Mr. Wu Chen, aged 64, graduated from the Chemical Engineering Department of Tianjin College of Engineering in 1970. He was awarded the second prize of excellent scientific and technological achievements – N.P. compound fertilizer project in 1982. In April 1990 and December 1991, Mr. Wu was respectively awarded the second and the third prizes by Tianjin Nanjiao District People's Government and Validation Committee of National Spark Award (國家星火獎評審委員會) for his contributions in the transformation of compound fertilizer production line and the development of series of compound fertilizer products. In addition, he was recognized as a senior engineer by the Tianjin Engineering, Technological and Chemical Professional Senior Qualification Review Committee (天津市工程技術化工專業高級資格評審委員會) and given a certificate by Tianjin Municipal Personnel Bureau (天津人事局) in April 1996.

Supervisors

Mr. Zhao Tingying, aged 33, graduated from the Accounting Department of Tianjin University of Finance and Economics with a bachelor's degree in Economics in 1998. He joined TTII, the controlling shareholder of the Company, in July 1998 as the financial supervisor of TTII's Planning and Finance Department, and assumed the posts of financial supervisor, investment supervisor and investment manager after joining the Company in May 2001. In September 2004, Mr. Zhao was appointed as the director and vice general manager of Shandong TEDA Bioengineering Co., Ltd., a subsidiary of the Company, and was appointed as a supervisor of the Company in February 2007.

Mr. Yuan Wei, aged 58, graduated from the Tianjin School of Chinese Traditional Medicine in 1975. He previously held the position of head of quality control at the Tianjin Chinese Medicine Plant before joining Alpha in August 1994. He is currently the administrative officer of Alpha. Mr. Yuan Wei was appointed as a supervisor of the Company in September 2000.

Independent Supervisors

Mr. Gao Xianbiao, aged 47, 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, 40, is an economist. He graduated from Nankai University with a bachelor degree in Finance in 1990 and subsequently obtained a master degree in Economics from Tianjin University of Finance and Economics (天津財經大學). He specializes in financial management and analysis. He was positioned in various posts in branches of the Agricultural Bank of China from 1990 to 2000 and China CITIC Bank from 2000 and has been the head of a branch office of China CITIC Bank in Tianjin since August 2005.

Senior Management

Chief Executive Officer

Mr. Hao Zhihui, aged 47, graduated from Tianjin Medical University in August 1984 with a bachelor's degree in medicine and thereafter taught in the university until 1995. He also completed his master's degree in Medicine offered by the same university in October 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 TTII and was the chief of the Medicine Industry Department (醫藥產業部部長). From September 2002 to March 2004, he graduated from the School of Continuing Education of Tsinghua University, Business Administration Major. From September 2000 to August 2006, he has assumed the posts of chief investment officer, chairman of the Supervisory Committee and executive vice president (常務副總裁) in the Company. He has been the President of the Company since August 2006.

Qualified Accountant and Company Secretary

Mr. Ng Ka Kuen, Raymond, aged 48, 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.

Dear Shareholders,

During the reporting period, all members of the Supervisory Committee of Tianjin TEDA Biomedical Engineering Company Limited have adhered to the principle of integrity and duly carried out their respective supervisory duties to guarantee the rights and interests of the shareholders, the Company and our staff.

I. Meeting of the Supervisory Committee

The Supervisory Committee held a meeting on 27 March 2008, at which the consolidated financial statements of the Group for the year 2007 audited by Shu Lun Pan Horwath Hong Kong CPA Limited was reviewed and approved.

The Supervisory Committee held a meeting on 8 May 2008, at which the first quarterly report of the unaudited results for the three months ended 31 March 2008 was reviewed and approved.

The Supervisory Committee held a meeting on 6 August 2008, at which the half-yearly report of the unaudited results for the six months ended 30 June 2008 was reviewed and approved.

The Supervisory Committee held a meeting on 6 November 2008, at which the third quarterly report of the unaudited results for the nine months ended 30 September 2008 was reviewed and approved.

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

II. Jobs Carried Out by the Supervisory Committee

The management team of the Company has overcome various difficulties during its normal operation and has succeeded in keeping up the growth momentum of the Company and reduced the loss of the Company. We are confident that in 2009, the Company will consolidate its strengths and turn the corner.

Members of the Supervisory Committee supervised the decision making process of the management of the Company by attending the meetings of the Board.

The Supervisory Committee regularly reviews the Company's financial statements. To the best knowledge of the Supervisory Committee to date, there are no inappropriate disclosures in the financial statements and accounts of the Company. Our auditor, Shu Lun Pan Horwath Hong Kong CPA Limited is of the opinion that the financial statements truly, fairly and accurately reflect the Group's financial position for the year ended 31 December 2008 and operating results for the year then ended.

The Supervisory Committee carefully reviewed and agreed with the report of the directors, and audited financial reports proposed by the board of directors to be submitted to the Annual General Meeting. The Supervisory Committee believes that all directors and the senior management have followed the principle of good faith, and acted in the interests of the Company, complied with the Company's Articles of Association and endeavored to improve the internal control system. To the best knowledge of the Supervisory Committee to date, no directors or other executives had violated any regulations of the Company Law of the People's Republic of China, the Articles of Association of the Company and other laws and regulations of the People's Republic of China during the reporting period.

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

25 March 2009

Corporate Governance Practices

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

Directors' Securities Transactions

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules and the Directors of the Company has confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

Board of Directors and Board Meeting

Board Composition and Board Practices

The Board comprises nine Directors of the Company including three executive Directors, three non-executive Directors and three independent non-executive Directors. All executive Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no financial, business, family or other material/relevant relationship amongst the Directors. The Directors' biographical information is set out on pages 14 to 16 under the section headed "Directors, Supervisors and Senior Management" of this annual report.

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

The Board members for the year ended 31 December 2008 were:

Executive Directors
Mr. Wang Shuxin (王書新)
Mr. Xie Kehua (謝克華)
Mr. Zhang Songhong (張松鴻) (Resigned on 30 December 2008)

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

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

Board of Directors and Board Meeting *(continued)*

Board Composition and Board Practices *(continued)*

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

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

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

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

Throughout the year, the Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. During the year, the Board held 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 persons or through other means of electronic communication in accordance with the Company's Articles of Association. Notice of at least 15 days is given of a regular board meeting to give all Directors an opportunity to attend.

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

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

Board of Directors and Board Meeting *(continued)*

Board Composition and Board Practices *(continued)*

The Board held twelve meetings in 2008, and the attendance record of the Board meetings is as follows:

Name of directors	Attendance/Number of Meetings held
Executive Directors	
Mr. Wang Shuxin (王書新)	12/12
Mr. Xie Kehua (謝克華)	7/12
Mr. Zhang Songhong (張松鴻) (Resigned on 30 December 2008)	4/12
Non-executive Directors	
Mr. Feng Enqing (馮恩慶)	5/12
Mr. Wang Xiaofa (王校法)	10/12
Mr. Xie Guangbei (謝光北)	11/12
Independent non-executive Directors	
Professor Xian Guoming (冼國明)	4/12
Mr. Guan Tong (關彤)	12/12
Mr. Wu Chen (吳琛)	12/12

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. The Company Secretary attends all regular board meetings to advise on corporate governance and statutory compliance when necessary. Moreover, the Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all board meetings. The Company Secretary also keeps the minutes, which are open for inspection at any reasonable notice by any Director.

Nomination and Remuneration Committee

The Company has set up a nomination and a remuneration committee according to the Code. The two committees were merged and renamed as the "Nomination and Remuneration Committee", with a majority of the members thereof being independent non-executive Directors. The Nomination and Remuneration Committee comprises Mr. Xie Guangbei (謝光北), a non-executive Director, Mr. Wu Chen and Mr. Guan Tong, both independent non-executive Directors, with Mr. Xie Guangbei (謝光北) as the chairman of the nomination and remuneration committee. The nomination and remuneration committee held three general meetings in 2007.

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）	3/3
Mr. Guan Tong（關彤）	3/3
Mr. Wu Chen（吳琛）	3/3

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

Nomination and Remuneration Committee *(continued)*

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

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

Audit Committee

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

A total of four audit committee meetings were held during the year to review and discuss the final, quarterly and interim results and annual financial statements respectively. Additional meetings may also be held by the audit committee from time to time to discuss special projects or other issues that the audit committee considers necessary. The external auditors 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 auditors, the audit fee, and any question of resignation or dismissal;
- To discuss with the external auditors the nature and scope of the audit;
- To review and monitor the external auditors, 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 auditors 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 auditors may wish to discuss;

Audit Committee *(continued)*

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

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

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

Throughout the year under review, the audit committee discharged its responsibilities, reviewed and discussed the Group's unaudited quarterly results and unaudited interim results for 2008 and the audited financial statements for the year ended 31 December 2008 and the internal control system of the Group.

Auditor's Remuneration

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

External Auditor

Shu Lun Pan Horwath Hong Kong CPA Limited, Certified Public Accountants ("Horwath"), had been recommended by the audit committee and appointed by the shareholders as the External Auditor of the Company and its subsidiaries with effect from 19 May 2008 until the conclusion of the forthcoming annual general meeting of the Company. The annual financial statements for the financial year ended 31 December 2008 have been audited by Horwath.

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

The Group's External Auditor is Horwath for the year ended 31 December 2008 (for the year ended 31 December 2007: Horwath).

During the year, Horwath has not provided significant unaudited services to the Group. Set out below are the services offered by Horwath and their respective fees:

	Fee Charged	
Types of Services	**for the year ended 31 December 2008 RMB'000**	for the year ended 31 December 2007 RMB'000
Audit for the Group	**1,000**	980

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, Shu Lun Pan Horwath Hong Kong CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Auditor's Report on pages 34 and 35 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, other than those disclosed in Note 3(b) to the accompanying audited financial statements for the year ended 31 December 2008.

Internal Control

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

Investor Relations and Communication with Shareholders

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

The Directors submit their report together with the audited financial statements of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008.

Principal Activities and Geographical Analysis of Operations

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

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

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the accompanying financial statements.

Change of Share Capital

Details of the movements in share capital of the Company are set out in Note 28 to the accompanying financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 36 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 41 of this annual report and Note 29 to the accompanying financial statements respectively.

Property, Plant and Equipment

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

Pre-emptive Rights

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

Financial Summary

The summary of the results and the assets and liabilities of the Group for the last five financial years ended 31 December 2008 is set out on page 6 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

The Directors and Supervisors during the year were:

Executive Directors

Mr. Wang Shuxin (王書新)	(re-elected on 1 January 2008)
Mr. Xie Kehua (謝克華)	(re-elected on 1 January 2008)
Mr. Zhang Songhong (張松鴻)	(re-elected on 1 January 2008 and resigned on 30 December 2008)

Non-executive Directors

Mr. Feng Enqing (馮恩慶)	(re-elected on 1 January 2008)
Mr. Xie Guangbei (謝光北)	(re-elected on 1 January 2008)
Mr. Wang Xiaofa (王校法)	(appointed on 1 January 2008)

Independent Non-executive Directors

Professor Xian Guoming (冼國明教授)	(re-elected on 1 January 2008)
Mr. Guan Tong (關彤)	(re-elected on 1 January 2008)
Mr. Wu Chen (吳琛)	(re-elected on 1 January 2008)

Supervisors

Mr. Zhao Tingying (趙挺潁)	(re-elected on 1 January 2008)
Mr. Yuan Wei (袁偉)	(re-elected on 1 January 2008)

Independent Supervisors

Mr. Gao Xianbiao (高賢彪)	(re-elected on 1 January 2008)
Mr. Zhao Kuiying (趙魁英)	(appointed on 1 January 2008)

Mr. Wang Xiaofa (王校法)was appointed as the non-executive director on 1 January 2008. Mr. Zhao Kuiying (趙魁英)was appointed as the independent supervisor on 1 January 2008. Mr. Zhang Songhong (張松鴻)was resigned from the post of executive director on 30 December 2008.

Therefore, the number of non-executive directors and independent non-executive directors of the Company remained at three respectively. The number of executive directors fell to two temporarily since 30 December 2008 and the Company is identifying suitable candidate to fill the post of executive director.

The number of supervisors of the Company remained at four, including two independent supervisors.

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

Directors' and Supervisors' Service Contracts

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

The initial term of these contracts was three years commencing on 1 January 2008 and thereafter subject to the approval of the shareholders' meeting of the Company, each service contract may be renewed for three years unless terminated by either party giving not less than one month's prior written notice to the other.

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

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

Directors' and Supervisors' Interests in Contracts

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

Confirmation of Independence of Independent Non-executive Directors

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

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

Brief biographical details of the directors, the supervisors, Chief Executive Officer, the company secretary and qualified accountant of the Company are set out on pages 14 to 16 of this annual report.

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

As at 31 December 2008, the interests of the directors and supervisors of the Company and their respective associates in the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) were as follows:

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

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

Note: All represented domestic shares

Save as disclosed in this paragraph, as at 31 December 2008, none of the directors or the supervisors of the Company had interest in any securities and underlying shares and debentures of the Company or any of its associated corporations, which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

Directors' and Supervisors' Rights to Acquire Shares

At no time during the year was the Company or its subsidiaries a party to any arrangement to enable the directors and the supervisors of the Company or their respective spouses or children under 18 years of age, to acquire benefits by means of the acquisition of shares in the Company.

Substantial Shareholders

As at 31 December 2008, the following persons (other than the directors and the supervisors of the Company) had interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

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

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

Notes:

1. All represented domestic shares.

Substantial Shareholders *(continued)*

Save as disclosed above, as at 31 December 2008, the directors of the Company were not aware of any other person (other than the directors and the supervisors of the Company) who had an interest and short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

Completion of Placing New H Shares

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

Management Contracts

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

Competing Interests

During the year ended 31 December 2008, none of the directors, the supervisors, or the management shareholders and their respective associates (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules") of the Company competes or may compete with the business of the Group or has or may have any other conflicts of interest with the Group required to be disclosed pursuant to the GEM Listing Rules.

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:	15%
– Five largest suppliers combined	40%
Sales	
– The largest customer	3%
– Five largest customers combined	11%

Connected Transactions

The following rental payments made by the Group to TTII, a substantial shareholder of the Company, under two tenancy agreements for the year ended 31 December 2008 constituted continuing connected transactions of the Company which were subject to the reporting and announcement requirements set out in Rules 20.45 to 20.47 of the GEM Listing Rules but was exempted from the independent shareholders' approval requirements under Rule 20.34 of the GEM Listing Rules.

		2008		2007	
	Nature of transaction	**Group**	**Company**	Group	Company
		RMB	**RMB**	RMB	RMB
Ultimate holding company	Rental payment	**1,710,297**	**219,177**	–	–

Pursuant to Rule 20.38 of the GEM Listing Rules, the Board engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the Board. The independent non-executive directors have reviewed the continuing connected transactions and the report of the auditors and have confirmed that the transactions have been entered into by the Company in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the tenancy agreements which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

- Percentage of the issued share capital that it represents as at the date of the annual report — 1.05% of issued H shares

Share Option Scheme *(continued)*

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

During the year ended 31 December 2008, none of the directors or the supervisors or employees of the Company or other participants of the Scheme was granted with Options to subscribe for the H Shares of the Company.

The Model Code

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

Audit Committee

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

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

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

Corporate Governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 19 to 24 of this annual report.

Auditor

On 19 May 2008, Shu Lun Pan Horwath Hong Kong CPA Limited ("Horwath") was re-appointed, which appointment will continue to be effective until the conclusion of the forthcoming annual general meeting of the Company.

The financial statements have been audited by Shu Lun Pan Horwath Hong Kong CPA Limited who retire and, being eligible offer themselves for re-appointment. A resolution will be submitted to the forthcoming annual general meeting to authorise the Board to appoint auditors and to fix their remuneration.

On behalf of the Board
Wang Shuxin
Chairman

Tianjin, China, 25 March 2009

Horwath

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TO THE SHAREHOLDERS OF
TIANJIN TEDA BIOMEDICAL ENGINEERING COMPANY LIMITED

(Incorporated in the People's Republic of China with limited liability)

We have audited the financial statements of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 88, which comprise the consolidated and the Company balance sheets as at 31 December 2008, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

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

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 3(b)(ii) to the financial statements which indicates that the Group suffered accumulated losses of RMB91,721,701 as at 31 December 2008 and, as of that date, the Group's current liabilities exceeded its current assets by RMB29,636,617. These conditions, along with other matters as set forth in Note 3(b)(ii), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

SHU LUN PAN HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

Chan Kam Wing, Clement
Practising Certificate number P02038

25 March 2009

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 RMB	2007 RMB
Turnover	5	**422,511,561**	327,954,880
Cost of sales		**(355,948,813)**	(277,315,706)
Gross profit		**66,562,748**	50,639,174
Other income and net gains	6	**3,794,004**	1,491,205
Selling and distribution costs		**(30,978,772)**	(24,819,330)
Administrative expenses		**(33,256,462)**	(19,022,874)
Research and development expenses		**(2,773,571)**	(7,297,842)
Finance costs	7	**(10,480,419)**	(10,342,782)
Share of results of an associate	17	**1,183,305**	(1,318,912)
Loss before taxation	8	**(5,949,167)**	(10,671,361)
Income tax	9	**(2,269,313)**	(1,076,871)
Loss for the year		**(8,218,480)**	(11,748,232)
Attributable to:			
Equity holders of the Company	10	**(8,987,602)**	(11,377,409)
Minority interest		**769,122**	(370,823)
		(8,218,480)	(11,748,232)
Loss per share – Basic (RMB)	12	**(1.44 cents)**	(1.87 cents)

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2008

	Note	2008 RMB	2007 RMB
Non-current assets			
Property, plant and equipment	14	**110,241,188**	106,004,768
Goodwill	15	**3,133,932**	3,133,932
Interest in an associate	17	**–**	18,980,641
Available-for-sale financial assets	18	**3,000,000**	3,000,000
Prepaid land lease payments	19	**5,816,633**	6,112,515
Trade receivables	21	**–**	1,815,818
Other receivables and deposits	22	**–**	6,119,116
		122,191,753	145,166,790
Current assets			
Inventories	20	**78,974,912**	51,278,714
Trade receivables	21	**53,778,927**	55,261,383
Prepayments and other receivables	22	**28,256,510**	25,747,242
Amount due from ultimate holding company	32	**662,547**	2,764,988
Restricted bank deposits	23	**7,800,000**	27,800,000
Cash and bank balances	23	**17,886,821**	17,582,127
		187,359,717	180,434,454
Current liabilities			
Trade and bills payables	24	**40,096,651**	105,902,418
Other payables and accruals	25	**36,160,916**	25,684,842
Government grants received in advance		**3,429,800**	2,000,000
Amount due to an associate	17	**–**	3,587,159
Amounts due to ex-shareholders of a subsidiary	26	**4,732,823**	31,732,823
Amount due to a related company	32	**44,576,144**	1,000,000
Bank borrowings	27	**88,000,000**	96,700,000
		216,996,334	266,607,242
Net current liabilities		**(29,636,617)**	(86,172,788)
Total assets less current liabilities carried forward		**92,555,136**	58,994,002

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2008

	Note	2008 RMB	2007 RMB
Total assets less current liabilities brought forward		**92,555,136**	58,994,002
Non- current liabilities			
Bank borrowings	27	**8,000,000**	–
Net assets		**84,555,136**	58,994,002
Equity			
Share capital	28	**95,000,000**	61,000,000
Reserves		**(13,177,475)**	(3,969,487)
Equity attributable to equity shareholders		**81,822,525**	57,030,513
Minority interests		**2,732,611**	1,963,489
Total equity		**84,555,136**	58,994,002

These financial statements were approved and authorised for issue by the board of directors on 25 March 2009

Wang Shuxin
Director

Xie Kehua
Director

The accompanying notes form part of these financial statements.

BALANCE SHEET

AT 31 DECEMBER 2008

	Note	2008 RMB	2007 RMB
Non-current assets			
Property, plant and equipment	14	**3,518,386**	5,447,777
Interests in subsidiaries	16	**140,303,010**	119,335,866
Available-for-sale financial assets	18	**3,000,000**	3,000,000
Other receivables and deposits	22	**–**	6,119,116
		146,821,396	133,902,759
Current assets			
Inventories	20	**880,765**	2,811,711
Prepayments and other receivables	22	**12,391,519**	5,616,485
Amount due from ultimate holding company	32	**662,547**	2,764,488
Restricted bank deposits	23	**–**	20,000,000
Cash and bank balances	23	**12,966,764**	9,587,488
		26,901,595	40,780,172
Current liabilities			
Trade and bills payables	24	**26,918**	26,918
Other payables and accruals	25	**9,390,650**	5,393,636
Amount due to a related company	32	**10,000,000**	–
Amounts due to ex-shareholders of a subsidiary	26	**4,732,823**	28,324,357
Bank borrowings	27	**67,000,000**	76,000,000
		91,150,391	109,744,911
Net current liabilities		**(64,248,796)**	(68,964,739)
Net assets		**82,572,600**	64,938,020

BALANCE SHEET

AT 31 DECEMBER 2008

	Note	2008 RMB	2007 RMB
Equity			
Share capital	28	**95,000,000**	61,000,000
Reserves	29	**(12,427,400)**	3,938,020
Total equity		**82,572,600**	64,938,020

These financial statements were approved and authorised for issue by the board of directors on 25 March 2009.

Wang Shuxin
Director

Xie Kehua
Director

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital (Note 28) RMB	Share premium (Note 29) RMB	Surplus reserve (Note 29) RMB	Capital reserve (Note 29) RMB	Accumulated losses RMB	Attributable to equity holders of the Company RMB	Minority interests RMB	Total RMB
Balance as at 1 January 2007	**61,000,000**	**75,089,571**	**–**	**2,541,404**	**(70,223,053)**	**68,407,922**	**2,334,312**	**70,742,234**
Loss and total recognised expense for the year	–	–	–	–	(11,377,409)	(11,377,409)	(370,823)	(11,748,232)
Transfer from/(to) reserves	–	–	788,272	–	(788,272)	–	–	–
Balance as at 31 December 2007	**61,000,000**	**75,089,571**	**788,272**	**2,541,404**	**(82,388,734)**	**57,030,513**	**1,963,489**	**58,994,002**
(Loss)/profit and total recognised (expense)/income for the year	–	–	–	–	(8,987,602)	(8,987,602)	769,122	(8,218,480)
Issue of shares	34,000,000	(220,386)	–	–	–	33,779,614	–	33,779,614
Transfer from/(to) reserves	–	–	345,365	–	(345,365)	–	–	–
Balance as at 31 December 2008	**95,000,000**	**74,869,185**	**1,133,637**	**2,541,404**	**(91,721,701)**	**81,822,525**	**2,732,611**	**84,555,136**

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 RMB	2007 RMB
Operating activities			
Loss before taxation		**(5,949,167)**	(10,671,361)
Amortisation of prepaid land lease payments		**297,111**	296,838
Depreciation		**9,005,385**	6,546,477
Gain on disposal of a subsidiary	30	**(1,754,988)**	–
Interest expense		**10,480,419**	10,342,782
Interest income		**(360,558)**	(697,649)
Loss on disposal of property, plant and equipment		**1,515,861**	851,397
Share of results of an associate		**(1,183,305)**	1,318,912
Loss on disposal of an associate	17	**559,751**	–
Operating cash flows before working capital changes		**12,610,509**	7,987,396
Increase in inventories		**(22,507,923)**	(13,434,003)
(Increase)/decrease in trade receivables		**(2,393,993)**	1,298,051
Decrease in prepayments and other receivables		**3,235,321**	5,213,367
Decrease/(increase) in amount due from ultimate holding company		**2,102,441**	(113,272)
Decrease in non-current trade receivables		**1,815,818**	1,532,351
(Decrease)/increase in trade and bills payables		**(65,639,869)**	66,632,868
Increase/(decrease) in other payables and accruals		**16,528,900**	(5,339,374)
Increase in government grants received in advance		**1,429,800**	2,000,000
(Decrease)/increase in amount due to an associate		**(3,587,159)**	3,984,836
Increase in amount due to a related party		**43,576,144**	1,000,000
Cash (used in)/generated from operations		**(12,830,011)**	70,762,220
Income tax paid		**(2,269,313)**	(1,076,871)
Interest paid		**(10,480,419)**	(10,342,782)
Net cash (used in)/generated from operating activities		**(25,579,743)**	59,342,567

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	**2008**	2007
		RMB	RMB
Investing activities			
Disposal of subsidiaries	30	**(28,760)**	(3,000,000)
Proceeds from disposal of an associate	17	**14,415,920**	–
Purchase of property, plant and equipment		**(14,929,627)**	(26,614,703)
Payments to acquire lease prepayments		**(1,229)**	(1,440,673)
Payments to acquire available-for-sale financial assets		**–**	(3,000,000)
Repayment to ex-shareholders of a subsidiary		**(27,000,000)**	(1,670,149)
Proceeds from disposal of property, plant and Equipment		**171,961**	9,369,849
Decrease/(increase) in restricted bank deposits		**20,000,000**	(19,250,000)
Interest received		**176,558**	267,649
Net cash used in investing activities		**(7,195,177)**	(45,338,027)
Financing activities			
Issue of shares, net of share issue expense of RMB749,907		**33,779,614**	–
New of bank borrowings		**118,000,000**	121,500,000
Repayment of bank borrowings		**(118,700,000)**	(129,200,000)
Net cash generated from/(used in) financing activities		**33,079,614**	(7,700,000)
Net increase in cash and cash equivalents		**304,694**	6,304,540
Cash and cash equivalents at beginning of year		**17,582,127**	11,277,587
Cash and cash equivalents at end of year		**17,886,821**	17,582,127
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**17,886,821**	17,582,127

The accompanying notes form part of these financial statements.

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

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

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

2. Adoption of new and revised standards

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Principal accounting policies

(a) Statement of compliance

These 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.

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

(b) Basis of preparation of financial statements

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

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

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

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

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

3. Principal accounting policies *(continued)*

(c) Basis of consolidation

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

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

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

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

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

(d) Business combinations

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

Goodwill arising on acquisition is recognised in accordance with the accounting policy for goodwill in Note 3(g) to the financial statements.

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

(e) Subsidiaries

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

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

3. Principal accounting policies *(continued)*

(f) Associates

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

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

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

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

(g) Goodwill

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

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

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

3. Principal accounting policies *(continued)*

(h) 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 brining 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 can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the asset.

Depreciation is charged so as to write off the cost of assets, other than properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, 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 complete. Construction in progress is transferred to property, plant and equipment when it is completed and ready for its intended use.

(i) Owner occupied leasehold interest in land

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

3. Principal accounting policies *(continued)*

(j) 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.

(k) Impairment of assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

(l) 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.

3. Principal accounting policies *(continued)*

(m) Financial assets

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

The Group classifies its financial assets into loans and receivables and available-for-sale financial assets based on the purpose for which the assets were acquired.

(i) *Loans and receivables*

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

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

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

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

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

The fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses.

(iii) *Impairment of financial assets*

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

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

3. Principal accounting policies *(continued)*

(m) Financial assets *(continued)*

(iii) Impairment of financial assets (continued)

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

– significant financial difficulty of the issuer or counterparty;

– default or delinquency in interest or principal payments;

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

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

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

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

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

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

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

3. Principal accounting policies *(continued)*

(m) Financial assets *(continued)*

(iv) Effective interest method

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

(v) Derecognition of financial assets

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

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

(i) Classification as debt or equity

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

(ii) Equity instruments

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

(iii) Financial liabilities

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

(iv) Other financial liabilities

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

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

(v) Effective interest method

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

(vi) Derecognition of financial liabilities

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

3. Principal accounting policies *(continued)*

(o) 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.

(p) 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 balance sheet 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.

(q) Provisions

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

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

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

(r) Contingent liabilities

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

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

3. Principal accounting policies *(continued)*

(s) Taxation

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

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

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

3. Principal accounting policies *(continued)*

(t) Foreign currencies

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

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

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

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

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

– exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Renminbi, using exchange rates prevailing at the balance sheet date. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

(u) 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 balance sheet 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.

3. Principal accounting policies *(continued)*

(v) Employees' benefits

(i) Short term benefits

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

(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.

(w) Borrowing costs

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

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

(x) Related parties

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

(y) 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. For sales under which the sales consideration is receivable in instalments ("instalment sale receivable"), the sales price is the present value for the consideration, determined by discounting the instalment sale receivable at an imputed rate of interest. The interest element is recognised as revenue as it is earned, on a time portion basis that takes into account the imputed rate of interest.

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

3. Principal accounting policies *(continued)*

(z) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of the financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year, including additions resulting from acquisitions through purchases of subsidiaries.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements apart from those involving estimation as discussed below, which have the most significant effect on the amounts recognised in the financial statements.

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.

4. Critical accounting judgements and key sources of estimation uncertainty *(continued)*

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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.

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 judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of inventories and provision 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 judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of trade debtors and other receivables and doubtful debt expenses/written back in the period in which the estimate has been changed.

Impairment of goodwill

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

5. Turnover

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

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

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

5. Turnover *(continued)*

(a) Business segments

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

Segment information about these business is presented below:

(i) 2008 segment analysis:

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

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

5. Turnover *(continued)*

(a) Business segments *(continued)*

(ii) 2007 segment analysis:

	Medical and health products RMB	Distribution of fertiliser products RMB	Total RMB
Segment revenue	47,372,022	280,582,858	327,954,880
Segment profit	3,389,524	2,345,285	5,734,809
Unallocated income			430,000
Unallocated costs			(5,174,476)
Operating profit			990,333
Finance costs			(10,342,782)
Share of results of an associate		(1,318,912)	(1,318,912)
Loss before taxation			(10,671,361)
Taxation			(1,076,871)
Loss for the year			(11,748,232)
Segment assets	61,575,166	251,358,755	312,933,921
Unallocated assets			12,667,323
Total assets			325,601,244
Segment liabilities	10,692,939	144,414,410	155,107,349
Unallocated liabilities			111,499,893
Total liabilities			266,607,242
Allowance for impairment losses on receivables (Note 8)	318,265	1,195,861	1,514,126
Capital expenditure (Note 14)	472,117	26,142,586	26,614,703
Depreciation (Note 14)	2,308,788	4,237,689	6,546,477
Loss on disposal of property, plant and equipment (Note 8)	79,628	771,769	851,397

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

5. Turnover *(continued)*

(b) Geographical segments

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

6. Other income and net gains

	2008 RMB	2007 RMB
Government grants (note)	**2,200,000**	310,000
Gain on disposal of a subsidiary (Note 30)	**1,754,988**	–
Interest income	**360,558**	697,649
Bad debts recovery	**–**	67,820
Over provision written back on other payables and accruals	**–**	123,435
Others	**398,209**	592,301
	4,713,755	1,791,205
Less: Business tax	**(360,000)**	(300,000)
Loss on disposal of an associate (Note 17)	**(559,751)**	–
	3,794,004	1,491,205

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

7. Finance costs

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

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

8. Loss before taxation

	Note	**2008** **RMB**	2007 RMB
Loss before taxation is arrived after charging:			
Amortisation of prepaid land lease payments	19	**297,111**	296,838
Auditor's remuneration		**1,000,000**	980,000
Cost of inventories sold	20	**355,948,813**	277,315,706
Depreciation:			
– Leased property, plant and equipment	14	**–**	232,058
– Owned property, plant and equipment	14	**9,005,385**	6,314,419
Allowance for impairment losses on			
– Trade receivables	21(c)	**1,749,017**	1,132,175
– Other receivables	22(b)	**3,312,517**	381,951
Loss on disposal of property, plant and equipment, net		**1,515,861**	851,397
Loss on disposal of an associate	17	**559,751**	–
Operating lease rentals – land and buildings		**2,194,811**	1,907,163
Staff costs (including emoluments of directors and supervisors – Note 13)			
– Salaries and allowances		**23,550,770**	19,242,151
– Pension fund contribution		**1,254,968**	1,398,889
		24,805,738	20,641,040
and after crediting:			
Gain on disposal of a subsidiary	30	**1,754,988**	–

9. Income tax

(a) Enterprise income tax ("EIT")

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

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

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

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

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

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

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

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

9. Income tax *(continued)*

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

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

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

(b) Deferred taxation

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

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

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

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

10. Loss attributable to equity holders of the Company

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

11. Dividend

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

12. Loss per share

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

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

13. Emoluments of directors, supervisors and employees

(a) Directors' and supervisors' emoluments

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

	2008	2007
	RMB	RMB
Fees	**220,000**	216,667
Salaries, housing and other allowances	**755,818**	741,204
Discretionary performance bonuses	**53,521**	45,693
Pension	**80,434**	78,639
	1,109,773	1,082,203

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

	2008	2007
	RMB	RMB
Nil – RMB881,000 (2007: RMB979,000) (equivalent to Nil – HK$1,000,000)	**13**	13

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

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

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

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

Executive directors:

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

	Fees	Salaries, allowances and benefits in kind	Retirement benefits scheme contributions	Total emoluments
	RMB	RMB	RMB	RMB
2008				
Mr Wang Shuxin	**–**	**270,960**	**33,757**	**304,717**
Mr Xie Kehua	**–**	**227,384**	**22,484**	**249,868**
Mr Zhang Songhong (resigned on 30 December 2008)	**–**	**200,004**	**–**	**200,004**
	–	**698,348**	**56,241**	**754,589**
2007				
Mr Wang Shuxin	–	271,447	29,047	300,494
Mr Xie Kehua	–	207,954	26,427	234,381
Mr Zhang Songhong	–	200,004	–	200,004
	–	679,405	55,474	734,879

Non-executive directors:

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

	2008	2007
	RMB	RMB
Mr Feng Enqing	**30,000**	30,000
Mr Wang Xiaofa	**30,000**	–
Mr Xie Guangbei	**30,000**	30,000
Mr Liu Zhenyu (resigned on 31 December 2007)	**–**	30,000
	90,000	90,000

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

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

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

Independent non-executive directors:

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

	2008	2007
	RMB	RMB
Professor Xian Guoming	**30,000**	30,000
Mr Guan Tong	**30,000**	30,000
Mr Wu Chen	**30,000**	30,000
	90,000	90,000

Supervisors:

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

	Salaries, allowances and benefits in kind	**Retirement benefits scheme contributions**	**Total emoluments**
	RMB	RMB	RMB
2008			
Mr Zhao Tingying	**110,991**	**24,193**	**135,184**
Mr Yuan Wei	**–**	**–**	**–**
	110,991	**24,193**	**135,184**
2007			
Mr Zhao Tingying	107,492	23,165	130,657
Mr Yuan Wei	–	–	–
	107,492	23,165	130,657

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

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

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

Independent supervisors:

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

	Fees	Salaries, allowances and benefits in kind	Total emoluments
	RMB	RMB	RMB
2008			
Mr Gao Xianbiao	**20,000**	**–**	**20,000**
Mr Zhao Kuiying	**20,000**	**–**	**20,000**
	40,000	**–**	**40,000**
2007			
Mr Gao Xianbiao	16,667	–	16,667
Mr Wang Xiaofa (resigned on 31 December 2007)	20,000	–	20,000
	36,667	–	36,667

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2007: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2007: two) individuals during the year are as follows:

	2008	2007
	RMB	RMB
Salaries, housing and other allowances	**386,718**	418,934
Retirement benefits scheme contributions	**25,768**	–
	412,486	418,934

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
Nil – RMB881,000 (2007: RMB979,000) (equivalent to Nil – HK$1,000,000)	**2**	2

(c) During the year, no emoluments were paid by the Group to the directors, supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2007: nil).

None of the directors and supervisors waived any emoluments during the year (2007: nil).

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

14. Property, plant and equipment

Group

	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures & equipment	Construction in progress	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Cost						
At 1 January 2007	8,839,905	29,649,859	6,575,334	9,265,588	73,107,637	127,438,323
Reclassification	4,915,201	1,222,157	–	(6,137,358)	–	–
Transfer from construction In progress	26,421,116	24,618,964	–	–	(51,040,080)	–
Transfer to prepaid land lease payments (note 19)	–	–	–	–	(1,696,994)	(1,696,994)
Additions	9,674,597	6,262,333	267,483	530,744	9,879,546	26,614,703
Disposals	–	(110,000)	(679,434)	(2,150)	(9,945,236)	(10,736,820)
At 31 December 2007	49,850,819	61,643,313	6,163,383	3,656,824	20,304,873	141,619,212
Reclassification	(18,051,053)	–	–	18,051,053	–	–
Transfer from construction in progress	–	6,260,100	–	–	(6,260,100)	–
Additions	–	6,510,431	2,263,093	3,842,199	2,313,904	14,929,627
Disposals	(2,043,768)	(1,049,239)	(885,718)	(783,207)	–	(4,761,932)
At 31 December 2008	**29,755,998**	**73,364,605**	**7,540,758**	**24,766,869**	**16,358,677**	**151,786,907**
Accumulated depreciation						
At 1 January 2007	4,487,524	19,605,381	3,545,334	1,945,302	–	29,583,541
Reclassification	26,378	29,841	79,105	(135,324)	–	–
Charge for the year (Note 8)	1,120,700	4,161,692	881,239	382,846	–	6,546,477
Written back on disposal	–	–	(513,640)	(1,934)	–	(515,574)
At 31 December 2007	5,634,602	23,796,914	3,992,038	2,190,890	–	35,614,444
Reclassification	–	(103,624)	33,178	70,446	–	–
Charge for the year (Note 8)	1,131,770	5,978,924	882,007	1,012,684	–	9,005,385
Written back on disposal	(790,686)	(785,472)	(801,818)	(696,134)	–	(3,074,110)
At 31 December 2008	**5,975,686**	**28,886,742**	**4,105,405**	**2,577,886**	**–**	**41,545,719**
Carrying						
At 31 December 2008	**23,780,312**	**44,477,863**	**3,435,353**	**22,188,983**	**16,358,677**	**110,241,188**
At 31 December 2007	44,216,217	37,846,399	2,171,345	1,465,934	20,304,873	106,004,768

Note:

(1) The Group's buildings are held in the PRC under medium-term leases. A subsidiary of the Group is in the process of applying for the land use right certificate of buildings with a carrying amount of RMB1.4 million (2007: RMB1.6 million).

(2) At 31 December 2008, the carrying amount of property, plant and equipment pledged as security for certain of the Group's banking facilities amounted to RMB23 million (2007: RMB42 million) (Note 27).

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

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

Company

	Buildings	Plant and machinery	Motor vehicles	Furniture, fixtures & equipment	Total
	RMB	RMB	RMB	RMB	RMB
Cost					
At 1 January 2007	2,016,909	6,510,626	1,435,155	1,445,304	11,407,994
Additions	–	–	–	44,896	44,896
Disposals	–	–	(42,329)	–	(42,329)
At 31 December 2007	2,016,909	6,510,626	1,392,826	1,490,200	11,410,561
Additions	–	–	–	43,287	43,287
Disposals	(1,730,197)	–	–	–	(1,730,197)
At 31 December 2008	**286,712**	**6,510,626**	**1,392,826**	**1,533,487**	**9,723,651**
Accumulated depreciation					
At 1 January 2007	741,310	2,472,105	742,164	986,962	4,942,541
Charge for the year	11,968	680,704	237,354	113,624	1,043,650
Written back on disposal	–	–	(23,407)	–	(23,407)
At 31 December 2007	753,278	3,152,809	956,111	1,100,586	5,962,784
Charge for the year	11,890	667,770	156,053	76,493	912,206
Written back on disposal	(669,725)	–	–	–	(669,725)
At 31 December 2008	**95,443**	**3,820,579**	**1,112,164**	**1,177,079**	**6,205,265**
Carrying amount					
At 31 December 2008	**191,269**	**2,690,047**	**280,662**	**356,408**	**3,518,386**
At 31 December 2007	1,263,631	3,357,817	436,715	389,614	5,447,777

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

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

15. Goodwill

	Group	
	2008	2007
	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 diabetic health 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 approved by management of the Group. The following key assumptions have been made for the purpose of analysis:

1 Gross margin ratio of 49% (2007: 47%)
2 Pre-tax discount rate of 14.0% (2007: 14.5%) per year
3 Average growth rate of 24% (2007: 20%)

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 2008.

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

16. Interests in subsidiaries

	Company	
	2008	2007
	RMB	RMB
Unlisted shares, at cost	**75,437,897**	77,029,432
Amounts due from subsidiaries	**64,865,113**	42,306,434
	140,303,010	119,335,866

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

Particulars of the Group's subsidiaries at 31 December 2008 and 2007, 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 2008	2007	Principal activities
Tianjin Alpha HealthCare Products Co., Ltd. ("Alpha") 天津阿爾發保健品有限公司	15 August 1994, joint-venture Enterprise	3,600	**75%**	75%	Manufacture and distribution of diabetic health food and related products
Shandong Fulilong Fertilizer Industry Co. Ltd. ("SD Fulilong") 山東福利龍肥業有限公司	18 September 2005, joint-venture enterprise	18,000	**51%**	51%	Engaging in the research and development, production and sale of biological fertiliser, combined fertiliser, mixed fertiliser and plant fertiliser including the application of related technology
Guangdong Fulilong Compound Fertilizers Company Limited ("GD Fulilong") 廣東福利龍複合肥有限公司	20 August 1996, limited liability company	16,327	**100%**	100%	Manufacture and sale of compound fertilisers
Tianjin Wan Tai Bio-Development Co., Ltd. ("Wan Tai") 天津萬泰生物發展有限公司#	3 September 2001, limited liability company	5,000	**–**	100%	Trading in biomedical equipment and biomaterials

Tianjin Wan Tai Bio-Development Co., Ltd. was disposed of on 30 November 2008.

17. Interest in an associate

	Group 2008 RMB	2007 RMB
Share of net assets	–	18,980,641
Amount due to an associate	–	(3,587,159)
	–	15,393,482

Particulars of the associate at 31 December 2007 are as follows:

	Date of incorporation and legal entity status	Principal activities	Registered capital (RMB'000)	Equity interest attributable to the Group 2008	2007
Shaanxi Xing Fu Fertilizer Company Limited 陝西興福肥業有限責任公司	25 May 2005, limited liability company	Manufacture and sale of highly concentrated nitro-compound fertilisers	50,000	–	20.4%

Summarised financial information in respect of the Group's associate is set out below:

	30/06/2008 RMB	31/12/2007 RMB
Total assets	**89,929,333**	101,669,130
Total liabilities	**(39,519,468)**	(54,217,527)
Net assets	**50,409,865**	47,451,603
Group's share of net assets of associate	**20,163,946**	18,980,641

	Six months ended 30/06/2008 RMB	Year ended 31/12/2007 RMB
Revenue	**43,969,866**	75,080,998
Profit/(loss) for the period/year	**2,958,262**	(3,297,280)
Group's share of result of associate for the period/year	**1,183,305**	(1,318,912)

GD Fulilong previously held a 40% equity interest in Shaanxi Xing Fu Fertilizer Company Limited ("Shaanxi Xing Fu"). The other 60% equity interest was held by Shaanxi Xinghua Chemistry Company Limited ("Shaanxi Xinghua"), a company established in the PRC with limited liability.

On 30 June 2008, GD Fulilong entered into an equity transfer agreement to dispose of its entire 40% equity interest to Shannxi Xinghua at a total consideration of RMB21,927,960 of which RMB14,415,920 was settled by cash and remaining balance was settled in exchange for inventories of RMB5,188,275 at fair value, and the company waived its entitlement to an amount due from Shaanxi Xing Fu of RMB2,323,765, resulting in a loss on disposal of RMB559,751 (Note 8).

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

18. Available-for-sale financial assets

	Group and Company	
	2008	2007
	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 each balance sheet date because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably.

19. Prepaid land lease payments

	Group	
	2008	2007
	RMB	RMB
Cost		
At 1 January	**6,806,095**	3,668,428
Transfer from construction in progress (Note 14)	**–**	1,696,994
Additions	**1,229**	1,440,673
At 31 December	**6,807,324**	6,806,095
Accumulated amortisation		
At 1 January	**373,142**	76,304
Charge for the year (Note 8)	**297,111**	296,838
At 31 December	**670,253**	373,142
Carrying amount		
At 31 December	**6,137,071**	6,432,953
Portion classified as current assets (included in prepayments and other receivables)	**320,438**	320,438
Non-current assets	**5,816,633**	6,112,515
	6,137,071	6,432,953

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

At 31 December 2008, prepaid land lease payments pledged as security for certain of the Group's banking facilities amounted to RMB3.0 million (2007: RMB3.1 million) (Note 27).

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

20. Inventories

	2008		2007	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Raw materials	**55,089,418**	**973,519**	28,466,893	260,373
Work-in-progress	**2,505,282**	**223,902**	4,472,161	271,528
Finished goods	**17,475,522**	**737,955**	12,913,842	2,335,755
Packaging materials	**7,113,524**	**–**	5,673,963	25,148
	82,183,746	**1,935,376**	51,526,859	2,892,804
Less: Provision for inventory obsolescence	**(3,208,834)**	**(1,054,611)**	(248,145)	(81,093)
	78,974,912	**880,765**	51,278,714	2,811,711

At 31 December 2008, inventories pledged as security for certain of the Group's banking facilities amounted to RMB41.8 million (2007: RMB19.8 million) (Note 27).

The cost of inventories recognised as an expense during the year was RMB355,948,813 (2007: RMB277,315,706) of which RMB2,960,689 (2007: RMB135,949) was in respect of write-downs of inventory to its net realisable value.

21. Trade receivables

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

Note:

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

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

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

21. Trade receivables *(continued)*

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

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

	Group	
	2008	2007
	RMB	RMB
At 1 January	**6,580,089**	5,464,946
Additional allowance (Note 8)	**1,749,017**	1,132,175
Disposal of a subsidiary	**(1,001,357)**	–
Uncollectible amounts written off	**(388,679)**	–
Recovery of bad debts	**–**	(17,032)
At 31 December	**6,939,070**	6,580,089

22. Prepayments and other receivables

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

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

22. Prepayments and other receivables *(continued)*

(b) Allowance for doubtful debts

	2008		2007	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
At 1 January	**1,901,888**	**500,330**	2,808,241	275,331
Additional allowance (Note 8)	**3,312,517**	**2,329,644**	381,951	224,999
Disposal of a subsidiary	**(1,131,551)**	**–**	–	–
Uncollectible amounts written off	**(7,592)**	**–**	(1,237,516)	–
Recovery of bad debts	**–**	**–**	(50,788)	–
At 31 December	**4,075,262**	**2,829,974**	1,901,888	500,330

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

23. Bank balances and cash and restricted bank deposits

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

As at 31 December 2008, cash and bank balances denominated in RMB amounted to approximately RMB9,434,000 (2007: approximately RMB14,964,000). RMB is not freely convertible into foreign currencies in the PRC. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

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

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

24. Trade and bills payables

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

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

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

25. Other payables and accruals

	2008		2007	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Other payables	13,994,517	3,065,035	11,603,429	2,342,662
Accruals	5,192,459	55,572	3,292,407	46,552
Receipt in advance	10,703,897	–	7,790,616	6,032
Payable to Social Security Fund (note)	6,270,043	6,270,043	2,998,390	2,998,390
	36,160,916	9,390,650	25,684,842	5,393,636

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)

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

26. Amounts due to ex-shareholders of a subsidiary

On 31 October 2006, the Group acquired the remaining 49% interest in GD Fulilong from the minority shareholders of the subsidiary at a cash consideration of RMB33,402,972. The amounts of upaid consideration as at 31 December 2008 and 2007 were RMB4,732,823 and RMB31,732,823 respectively.

The amount due to ex-shareholders of a subsidiary is unsecured, interest free and repayable on demand. The director consider trade and bills payables and other payables and accruals are approximately to their fair value.

27. Bank borrowings

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

Note:

(i) Secured against property, plant and equipment and inventories with a total net book value of about RMB65 million (2007: RMB62 million) (Notes 14 and 20).

(ii) Secured against prepaid land lease payments with a carrying amount of about RMB3.0 million (2007: RMB3.1 million) (Note 19).

(iii) Unsecured loans are guaranteed as follows:

	2008		2007	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Guarantees were provided by:				
– the Company (Note 36)	**1,000,000**	**–**	700,000	–
– Tianjin TEDA Guarantee Co. Ltd.	**–**	**–**	76,000,000	76,000,000
– Two subsidiaries of the Company	**67,000,000**	**67,000,000**	–	–
	68,000,000	**67,000,000**	76,700,000	76,000,000

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

(v) Bank borrowings are repayable as follows:

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

28. Share capital

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

	2008		2007	
	Number (million)	**RMB (million)**	Number (million)	RMB (million)
Ordinary shares of RMB 0.1 each:				
– Domestic shares	**245**	**24**	279	28
– "H" shares ("H shares")	**705**	**71**	331	33
	950	**95**	610	61

Domestic shares represent unlisted shares held by corporations for listing on the PRC.

H shares represent 100 million shares issued by the Company in the GEM Board of the Stock Exchange of Hong Kong Limited on June 2002.

On June 2005, 231,000,000 new H shares were allotted at a price of HK$0.161 per share (the "Placing"). Following the Placing, the share capital structure of the Company comprises 331,000,000 H shares and 279,000,000 domestic shares. The 331,000,000 H shares comprise the original 100,000,000 H shares in issue before the Placing, 210,000,000 new H shares issued under the Placing and 21,000,000 H shares converted from equal number of Domestic shares held by ultimate holding company pursuant to the State-owned Shares Reduction Regulations.

On 15 December 2008, 374,000,000 new placing H shares were allotted at a price of HK$0.115 per share (the "New Placing H Shares") (the "Placing"). The New Placing H Shares comprise (i) 340,000,000 New H Shares which have been allotted and issued by the Company; and (ii) 34,000,000 sale H shares which have been converted from the same number of existing domestic shares held by ultimate holding company Incubator, which held 38.36% equity interest in the Company prior to the Placing. The New Placing H Shares represent approximately 39.37% of the issued share capital of the Company upon completion of the Placing.

The directors of the Company expect that the funding from the Placing will be primarily used to increase the scale of production of the Group's fertiliser products.

All Domestic and H shares rank pari passu in all major aspects.

(b) No share options had been granted by the Company under its share option scheme (the "Scheme") since its adoption. At 31 December 2008, none of the directors or supervisors, employees of other participants of the Scheme had any rights to acquire the H Shares in the Company (2007:Nil).

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

29. Reserves

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

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

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

(iii) Capital reserve
The capital reserve arose primarily as a result of the Group Reorganisation in 2002.

30. Disposal of subsidiaries

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

Details of net liabilities disposed of are as follows:

	RMB
Trade receivables, prepayments and other receivables	4,434,975
Cash and bank balances	28,761
Trade payables, other payables and accruals	(6,218,723)
Net liabilities	(1,754,987)
Gain on disposal (Note 8)	1,754,988
Total consideration	1
Net cash outflow arising on disposal:	
Cash consideration received	1
Cash and bank balances disposed of	(28,761)
	28,760

Tianjin Waitai Bio-Development Co., Ltd. contributed approximately RMB414,000 to the Group's turnover and approximately loss of RMB1,479,000 to the Group's loss for the year ended 31 December 2008.

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

31. Commitments

(a) Capital commitments

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

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

(b) Operating lease commitments

At the balance sheet dates, the Group had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	Group 2008 RMB	Group 2007 RMB
Within one year	**1,956,813**	461,373
After one year but within five years	**1,891,956**	1,872,011
After five years	**6,997,839**	7,710,389
	10,846,608	10,043,773

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

32. Related parties transactions

Transactions between the Company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. 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 related parties which are not members of the Group:

	Nature of transaction	2008 Group RMB	2008 Company RMB	2007 Group RMB	2007 Company RMB
Ultimate holding company	Rental payment	**1,710,297**	**219,177**	–	–

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

32. Related parties transactions *(continued)*

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

	2008		2007	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Ultimate holding company	**662,547**	**662,547**	2,764,988	2,764,488
穩健投資	**(44,576,144)**	**(10,000,000)**	(1,000,000)	–

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

The directors of the Company regard 深圳市穩健投資發展有限公司 ("穩健投資"), a private company established in the PRC, as a related party as a director of the Company until 30 December 2008 is also a director of 穩健投資.

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

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

33. Capital risk management

The Group's primary objectives when managing capital are 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 the 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 amount due to an associate, interest bearing loans and borrowings, amounts due to a related company and ex-shareholders of a subsidiary), less cash and cash equivalents and restricted bank deposits. Adjusted capital comprises all components of equity.

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

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

33. Capital risk management *(continued)*

The net debt-to-adjusted capital ratio at 31 December 2008 and 2007 was as follows:

	Group	
	2008	2007
	RMB	RMB
Amount due to an associate	**–**	3,587,159
Bank borrowings	**96,000,000**	96,700,000
Amount due to a related company	**44,576,144**	1,000,000
Amounts due to ex-shareholders of a subsidiary	**4,732,823**	31,732,823
Total debts	**145,308,967**	133,019,982
Less: Cash and cash equivalents and restricted bank deposits	**25,686,821**	45,382,127
Net debt	**119,622,146**	87,637,855
Total equity	**84,555,136**	58,994,002
Net debt-to-adjusted equity ratio	**141%**	149%

34. Financial risk management

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

The main risks arising from the Groups' 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 balance sheet date, the Group has a certain concentration of credit risk as 7% (2007: 7%) and 26% (2007: 24%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

34. Financial risk management *(continued)*

(a) Credit risk *(continued)*

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

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

(b) Liquidity risk

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

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

The Group	**Carrying amount**	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**
	RMB	RMB	RMB	RMB
2008				
Bank borrowings	96,000,000	98,327,787	89,474,953	8,852,834
Trade and bills payables	40,096,651	40,096,651	40,096,651	–
Other payables and accruals	36,160,916	36,160,916	36,160,916	–
Amount due to a related company	44,576,144	44,576,144	44,576,144	–
Amounts due to ex-shareholders of a subsidiary	4,732,823	4,732,823	4,732,823	–
	221,566,534	223,894,321	215,041,487	8,852,834
2007				
Bank borrowings	96,700,000	98,065,215	98,065,215	–
Trade and bills payables	105,902,418	105,902,418	105,902,418	–
Other payables and accruals	25,684,842	25,684,842	25,684,842	–
Amount due to an associate	3,587,159	3,587,159	3,587,159	–
Amount due to a related company	1,000,000	1,000,000	1,000,000	–
Amounts due to ex-shareholders of a subsidiary	31,732,823	31,732,823	31,732,823	–
	264,607,242	265,972,457	265,972,457	–

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

34. Financial risk management *(continued)*

(b) Liquidity risk *(continued)*

The Company	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	RMB	RMB	RMB
2008			
Bank borrowings	67,000,000	67,882,113	67,882,113
Trade and bills payables	26,918	26,918	26,918
Other payables and accruals	9,390,650	9,390,650	9,390,650
Amounts due to ex-shareholders of a subsidiary	4,732,823	4,732,823	4,732,823
	81,150,391	82,032,504	82,032,504
2007			
Bank borrowings	76,000,000	76,946,227	76,946,227
Trade and bills payables	26,918	26,918	26,918
Other payables and accruals	5,393,636	5,393,636	5,393,636
Amounts due to ex-shareholders of a subsidiary	28,324,357	28,324,357	28,324,357
	109,744,911	110,691,138	110,691,138

(c) Interest rate risk

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

The Group's fair value interest-rate risk mainly arises from bank borrowings as disclosed in Note 27. Bank borrowings were issued at fixed rates which expose the Group to fair value interest-rate risk. The Group has no cash flow interest-rate risk as there are no borrowings which bear floating interest rates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

34. Financial risk management *(continued)*

(c) Interest rate risk *(continued)*

The following table details the interest rate profile of the Group's and the Company's borrowings at the balance sheet date.

	Group			
	2008		2007	
	Effective interest rate		Effective interest rate	
	%	**RMB**	%	RMB
Fixed rate borrowings				
Bank borrowings	**8.40%**	**96,000,000**	6.58%	96,700,000

	Company			
	2008		2007	
	Effective interest rate		Effective interest rate	
	%	**RMB**	%	RMB
Fixed rate borrowings				
Bank borrowings	**7.95%**	**67,000,000**	6.29%	76,000,000

At 31 December 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after taxation and accumulated losses by approximately RMB986,000 (2007: RMB983,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date 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 next annual balance sheet date. The analysis is performed on the same basis for 2007.

(d) Currency risk

The Group's main operations are in the PRC and have no significant exposure to any specific foreign currency.

(e) Price risk

The Group is not exposed to any equity securities risk. The Group also exposed to the commodity price risk through its purchase of fertiliser. 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 2008 and 2007, except for the amounts due from subsidiaries which are unsecured, non-interest bearing and have no fixed repayment terms. Given these terms it is not meaningful to disclose their fair values.

(EXPRESSED IN RENMINBI UNLESS STATED OTHERWISE)

34. Financial risk management *(continued)*

(g) Fair values estimation

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

35. Summary of financial assets and financial liabilities by category

The carrying amounts of the financial assets and financial liabilities as recognised at 31 December 2008 and 2007 may be categorised as follows:

	2008		2007	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Financial assets				
Loans and receivables (including cash and bank Balances and restricted Bank deposits)	**98,044,735**	**25,865,242**	136,770,236	44,087,577
Available-for-sale financial assets	**3,000,000**	**3,000,000**	3,000,000	3,000,000
	101,044,735	**28,865,242**	139,770,236	47,087,577
Financial liabilities				
Financial liabilities measured at amortised cost	**221,566,534**	**91,150,391**	264,607,242	109,744,911

36. Contingent liabilities

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

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

37. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 25 March 2009.

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, 19 May 2009 at 9:30 a.m. to consider, if thought fit, passing the following resolutions as ordinary resolutions:

1. To approve the report of the directors' of the Company for 2008.

2. To approve the report of the Supervisory Committee of the Company for 2008.

3. To approve the audited consolidated accounts of the Company for the year ended 31 December 2008.

4. To authorise the board of directors to appoint auditors of the Company and to fix their remuneration.

5. To approve the following appointment of an executive director:

   "**THAT** Mr. Hao Zhihui be and is hereby appointed as an executive director of the Company for an initial term commencing from the date of this resolution and expiring on 31 December 2010 at such amount of remuneration and upon and subject to such terms and conditions as contained in a service contract to be entered into between he and the Company and the Directors of the Company are and hereby authorized to negotiate the remuneration and the terms and conditions of, and to sign the service contract with him on behalf of the Company in accordance with the Articles of Association of the Company, the relevant laws of the People's Republic of China and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited."

6. To transact any other business.

By order of the Board
Wang Shuxin
Chairman

Tianjin, China

25 March 2009

Notes:

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

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

3. In order to be valid, the proxy form of the holder of the Domestic Shares 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 18 April 2009 to 19 May 2009 (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 17 April 2009 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 29 April 2009.

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