泰 达

天津泰達生物醫學工程股份有限公司

Tianjin TEDA Biomedical Engineering Company Limited

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

(Stock Code: 8189)

ANNUAL REPORT 2010

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

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

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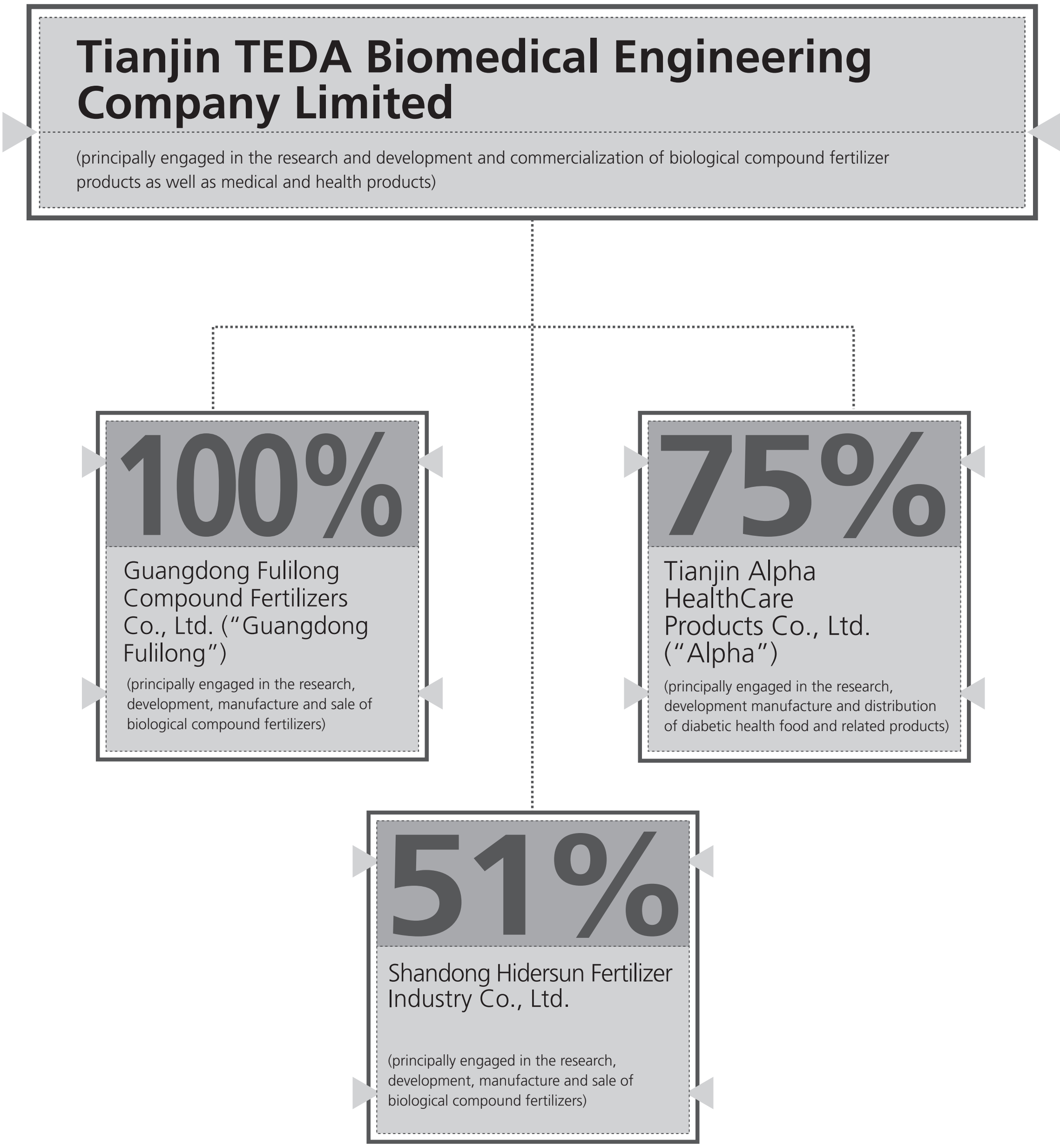
BACKGROUND

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

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

Health care products
The diversified product range includes a series of diabetic health care 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.



* The former "Shandong Fulilong Fertilizer Industry Co., Ltd." was renamed as "Shandong Hidersun Fertilizer Industry Co., Ltd." on 3 November 2010.

Executive Directors
Mr. Wang Shuxin
Mr. Hao Zhihui
Mr. Xie Kehua

Non-executive Directors
Mr. Feng Enqing
Mr. Xie Guangbei
Mr. Wang Xiaofa (Expired on 31 December 2010 and not offer for re-election)
Mr. Wei Jingquan (Appointed on 1 Jan 2011)

Independent non-executive Directors
Professor Xian Guoming (Expired on 31 December 2010 and not offer for re-election)
Mr. Guan Tong
Mr. Wu Chen
Mr. Cao Kai (Appointed on 1 Jan 2011)

Supervisors
Mr. Zhao Tingying
Mr. Yuan Wei (Expired on 31 December 2010)
Ms. Yang Chunyan (Appointed on 1 Jan 2011)

Independent Supervisors
Mr. Gao Xianbiao
Mr. Zhao Kuiying

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

Compliance Officer
Mr. Wang Shuxin

Audit Committee
Professor Xian Guoming (Expired on 31 December 2010 and not offer for re-election)
Mr. Guan Tong
Mr. Wu Chen
Mr. Cao Kai (Appointed on 1 Jan 2011)

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

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

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

Auditor
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Hong Kong Share Registrar and Transfer Office
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Wanchai, Hong Kong

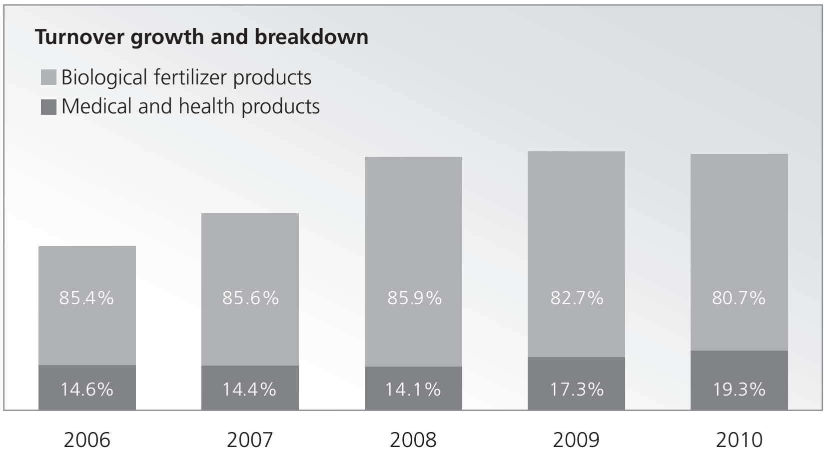
Company Website
www.bioteda.com

Stock Code
08189

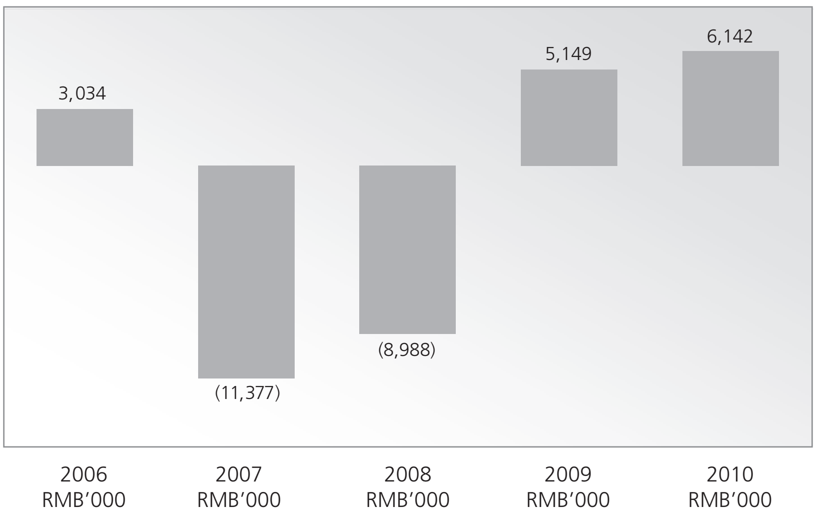
FINANCIAL HIGHLIGHTS

	For the year ended 31 December				
	2006	2007	2008	2009	**2010**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Results					
Turnover	270,639	327,955	422,512	432,000	**429,057**
Gross profit	43,625	50,639	66,563	85,747	**83,377**
Gross margin	16.12%	15.44%	15.75%	19.85%	**19.43%**
Profit/(loss) attributable to the shareholders	3,034	(11,377)	(8,988)	5,149	**6,142**
Earnings/(loss) per share	0.50 cents	(1.87) cents	(1.44) cents	0.46 cents	**0.43 cents**

	For the year ended 31 December				
	2006	2007	2008	2009	**2010**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets & Liabilities					
Total assets	278,839	325,601	309,551	309,136	**309,073**
Total liabilities	208,097	266,607	224,996	150,432	**142,376**
Equity attributable to the shareholders	68,408	57,031	81,823	134,919	**141,061**



Profit/(loss) attributable to owners of the Company



Dear shareholders and investors:

I am pleased to report to our shareholders and investors the results of the Group for the fiscal year ended 31 December 2010.

Results

During the year under review, the turnover of the Group for the year ended 31 December 2010 amounted to RMB 429,057,000, representing a slight decrease of 0.68% as compared with the turnover of RMB 432,000,000 last year. The profit attributable to the shareholders of the Company increased by 19.29% from RMB 5,149,000 for the year ended 31 December 2009 to RMB 6,142,000 for the year ended 31 December 2010.

Review

During the last year, the Group's two major business segments faced various market changes and challenges.

In the first half of 2010, due to the conservative attitude that prevailed among the players in the terminal market resulted from the continuously falling raw material prices, and the seriously battered agricultural industry by the severe large-scale drought and the abnormal low temperature in certain regions in China, have significantly reduced the overall demand of fertilizers, and this, in turn, has resulted in an unprecedented significant decrease in the sales of our biological compound fertilizer products in the first quarter of 2010 as compared with the same period in 2009. The management team of the Group rapidly adjusted its market strategy in such harsh environment, and such an effort has narrowed the fall in the turnover in the second quarter, a significant increase in the turnover in the third quarter alone, and eventually contributed an increase of 19.29% in the profit attributable to the shareholders of the Company. The consolidated turnover of the Group for the whole year was almost in line with the level in 2009, reflecting the efforts made by the management team of the Group in face of the changes and challenges in the market.

The Group recorded a steady growth in respect of its medical and health products. For the year ended 31 December 2010, the turnover of medical and health products amounted to RMB 83,010,000, representing an increase of 10.8% from RMB 74,916,000 in the last year. However, due to the increased raw material prices resulted from the inflation, the gross profit margin of our medical and health products decreased from 48.9% for the year ended 31 December 2009 to 44.4% for the year ended 31 December 2010.

Outlook

Since October 2010, certain national departments have promulgated several supporting policies, such as the increase of purchase price of food, to protect the incentives of farmers and further stimulate the agricultural development. In December 2010, International Fertilizer Industry (IFA) issued the Short-term Outlook of the Global Fertilizer Market 2010-2011 report, according to which, low food inventory, the increased demand and the development in biological energies will drive the recovery of the global fertilizer market in 2011, and global fertilizer supply and consumption will be raised to a new level. Given the gradual recovery of the domestic compound fertilizer market, the Group will draw up an excellent market layout and seize the new opportunities afforded by the recovery of the market.

Appreciation

In 2010, the Board, the Supervisory Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee and various management departments of the Company took an active role and strived best to upgrade the management standard of the Company. I would like to express my deep gratitude to all staff of the Group for their unremitting efforts during the past year, and sincerely express thanks to our business partners, customers and shareholders for their continued support. The Group will endeavor to meet higher business targets and create more value for our shareholders in future.

Wang Shuxin
Chairman

10 March 2011

Business Review

For the year ended 31 December 2010, the major businesses of the Group were biological compound fertilizer products and medical and health products, which in aggregate achieved an annual sales of RMB429,057,000, representing a slight decrease of 0.68% as compared to last year. In particular, the Group recorded an annual sales of RMB346,047,000 for compound fertilizer products, representing a slight decrease of 3.1% as compared to last year. For the year ended 31 December 2010, the sales income of health care products, with ALPHA series as its flagship health food products, amounted to RMB83,010,000, representing an increase of 10.8% as compared to last year.

The Company issued an announcement titled "Continuing Connected Transactions" on 2 June 2010, stating that The Company as lessee entered into a new tenancy agreement with Tianjin TEDA International Incubator ("TTII"), a substantial shareholder of the Company, as lessor on 2 June 2010 and the annual rental payment for the financial year ended 31 December 2010 would be RMB326,268. Tianjin Alpha HealthCare Products Co., Ltd, a non-wholly owned subsidiary of the Company as lessee entered into a new tenancy agreement with TTII as lessor on 2 June 2010 and the annual rental payment for the financial year ended 31 December 2010 would be RMB1,789,344. As TTII is a controlling shareholder of the Company, it is also a connected person of the Company within the meaning of the GEM Listing Rules, thus the Tenancy Agreements constitute continuing connected transactions for the Company under the GEM Listing Rules. Given that the relevant Percentage Ratios of the transactions on an aggregate basis are all less than 2.5% on an annual basis, the Tenancy Agreements fall within the threshold for exempted continuing connected transaction under Rule 20.34 of the GEM Listing Rules and are subject to the reporting and announcement requirements under Rules 20.45 to 20.47 of the GEM Listing Rules and exempted from independent Shareholders' approval requirements. For the details of the abovementioned transactions disclosed herein, please refer to the "Connected Transactions" in the directors' report on page 26 and 27.

The Company issued an announcement titled "Proposed Issue of Domestic Shares, Proposed Specific Mandate and Proposed Amendment to the Articles of Association" on 15 June 2009, and a circular titled "Proposed Issue of Domestic Shares, Proposed Specific Mandate, Proposed Amendment of Articles of Association and Notice of Extraordinary General Meeting" on 24 June 2009. On 8 February 2010, the Company was issued a new business license for the change of registration details by the Administration for Industry and Commerce, and the issue of domestic shares was duly completed.

Operating Environment

In the first half of 2010, the domestic compound fertilizer demand shrank significantly. The peak season anticipated to come after the Spring Festival failed to come under the sluggish market demand and the impact of the low raw material prices. The severe large-scale drought in Southwestern China and the abnormal low temperature in Northern and Middle China severely battered the agriculture. All the unfavorable factors adversely impacted the market confidence. Distributors and end users became cautious and conservative, making it more difficult to expand the fertilizer product market. At the early third quarter of 2010, only about half of the domestic enterprises in the compound fertilizer industry were under operation, and the market only recovered until the mid or late third quarter when the market confidence resumed.

Though a rapid growth in the population of diabetic is witnessed in China, the domestic development of diabetic health food was slow, the scale and the maturity of the development of the industry lag far behind as compared with the diabetic health food industry in western developed countries. There is not much choice for diabetic health food in the domestic market. Data shows that in 2004, among all the approved health food in China, 241 were blood sugar regulators, representing only 4.2% of all the health food, and there were only few well-known brands of diabetic health food that enjoyed strong position in the market.

Sales and Financial Highlights

For the year ended 31 December 2010, the Company recorded a slight decrease in the sales of biological compound fertilizer products and experienced steady growth in the sales of medical and health products. Total turnover of the Group was approximately RMB429,057,000 (excluding other revenue), representing a slight decrease of 0.68% as compared to 2009.

As at 31 December 2010, the steady expansion of the distribution networks of compound fertilizers in different provinces, cities and autonomous regions in China has contributed to the Group's turnover of approximately RMB34,605 million and to the Group's sales gross profit of RMB4,738 million. Gross profit margin of compound fertilizer products decreased to 13.7%, while the overall gross profit margin of the Group slightly decreased from 19.85% in 2009 to 19.43% in 2010. The Group will further optimize its product structure and develop new products for raising the share of the Group's products with high gross profit margin.

In 2010, the profit attributable to the shareholders of the Group increased from RMB5.15 million in 2009 to RMB6.14 million, which was mainly attributable to the Group's stringent budget control over expenses, and the significant decrease in the administrative expenses and finance expenses, notwithstanding the increase in the R&D expenses and the slight decrease in the sales and distribution costs.

Production and Research and Development

To diversify the Group's "Fulilong" compound fertilizer products and enhance our market competitiveness, the Group improved its manufacturing technique on the slow controlled release fertilizers, and developed new products, such as soil conditioner and water soluble fertilizer which have been launched into the market after trial production.

The subsidiary of the Group in Shandong that applied for three patents for its manufacturing techniques was issued with patent certificates by State Intellectual Property Office of the People's Republic of China in January 2010. According to the preferential policies of the local government on the protection of intellectual properties, our subsidiary in Guangdong applied for and obtained the incentive fund of the government for the research and development work of patent pilot enterprises.

Based on the current status of development of the agricultural industry in China, the Group met the end users throughout the country several times during the year under review for the use of fertilizer and provided market oriented agricultural services by, such as, offering guidance on the application of fertilizers with soil testing formulae.

In terms of the health product business, the Group also adhered to the development strategy that focused on the management fundamental and the improvement of innovation capability. The Group also carried out innovation activities in the manufacturing and technical departments and established a mechanism for benign competition. In particular, certain innovation projects in relation to production and technology are under trial operation at present. During the period under review, the Group developed several new sugar-free products, which have commenced production and have been launched into the domestic market.

Name and Address Changes of A Subsidiary

As from 3 November 2010, our subsidiary in Shandong, Shandong Fulilong Fertilizer Industry Co., Ltd. changed its name to Shandong Hidersun Fertilizer Industry Co., Ltd. and meanwhile, its original business address was changed from Shandong Changle Economic Development Zone to Shouyangshan Road 1007, Changle, Shandong in accordance with the requirements in the Notice of Changle County People's Government Office on Enhancing the Administration on the Situation of the Buildings (Le Zheng Ban Fa [2008] No.148) (《昌樂人民政府辦公室關於加強房屋坐落規範管理的通知》(樂正辦發[2008]148號)), while the actual production and business locations remained unchanged.

Financial Status and Capital Structure

In 2010, the profit attributable to the shareholders of the Group increased from RMB5.15 million to RMB6.14 million. Finance costs significantly decreased by 41.90%, while the general and administrative expenses significantly decreased by 20.72% compared to the corresponding period in 2009. Research and development expenses increased by 24.58% as compared with the corresponding period in 2009, which was mainly attributable to the significant increase in research and development expenses of the Group.

The Group's capital structure as at 31 December 2010 was as follows: total assets amounted to RMB309.07 million; current assets, fixed assets, investments and other non-current assets accounted for 61.49%, 32.71%, 0.97% and 4.83% of the total assets, respectively.

Future Outlook

According to the report published by the International Fertilizer Association (IFA), due to the rebounding momentum of the global demand and low stock inventory, the rate of operation of the global fertilizer industry is expected to reach an unprecedented peak, thus continuing to drive the recovery of the global fertilizer market in 2011. As the excessive production capacity will be gradually occupied, production enterprises will have higher obligations in terms of environmental protection and provide better agricultural services, this will drive the global supply and consumption of fertilizer products into a new level. According to the analysis results on the population and fertilizer consumption of all the countries in the world, fertilizer consumption is positively related to the population of a country. China is undoubtedly a large country in terms of fertilizer consumption. The preliminary development focus of the 12th Five-Year Plan for the fertilizer industry in China has been established. It is forecast that the demand for fertilizer products will continue to grow during the 12th Five-Year Period and before 2020. One of the development objectives for the fertilizer industry during the 12th Five-Year Period is to focus on the development of slow controlled release fertilizer and special and functional fertilizers, irrigation fertilizers suitable for water-saving agriculture, as well as new fertilizer products and various special fertilizers, such as liquid fertilizers that are manufactured by the combination of water and fertilizer. Such objective allows the Group to have a clear direction of its fertilizer business.

According to China Health Care Association, the output value of the healthcare industry accounted for approximately 2% of the GDP in China in the past few years, which is lower than that in many developing countries, and lags far behind as compared with the average percentage of 15% in the developed countries. The average expenses spent by the customers in Europe and the USA on healthcare products accounted for more than 2% of their total expenses, as compared to only 0.07% in China. Currently, the purchasing potential of healthcare products in China amounted to RMB 800 billion, while the sales is only approximately RMB 200 billion. The expenditure per capita on healthcare products in China is only 1/20 of that in America and 1/15 in Japan, reflecting the bright prospects and vast development potential of the healthcare products. In particular, the sugar-reducing healthcare food market expects a brighter prospect than others.

Segmental information

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

The results of the Group by segments for the year ended 31 December 2010 and the year ended 31 December 2009 are disclosed in Note 6 to the consolidated financial statements.

Liquidity, financial resources and gearing ratio

During 2010, the Group financed its operations mainly by internally generated cash and banking facilities.

As at 31 December 2010, the Group's consolidated shareholders' liquidity, current assets and net current assets were about RMB166,697,608 (2009: RMB158,704,358), RMB190,049,570 (2009: RMB189,487,631) and RMB52,673,920 (2009: RMB39,055,970) respectively. The Group's current assets as at 31 December 2010 comprised mainly cash and bank balances of RMB51,945,433 (31 December 2009: RMB42,556,768), trade receivables of RMB50,186,307 (31 December 2009: RMB53,405,113) and inventories of RMB69,984,901 (31 December 2009: RMB60,094,582).

As at 31 December 2010, the total bank borrowings of the Group amounted to RMB82,500,000 (31 December 2009: RMB48,500,000). The bank borrowings are denominated in Renminbi and provided by various licensed banks in China with fixed interest rates ranging from 5.3% to 7.0% (31 December 2009: 5.3% to 9.8%) per annum. Of the bank borrowings, a total amount of RMB18,000,000 will mature in December 2011, a total amount of RMB15,000,000 will mature in September 2011, a total amount of RMB13,500,000 will mature in April 2011.

As at 31 December 2010, the Group's gearing ratio, defined as the ratio of total bank borrowings to total assets, was 0.27 (31 December 2009: 0.16). The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was 1.38 (31 December 2009: 1.26).

Charges on the Group's assets and contingent liabilities

As at 31 December 2010, the Company had contingent liabilities amounting to RMB34,000,000 (31 December 2009:RMB3,000,000) in connection with the provision of guarantee as security for bank loans granted to its subsidiaries.

Completion of the issue of domestic shares and Proposed Amendment to the Articles of Association

The Company issued the announcement of "Proposed Issue of Domestic Shares Proposed Specific Mandate and Proposed Amendment to the Articles of Association" on 15 June 2009, and issued a circular "Proposed Issue of Domestic Shares, Proposed Specific Mandate, Proposed Amendment to the Articles of Association and Notice of Extraordinary General Meeting" on 24 June 2009. The Company also proposed to amend the Articles of Association of the Company to reflect and update the details of the shareholding structures of the Company upon the completion of the subscription. The Company was issued a new business license by the Administration for Industry and Commerce on 9 February 2010. All the conditions for completion of the said subscription agreement were duly fulfilled and the issue of domestic shares was completed.

Employees and remuneration policies

As at 31 December 2010, the Group had 715 employees (2009: 699 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. Any surplus cash will be placed as deposits with licensed banks in China.

Directors

Executive Directors

Mr. Wang Shuxin, aged 46, is the Chairman of the Board of Directors of the Company and its subsidiaries and is responsible for the Company's strategic planning and business development. Mr. Wang was instrumental in the establishment of Tianjin TEDA International Incubator (天津泰達國際創業中心) ("TTII") in April 1996 and has been the legal representative of Tianjin TEDA Institute of Biomaterials and Medical Engineering (天津開發區泰達生物材料與醫學工程研究所) ("IBME") since January 1998. He was appointed as Chairman of the Board of Directors of the Company in September 2000. Mr. Wang graduated from Tianjin University (天津大學) in 1988 with a master's degree in Organic Chemical Engineering (有機化工專業). In February 1999, he obtained a postgraduate qualification in accounting from Tianjin University of Finance and Economics (天津財經學院). In 1997, Mr. Wang participated in the commercialization of the technology relating to clinical catheters. He subsequently became involved in the establishment of IBME in January 1998 and received one of the Ten Outstanding Youth awards (十大傑出青年) in 1998.

Mr. Hao Zhihui, aged 49, graduated from Tianjin Medical University in August 1984 with a bachelor's degree in medicine and thereafter taught in the university. He also completed his master's degree in Medicine offered by the same university in August 1992. From May 1995 to August 1997, he was in charge of production and technology in DPC (Tianjin) Co., Ltd (天津德普生物技術和醫學產品有限公司). From September 1997 to September 2000, he worked in Tianjin TEDA International Incubator and was the chief of the Medicine Industry Department (醫藥產業部部長). In March 2004, he graduated from the School of Continuing Education of Tsinghua University, Business Administration Major. From September 2000 to August 2006, he has assumed the posts of chief investment officer, chairman of the Supervisory Committee and executive vice president (常務副總裁) in the Company. He has been the President of the Company since August 2006. Mr. Hao has been appointed as an executive director of the Company since May 2009.

Mr. Xie Kehua, aged 54, 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 52, 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 56, graduated from Nankai University in 1993 with a master's degree in Economics. In 1998, he was granted a MBA degree from Rensselaer Polytechnic Institute in Troy, New York, the US. He is the investment and financial consultant of the Office of Residential Property Commercialization headed by the Ministry of Construction of the PRC. He is also the vice chairman and president of Tianjin Securities Investment Consulting Company Limited (天津證券投資諮詢有限公司). He was an engineer of the Business Department of China Shizheng Huabei College of Design (中國市政華北設計院計劃經營處), director and deputy general manager and senior engineer of Tianjin Eastern International Engineering Consultancy (天津東方國際工程諮詢). He joined the Company as an independent supervisor in November 2000 and has been appointed as a non-executive director since November 2003.

Directors *(Continued)*

Non-executive Directors *(Continued)*

Mr. Wei Jingquan, aged 32, graduated from Nanchang University in July 2000 with a bachelor's degree in Chemical Engineering and Process (化工工藝). He worked in the Plastic Corp. of Grace T.H.W. Group (宏仁集團塑膠廠) in Guangzhou as the vice chief of the technology section from October 2001 to November 2002. From December 2002 to June 2006, he held various positions in Guangdong Fulilong Compound Fertilizers Co., Ltd. (廣東福利龍複合肥有限公司) ("Guangdong Fulilong"), including manager of the human resources department, manager of the production department, manager of the quality control department, deputy director of the technology center, assistant to general manager and vice general manager. He was appointed as the general manger of Guangdong Fulilong in July 2006. In September 2007, he received a master's degree in industrial engineering (工業工程) from the School of Business Administration of South China University of Technology. He is also an editor of the journal Guangdong Fertilizer Industry (《廣東肥業》). Mr. Wei has been appointed as a non-executive director since January 2010.

Independent Non-executive Directors

Mr. Guan Tong, aged 42, 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 66, graduated from the Chemical Engineering Department of Tianjin College of Engineering in 1970. He was awarded the second prize of excellent scientific and technological achievements – N.P. compound fertilizer project in 1982. In April 1990 and December 1991, Mr. Wu was respectively awarded the second and the third prizes by Tianjin Nanjiao District People's Government and Validation Committee of National Spark Award (國家星火獎評審委員會) for his contributions in the transformation of compound fertilizer production line and the development of series of compound fertilizer products. In addition, he was recognized as a senior engineer by the Tianjin Engineering, Technological and Chemical Professional Senior Qualification Review Committee (天津市工程技術化工專業高級資格評審委員會) and given a certificate by Tianjin Municipal Personnel Bureau (天津人事局) in April 1996.

Mr. Cao Kai, aged 54, graduated from Northwest College of Agronomy with a bachelor's degree in 1985. He is a high-end fertilizer formulator and a council member of the China Agro-technological Extension Association (中國農業技術推廣協會), an expert of the Annual Conference for Chinese Experts on Fertilizer Industry (中國肥料業專家年會). In April 2005, He also assumes the position of agricultural extension researcher (推廣研究員). On 15 January 2006, he joined the Shandong Technology Development Center (山東省技術開發服務中心) as the deputy director of Shandong Xinghuo Science and Technology Service Center (山東星火科技服務中心). In January 2006, he became a member of the "Science and Technology 110" Professional Service Group (科技"110"專家服務團). In March 2009, he won the China Fertilizer Industry Innovator Award (中國肥料業創新人物獎).

Supervisors

Mr. Zhao Tingying, aged 35, 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.

Ms. Yang Chunyan, aged 34, has been appointed as Chairman of the Trade Union of the Group since 28 June 2007. Ms. Yang graduated from Tianjin University (天津大學) in 2005 with a bachelor 's degree in financial management. She acquired the title of intermediate-level accountant in 2008. She worked at the Finance Department of TTII from June 1996 to August 2000 and has been working with the Financial Management Department of the Company since September 2000, and was appointed as a supervisor of the Company in January 2010.

Independent Supervisors

Mr. Gao Xianbiao, aged 49, 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, 42, is an economist. He graduated from Nankai University with a bachelor degree in Finance in 1990 and subsequently obtained a master degree in Economics from Tianjin University of Finance and Economics (天津財經大學). He specializes in financial management and analysis. He was positioned in various posts in branches of the Agricultural Bank of China from 1990 to 2000 and China CITIC Bank from 2000 and has been the head of a branch office of China CITIC Bank in Tianjin since August 2005.

Senior Management

Chief Executive Officer

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

Qualified Accountant and Company Secretary

Mr. Ng Ka Kuen, Raymond, aged 50, was an associate member of the Association of Cost and Executive Accountants in September 1985 and became a fellow member of that Association in October 1986. In November 1997, he was awarded a Graduate Diploma in Administration and a Bachelor Degree of Arts by Australian Catholic University, Australia and Ottawa University, Ottawa, Kansas State, the United States of America respectively. Mr. Ng became a member of the Institute of Certified Public Accountants in Ireland in October 2002, a fellow member of the Institute of Chartered Secretaries and Administrators in November 2003 and an associate member of the Association of International Accountants in June 2004. In April and July 2005, Mr. Ng became a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and an associate member of the Taxation Institute of Hong Kong respectively. Before joining the Company, Mr. Ng has more than 10 years audit experience.

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

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

I. Meeting of the Supervisory Committee

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

On 6 May 2010, the Supervisory Committee held the second meeting in 2010, at which the first quarterly report of the unaudited results for the three months ended 31 March 2010 was reviewed and approved.

On 7 August 2010, the Supervisory Committee held the third meeting in 2010, at which the half-yearly report of the unaudited results for the six months ended 30 June 2010 was reviewed and approved.

On 4 November 2010, the Supervisory Committee held the fourth meeting in 2010, at which the third quarterly report of the unaudited results for the nine months ended 30 September 2010 was reviewed and approved.

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

II. Jobs Carried Out by the Supervisory Committee

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

The Supervisory Committee regularly and non-regularly reviews the Company's accounting documents, books of account, financial statements and other accounting information. To the best knowledge of the Supervisory Committee to date, there are no inappropriate disclosures in the financial statements and accounts of the Company and no doubt has been revealed. The auditor's report prepared by BDO Limited truly, fairly and accurately reflects the Group's financial position and operating results.

The Supervisory Committee reviews and verify the report of the Directors and audited financial statements to be proposed by the Board of Directors for presentation at the annual general meeting. The Supervisory Committee are of the opinion that the Directors, the chief executive officers and other senior management of the company were able to exercise their authority faithfully in the best interests of the Company. The Supervisory Committee was not aware of any actions violated any regulations, the Articles of Association of the Company, or any actions of abusing authority damaging the interests of the Company and infringing upon the interests of its shareholders and employees.

The Supervisory Committee of the Company is full of confidence in the future of the Company, and will continue faithfully to perform its duties and work diligently to safeguard the interests of all of the Company's investors in 2011.

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

10 March 2011

Corporate Governance Practices

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

Directors' Securities Transactions

For the year ended 31 December 2010, the Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors of the Company have complied with such code of conduct and the required standard of dealings.

Board of Directors and Board Meeting

Board Composition and Board Practices

The Board comprises nine Directors of the Company including three executive Directors, three non-executive Directors and three independent non-executive Directors. All executive Directors have given sufficient efforts, time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position. There is no financial, business, family or other material/relevant relationship amongst the Directors. The Directors' biographical information is set out on page 12 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 2010 were:

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

Non-executive Directors
Mr. Feng Enqing (馮恩慶)
Mr. Xie Guangbei (謝光北)
Mr. Wang Xiaofa (王校法) (expired on 31 December 2010 and not offer for re-election)
Mr. Wei Jingquan (危敬權) (Appointed on 1 January 2011)

Independent non-executive Directors
Professor Xian Guoming (冼國明) (expired on 31 December 2010 and not offer for re-election)
Mr. Guan Tong (關彤)
Mr. Wu Chen (吳琛)
Mr. Cao Kai (曹凱) (Appointed on 1 January 2011)

Board of Directors and Board Meeting *(continued)*

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

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 ten meetings in 2010, 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)	10/10
Mr. Hao Zhihui (郝志輝)	9/10
Mr. Xie Kehua (謝克華)	9/10
Non-executive Directors	
Mr. Feng Enqing (馮恩慶)	8/10
Mr. Wang Xiaofa (王校法)	5/10
Mr. Xie Guangbei (謝光北)	5/10
Independent non-executive Directors	
Professor Xian Guoming (冼國明)	3/10
Mr. Guan Tong (關彤)	10/10
Mr. Wu Chen (吳琛)	10/10

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

Nomination and Remuneration Committee

The Company has set up a nomination and a remuneration committee according to the Code. The two committees were merged and renamed as the "Nomination and Remuneration Committee", with a majority of the members thereof being independent non-executive Directors. The Nomination and Remuneration Committee comprises Mr. Xie Guangbei (謝光北), a non-executive Director, Mr. Wu Chen and Mr. Guan Tong, both independent non-executive Directors, with Mr. Xie Guangbei (謝光北) as the chairman of the nomination and remuneration committee. The nomination and remuneration committee held two general meetings in 2010.

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

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

Nomination and Remuneration Committee *(continued)*

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.

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.

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

Audit Committee

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

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

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

Audit Committee *(continued)*

The main duties of the Audit Committee are as follows:

- To consider the appointment of the external auditor, the audit fee, and any question of resignation or dismissal;
- To discuss with the external auditor the nature and scope of the audit;
- To review and monitor the external auditor, independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- To develop and implement policy on the engagement of external auditor to supply non-audit services;
- To review the Group's quarterly, interim and annual financial statements before submission to the Board;
- To discuss problems and qualified opinions arising from the final audits and any matters that the external auditor may wish to discuss;
- To review the Group's statement on internal control system prior to endorsement by the Board;
- To consider the major findings of any internal investigation and the management's response; and
- To consider other topics, as defined by the Board.

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

Name of directors	Attendance/Number of Meetings held
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 2010 and the audited financial statements for the year ended 31 December 2009 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

BDO Limited ("BDO", Certified Public Accountant), had been recommended by the Audit Committee and appointed by the shareholders as the External Auditor of the Company and its subsidiaries with effect from 10 May 2010 until the conclusion of the forthcoming annual general meeting of the Company.

The annual consolidated financial statements for the financial year ended 31 December 2010 have been audited by BDO.

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

The Group's External Auditor is BDO for the year ended 31 December 2010 (for the year ended 31 December 2009: BDO).

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

	Fee Charged	
	for the year ended 31 December 2010	for the year ended 31 December 2009
Types of Services	**RMB'000**	RMB'000
Audit for the Group	**841**	788

Directors' Responsibility for the Financial Statements

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

The statements of the external auditor of the Company, BDO Limited, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Auditor's Report on pages 30 to 31 of this annual report.

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

Internal Control

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

Investor Relations and Communication with Shareholders

The Company has disclosed all necessary information to the shareholders and investors in compliance with GEM Listing Rules and 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 2010.

Principal Activities and Geographical Analysis of Operations

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

The activities of the subsidiaries are set out in Note 17 to the consolidated financial statements.

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

Change of Share Capital

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

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 32 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 36 of this annual report and Note 28 to the consolidated financial statements respectively.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group and the Company are set out in Note 15 to the consolidated 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 2010 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

Appointment and Re-Election of Directors and Supervisors

The Company issued an announcement on 5 November 2010 and issued a circular of Proposed Appointment and Re-election of Directors and Supervisors on 8 November 2010, the Board proposed to obtain approval for the proposed appointment and re-election of Directors and Supervisors from the Shareholders. The term of the service contracts of all Directors and Supervisors will expire on 31 December 2010. Except Mr. Wang Xiaofa, a non-executive Director, Professor Xian Guoming, an independent non-executive Director and Mr. Yuan Wei, a Supervisor do not offer themselves for election, all of the other (i) executive Directors, non-executive Directors and independent non-executive Directors of the Company (collectively the "Retiring Directors") and (ii) the Supervisors and the independent Supervisors of the Company (collectively the "Retiring Supervisors") offer themselves for re-election. In view of Mr. Wang Xiaofa, Professor Xian Guoming and Mr. Yuan Wei do not offer themselves for re-election and their tenure will expire on 31 December 2010, the Board proposes to appoint Mr. Wei Jingquan as a non-executive Director, Mr. Cao Kai as an independent non-executive Director and Ms. Yang Chunyan as a Supervisor of the Company to fill in the vacancies. The above ordinary resolutions were approved at the EGM convened on 28 December 2010, all the proposed directors and supervisors of the Company will be appointed for a term of three years commencing from 1 January 2011 and expiring on 31 December 2013.

The Directors and Supervisors (latest development has been shown) during the year were:

Executive Directors
Mr. Wang Shuxin (王書新) (re-elected on 1 January 2011)
Mr. Hao Zhihui (郝志輝) (re-elected on 1 January 2011)
Mr. Xie Kehua (謝克華) (re-elected on 1 January 2011)

Non-executive Directors
Mr. Feng Enqing (馮恩慶) (re-elected on 1 January 2011)
Mr. Xie Guangbei (謝光北) (re-elected on 1 January 2011)
Mr. Wang Xiaofa (王校法) (expired on 31 December 2010 and not offer for re-election; Mr. Wei Jingquan (危敬權) was appointed on 1 January 2011)

Independent Non-executive Directors
Professor Xian Guoming (冼國明教授) (expired on 31 December 2010 and not offer for re-election; Mr. Cao Kai (曹凱) was appointed on 1 January 2011)
Mr. Guan Tong (關彤) (re-elected on 1 January 2011)
Mr. Wu Chen (吳琛) (re-elected on 1 January 2011)

Supervisors
Mr. Zhao Tingying (趙挺穎) (re-elected on 1 January 2011)
Mr. Yuan Wei (袁偉) (expired on 31 December 2010 and not offer for re-election; Ms. Yang Chunyan (楊春燕) was appointed on 1 January 2011)

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

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

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

Directors' and Supervisors' Service Contracts

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

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

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

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

Directors' and Supervisors' Interests in Contracts

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

Confirmation of Independence of Independent Non-executive Directors

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

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

Brief biographical details of the directors, the supervisors, Chief Executive Officer, the company secretary and qualified accountant of the Company are set out on pages 12 to 14 of this annual report.

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

As at 31 December 2010, 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 RMB0.10 each in the Company:

	Number of shares held and nature of interests					Percentage of the issued share
Directors	**Personal** (Note)	**Family**	**Corporate**	**Other**	**Total**	**capital**
Mr. Xie Kehua	9,000,000	–	–	–	9,000,000	0.63%

Notes: All represented domestic shares.

Directors' and Supervisors' Interests and Short Positions in Shares, Underlying Shares and Debentures *(continued)*

Save as disclosed in this paragraph, as at 31 December 2010, 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 2010, 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 RMB0.10 each in the Company:

Name of shareholders	Capacity	Number of ordinary shares	Percentage of the issued share capital
Tianjin TEDA International Incubator ("Incubator")	Beneficial owner	200,000,000 (Note1)	14.08%
Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment")	Beneficial owner	180,000,000 (Note2)	12.68%
Shandong Zhinong Fertilizers Company Limited ("Zhinong Fertilizers")	Beneficial owner	170,000,000 (Note3)	11.97%
Dongguan Lvye Fertilizers Company Limited ("Lvye Fertilizers")	Beneficial owner	120,000,000 (Note4)	8.45%

Notes: 1, 2, 3, 4 represented domestic shares.

Save as disclosed above, as at 31 December 2010, 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 the Issue of Domestic Shares and Amendment to the Articles of Association

The Company issued the announcement of "Proposed Issue of Domestic Shares Proposed Specific Mandate and Proposed Amendment to the Articles of Association" on 15 June 2009, and issued a circular "Proposed Issue of Domestic Shares, Proposed Specific Mandate, Proposed Amendment to the Articles of Association and Notice of Extraordinary General Meeting" on 24 June 2009. The Company was issued a new business license by the administration for industry and commerce on 9 February 2010. All the conditions for completion of the said subscription agreement were duly fulfilled and the issue of domestic shares was completed.

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 2010, 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:	8%
– Five largest suppliers combined	25%
Sales	
– The largest customer	3%
– Five largest customers combined	10%

Connected Transactions

(1) The Tenancy Agreement

Date:	2 June 2010
Tenant:	the Company
Landlord:	Tianjin TEDA International Incubator, a substantial shareholder of the Company
Location:	9th Floor, Block A2, Tianda High-Tech Park, No. 80, The 4th Avenue, TEDA, Tianjin, PRC. ("Premises A2")
Area:	approximately 604 square meters
Term:	expired on 31 December 2010, for a period of 1 year
Rent:	annual rent of RMB326,268, the same as for the year ended 31 December 2009

Connected Transactions *(continued)*

(2) The Tenancy Agreement

Date:	2 June 2010
Tenant:	Tianjin Alpha Health Care Products Co., Ltd, a non-wholly owned subsidiary of the Company
Landlord:	Tianjin TEDA International Incubator, a substantial shareholder of the Company
Location:	Block D3, Tianda High-Tech Park, No. 80, The 4th Avenue, TEDA, Tianjin, PRC ("Premises D3")
Area:	Approximately 4,970 square meters
Term:	expired on 31 December 2010, for a period of 1 year
Rent:	annual rent of RMB1,789,344

The Company and Alpha have rented Premises A2 and D3 since 2002 and 2000 respectively. The terms of the Tenancy Agreements were reached after arm's length negotiation and were on normal commercial terms. The rent of Premises A2 and D3 under the Tenancy Agreements for the relevant years were determined by reference to the market rate of office premises with comparable quality in Tianda High-Tech Park of Tianjin.

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

The following rental payments made by the Group to TTII, a substantial shareholder of the Company, under two tenancy agreements for the year ended 31 December 2009 constituted continuing connected transactions of the Company. The Tenancy Agreements brought the Company under R.20.34(1) as the aggregate rental payments payable by the Group to TTII will be approximately RMB2,115,621 for the year to be ended 31 December 2010 and the relevant Percentage Ratios of the transactions under the Tenancy Agreements on an aggregate basis are all less than 2.5% on an annual basis. As a result, the Tenancy Agreements fall within the threshold for exempted continuing connected transaction under Rule 20.34 of the GEM Listing Rules and are subject to the reporting and announcement requirements under Rules 20.45 to 20.47 of the GEM Listing Rules, but are exempted from independent Shareholders' approval requirements.

		2010		2009	
	Nature of transaction	**Group**	**Company**	Group	Company
		RMB	**RMB**	RMB	RMB
Ultimate holding company	Rental payment	**2,115,612**	**326,268**	1,817,388	326,268

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 26 to 27 of the Annual Report in accordance with GEM Listing Rule 20.38. A copy of the independent auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

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 — 1.42% of issued H shares

- Maximum entitlement of each participant — 1% of the H Shares in issue at the date grant in any 12-month period (including both exercised and outstanding options)

- Period within which the securities must be taken up under an option — 10 years commencing on the date of grant

Share Option Scheme *(continued)*

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

During the year ended 31 December 2010, none of the Directors or the Supervisors or full-time employees of the Company or other participants of the Scheme was granted with Options to subscribe for the H Shares of the Company.

Audit Committee

The 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 comprised three non-executive independent Directors, namely Professor Xian Guoming, Mr. Wu Chen and Mr. Guan Tong.

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

Corporate Governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 16 to 21 of this annual report.

Auditor

On 10 May 2010, BDO Limited ("BDO") was re-appointed, which appointment will continue to be effective until the conclusion of the forthcoming annual general meeting of the Company.

The financial statements of the Group for the year ended 31 December 2010 have been audited by BDO. A resolution will be submitted to the forthcoming annual general meeting to re-appoint BDO as the auditor of the Company.

On behalf of the Board
Wang Shuxin
Chairman

Tianjin, China, 10 March 2011

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TO THE SHAREHOLDERS OF TIANJIN TEDA BIOMEDICAL ENGINEERING COMPANY LIMITED
（天津泰達生物醫學工程股份有限公司）

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

We have audited the consolidated financial statements of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 80, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Lam Pik Wah
Practising Certificate Number P05325

Hong Kong, 10 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	**2010** **RMB**	2009 RMB
Turnover	7	**429,057,203**	432,000,259
Cost of sales		**(345,679,983)**	(346,253,026)
Gross profit		**83,377,220**	85,747,233
Other income and net gains	8	**4,278,717**	4,930,762
Selling and distribution costs		**(38,636,230)**	(39,006,107)
Administrative expenses		**(22,777,339)**	(28,731,194)
Research and development expenses		**(14,351,365)**	(11,520,084)
Finance costs	9	**(3,913,014)**	(6,734,851)
Profit before income tax expenses	9	**7,977,989**	4,685,759
Income tax credit/(expenses)	10	**15,261**	(611,214)
Profit and total comprehensive income for the year		**7,993,250**	4,074,545
Attributable to:			
Owners of the Company		**6,142,042**	5,148,779
Non-controlling interests		**1,851,208**	(1,074,234)
		7,993,250	4,074,545
Earnings per share – Basic (RMB)	13	**0.43 cents**	0.46 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Notes	**2010** RMB	2009 RMB
Non-current assets			
Property, plant and equipment	15	**101,111,320**	108,010,484
Goodwill	16	**3,133,932**	3,133,932
Available-for-sale financial assets	18	**3,000,000**	3,000,000
Prepaid land lease payments	19	**11,778,436**	5,503,972
Total non-current assets		**119,023,688**	119,648,388
Current assets			
Inventories	20	**69,984,901**	60,094,582
Trade and bills receivables	21	**50,186,307**	53,405,113
Prepayments and other receivables	22	**17,914,668**	33,405,081
Amount due from ultimate holding company	30(b)	**18,261**	26,087
Restricted bank deposits	23	**4,953,000**	11,250,000
Bank balances and cash	23	**46,992,433**	31,306,768
Total current assets		**190,049,570**	189,487,631
Total assets		**309,073,258**	309,136,019
Current liabilities			
Trade and bills payables	24	**35,804,644**	46,440,698
Other payables and accruals	25	**24,000,746**	52,526,859
Government grants received in advance		**–**	1,903,500
Tax payable		**70,260**	1,060,604
Bank borrowings	26	**77,500,000**	48,500,000
Total current liabilities		**137,375,650**	150,431,661
Net current assets		**52,673,920**	39,055,970
Total assets less current liabilities		**171,697,608**	158,704,358
Non-current liabilities			
Bank borrowings	26	**5,000,000**	–
NET ASSETS		**166,697,608**	158,704,358

	Notes	**2010** **RMB**	2009 RMB
Capital and reserves attributable to owners of the Company			
Share capital	27	**142,000,000**	142,000,000
Reserves		**(939,429)**	(7,081,471)
Equity attributable to owners of the Company		**141,060,571**	134,918,529
Non-controlling interests		**25,637,037**	23,785,829
TOTAL EQUITY		**166,697,608**	158,704,358

On behalf of the Board

Wang Shuxin
Director

Xie Kehua
Director

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Notes	**2010 RMB**	2009 RMB
Non-current assets			
Property, plant and equipment	15	**150,494**	287,002
Interests in subsidiaries	17	**98,507,897**	98,507,897
Available-for-sale financial assets	18	**3,000,000**	3,000,000
Total non-current assets		**101,658,391**	101,794,899
Current assets			
Prepayments and other receivables	22	**710,146**	1,240,730
Amount due from subsidiaries	17	**40,703,082**	36,427,508
Amount due from ultimate holding company	30(b)	**18,261**	26,087
Bank balances and cash	23	**2,787,246**	3,674,708
Total current assets		**44,218,735**	41,369,033
Total assets		**142,861,815**	143,163,932
Current liabilities			
Trade and bills payables	24	**26,918**	26,918
Amount due to a subsidiary	17	**3,015,311**	–
Other payables and accruals	25	**3,789,721**	4,589,282
Bank borrowings	26	**8,000,000**	10,000,000
Total current liabilities		**11,816,639**	14,616,200
Net current assets		**29,386,785**	26,752,833
NET ASSETS		**131,045,176**	128,547,732
Capital and reserves attributable to owners of the Company			
Share capital	27	**142,000,000**	142,000,000
Reserves	28	**(10,954,824)**	(13,452,268)
TOTAL EQUITY		**131,045,176**	128,547,732

On behalf of the Board

Wang Shuxin
Director

Xie Kehua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital (Note 27) RMB	Share premium (Note 28(i)) RMB	Surplus reserve (Note 28(ii)) RMB	Capital reserve (Note 28(iii)) RMB	Accumulated losses RMB	Attributable to owners of the Company RMB	Non-controlling interests RMB	Total RMB
Balance as at 1 January 2009	**95,000,000**	**74,869,185**	**1,133,637**	**2,541,404**	**(91,721,701)**	**81,822,525**	**2,732,611**	**84,555,136**
Total comprehensive income for the year	–	–	–	–	5,148,779	5,148,779	(1,074,234)	4,074,545
Issue of shares	47,000,000	947,225	–	–	–	47,947,225	–	47,947,225
Additional contribution from non-controlling interests	–	–	–	–	–	–	22,127,452	22,127,452
Reversal of over provision to reserve in prior years	–	–	(137,471)	–	137,471	–	–	–
Balance as at 31 December 2009	**142,000,000**	**75,816,410**	**996,166**	**2,541,404**	**(86,435,451)**	**134,918,529**	**23,785,829**	**158,704,358**
Total comprehensive income for the year	–	–	–	–	6,142,042	6,142,042	1,851,208	7,993,250
Transfer to reserves	–	–	518,834	–	(518,834)	–	–	–
Balance as at 31 December 2010	**142,000,000**	**75,816,410**	**1,515,000**	**2,541,404**	**(80,812,243)**	**141,060,571**	**25,637,037**	**166,697,608**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 RMB	2009 RMB
Cash flows from operating activities		
Profit before income tax expenses	**7,977,989**	4,685,759
Amortisation of prepaid land lease payments	**320,437**	312,661
Depreciation	**9,157,866**	9,418,717
Interest expense	**3,913,014**	6,734,851
Interest income	**(247,794)**	(293,306)
Loss on disposal of property, plant and equipment	**83,692**	52,853
Operating cash flows before working capital changes	**21,205,204**	20,911,535
(Increase)/decrease in inventories	**(9,890,319)**	18,880,330
Decrease in trade and bills receivables	**3,218,806**	373,814
Decrease/(increase) in prepayments and other receivables	**15,490,415**	(5,148,571)
Decrease in amount due from ultimate holding company	**7,826**	636,460
(Decrease)/increase in trade and bills payables	**(10,636,057)**	6,344,047
(Decrease)/increase in other payables and accruals	**(28,526,113)**	18,182,389
Decrease in government grants received in advance	**(1,903,500)**	(1,526,300)
Decrease in amount due to a related party	**–**	(44,576,144)
Cash (used in)/generated from operations	**(11,033,738)**	14,077,560
Income tax paid	**(975,083)**	(1,367,056)
Interest paid	**(3,913,014)**	(6,734,851)
Net cash (used in)/generated from operating activities	**(15,921,835)**	5,975,653

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 RMB	2009 RMB
Cash flows from investing activities			
Purchase of property, plant and equipment	15	**(8,943,732)**	(10,281,175)
Repayment to ex-shareholders of a subsidiary		**–**	(4,732,823)
Proceeds from disposal of property, plant and equipment		**6,438**	3,040,309
Decrease/(increase) in restricted bank deposits		**6,297,000**	(3,450,000)
Interest received		**247,794**	293,306
Net cash used in investing activities		**(2,392,500)**	(15,130,383)
Cash flows from financing activities			
Issue of shares, net of share issue expenses of RMB112,155		**–**	47,947,225
Capital injection from minority a shareholder		**–**	22,127,452
New bank borrowings		**99,500,000**	87,500,000
Repayment of bank borrowings		**(65,500,000)**	(135,000,000)
Net cash generated from financing activities		**34,000,000**	22,574,677
Net increase in cash and cash equivalents		**15,685,665**	13,419,947
Cash and cash equivalents at beginning of year		**31,306,768**	17,886,821
Cash and cash equivalents at end of year		**46,992,433**	31,306,768
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**46,992,433**	31,306,768

1. Corporate information

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

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

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 Hong Kong Financial Reporting Standards ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2010

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause
HKFRSs (Amendments)	Improvements to HKFRSs

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

HKFRS 3 (Revised) – Business Combinations and HKAS 27(Revised) – Consolidated and Separate Financial Statements

The revised accounting policies are described in Note 4 to the consolidated financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the consolidated financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year.

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

(a) Adoption of new/revised HKFRSs – effective 1 January 2010 *(continued)*

HKAS 17 (Amendments) – Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group concluded that the classification of such leases as operating leases continues to be appropriate. The Group concluded that the classification of such lesses as operating leases continues to be appropriate and therefore the adoption of revised HKAS17 has had no impact on the consolidated financial statements.

HK Interpretation 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause. The adoption of revised HK Interpretation 5 has had no impact on the current and prior year consolidated financial statements.

(b) Issued new/revised HKFRSs that are potentially relevant to the Group but are not yet effective

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1&2]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2013

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

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

2. Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

(b) Issued new/revised HKFRSs that are potentially relevant to the Group but are not yet effective *(continued)*

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

3. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listings Rules").

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. Significant accounting policies

(a) Business combination and basis of consolidation

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

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

4. Significant accounting policies *(continued)*

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

Business combination from 1 January 2010

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

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

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

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

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

Business combination prior to 1 January 2010

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connected with business combinations were capitalised as part of the cost of the acquisition.

Where losses applicable to the minority exceed the non-controlling's interests in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

4. Significant accounting policies *(continued)*

(b) Subsidiaries

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

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

(c) Goodwill

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

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

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

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

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

4. Significant accounting policies *(continued)*

(d) Property, plant and equipment

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

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

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

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

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

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

(e) Prepaid land lease payments

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

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

4. Significant accounting policies *(continued)*

(f) Research and development costs

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

(g) Impairment of other assets

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

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

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

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

(h) Inventories

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

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

4. Significant accounting policies *(continued)*

(i) Financial instruments

(i) Financial assets

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

Loans and receivables

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

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available for sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost loss impairment losses.

(ii) Impairment loss on financial assets

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

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

For loans and receivables

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

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

4. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

(ii) Impairment loss on financial assets (continued)

For available-for-sale financial assets

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

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities include trade and other payable and borrowings, they are initially measured at fair value, net of directly attributable costs incurred.

Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

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

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

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

4. Significant accounting policies *(continued)*

(k) Leases

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

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

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

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

(l) Provisions and contingent liabilities

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

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

(m) Income tax

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

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

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

4. Significant accounting policies *(continued)*

(m) Income tax *(continued)*

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

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

(n) Government grants

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

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

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

(o) Foreign currencies

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

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

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

4. Significant accounting policies *(continued)*

(o) Foreign currencies *(continued)*

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

(p) Revenue recognition

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

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

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

(q) Employees' benefits

(i) Short term benefits

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

(ii) Pension obligations

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

(r) Capitalisation of borrowing costs

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

(s) Related parties

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.

5. Critical accounting judgments and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Impairment of assets

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

Provision against slow-moving inventories

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

Provision for doubtful debts

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

6. Segment information

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

The Group has two reportable segments. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

– Manufacturing and sale of health care products
– Distribution of biological compound fertiliser products

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit earned by each segment without allocation of central administrative costs, directors' salaries, investment income and finance costs.

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

(a) Segment revenue and results

For the year ended 31 December 2010

	Health care products RMB	Fertiliser products RMB	Elimination RMB	Total RMB
Sales to external customers	**83,009,993**	**346,047,210**	**–**	**429,057,203**
Inter-segment sales	**39,830**	**15,790,847**	**(15,830,677)**	**–**
Total	**83,049,823**	**361,838,057**	**(15,830,677)**	**429,057,203**
Segment results	**36,040,259**	**47,336,961**	**–**	**83,377,220**
Other income and net gains	**979,020**	**3,276,205**	**–**	**4,255,225**
Unallocated other income and net gains				**23,492**
Total income and net gains			**–**	**4,278,717**
Selling and distribution costs	**(20,812,502)**	**(17,823,728)**	**–**	**(38,636,230)**
Administrative expenses	**(9,361,955)**	**(13,415,384)**	**–**	**(22,777,339)**
Research and development expenses	**(3,345,517)**	**(11,005,848)**	**–**	**(14,351,365)**
Finance costs	**(1,401,275)**	**(2,511,739)**	**–**	**(3,913,014)**
Profit before income tax expenses				**7,977,989**

6. Segment information *(continued)*

(a) Segment revenue and results *(continued)*

For the year ended 31 December 2009

	Health care products RMB	Fertiliser products RMB	Elimination RMB	Total RMB
Sales to external customers	74,915,602	357,084,657	–	432,000,259
Inter-segment sales	–	23,539,542	(23,539,542)	–
Total	74,915,602	380,624,199	(23,539,542)	432,000,259
Segment results	36,630,461	49,116,772	–	85,747,233
Other income and net gains	1,056,272	3,581,184	–	4,637,456
Unallocated other income and net gains				293,306
Total income and net gains				4,930,762
Selling and distribution costs	(23,100,714)	(15,905,393)	–	(39,006,107)
Administrative expenses	(15,706,862)	(13,024,332)	–	(28,731,194)
Research and development expenses	(3,070,894)	(8,449,190)	–	(11,520,084)
Finance costs	(3,526,482)	(3,208,369)	–	(6,734,851)
Profit before income tax expenses				4,685,759

6. Segment information *(continued)*

(b) Segment assets and liabilities

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

	2010	2009
	RMB	RMB
Segment assets		
Health care products	**65,329,944**	47,291,558
Fertiliser products	**243,725,053**	261,208,374
Segment assets	**309,054,997**	308,499,932
Unallocated	**18,261**	636,087
Consolidated total assets	**309,073,258**	309,136,019

	2010	2009
	RMB	RMB
Segment liabilities		
Health care products	**50,289,368**	21,046,412
Fertiliser products	**88,397,024**	124,903,247
Segment liabilities	**138,686,392**	145,949,659
Unallocated	**3,689,258**	4,482,002
Consolidated total liabilities	**142,375,650**	150,431,661

6. Segment information *(continued)*

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

For the year ended 31 December 2010

	Health care products RMB	**Fertiliser products RMB**	**Total RMB**
Reversal of provision of obsolete stock	**(859,920)**	**(1,523,354)**	**(2,383,274)**
Allowance/(reversal) for impairment loss on			
– Trade receivables (Note 21(c))	**29,292**	**499,957**	**529,249**
– Other receivables (Note 22(a))	**42,701**	**(4,532)**	**38,169**
Amortisation of prepaid land lease payments	**–**	**320,437**	**320,437**
Depreciation	**1,169,276**	**7,988,590**	**9,157,866**
Additions to non-current assets	**635,461**	**8,308,271**	**8,943,732**
Loss/(gain) on property, plant and equipment	**88,979**	**(5,287)**	**83,692**

For the year ended 31 December 2009

	Health care products RMB	Fertiliser products RMB	Total RMB
Reversal of provision of obsolete stock	–	(265,304)	(265,304)
Allowance/(reversal) for impairment loss on			
– Trade receivables	270,087	(1,620,878)	(1,350,791)
– Other receivables	(145,298)	176,282	30,984
Write off other receivables	610,000	–	610,000
Amortisation of prepaid land lease payments	–	312,661	312,661
Depreciation	1,872,489	7,546,228	9,418,717
Additions to non-current assets	1,191,371	9,089,804	10,281,175
Loss on property, plant and equipment	17,173	35,680	52,853

(d) Geographical information and major customers

The Group's revenue from external customers is derived solely from its operations in the PRC, where all its non-current assets are located. In 2010 and 2009, the revenue from the Group's largest customer amounted to less than 10 per cent of the Group's total revenue.

7. Turnover

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

	2010	2009
	RMB	RMB
Fertiliser products	**346,047,210**	357,084,657
Health care products	**83,009,993**	74,915,602
	429,057,203	432,000,259

8. Other income and net gains

	2010	2009
	RMB	RMB
Reversal of provision of obsolete stock (Note 20)	**2,383,274**	–
Government grants (Note)	**1,903,500**	3,571,800
Interest income	**247,794**	293,306
Write off of previous years unpaid rental expenses	**–**	1,491,120
Others	**104,149**	119,536
	4,638,717	5,475,762
Less: Business tax	**(360,000)**	(545,000)
	4,278,717	4,930,762

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

9. Profit before income tax expenses

	Notes	2010 RMB	2009 RMB
Profit before income tax expenses is arrived after charging/(crediting):			
Finance costs			
Interest expense on bank borrowings wholly repayable within five years		**3,913,014**	6,734,851
Auditor's remuneration		**841,100**	788,180
Cost of inventories sold		**345,679,983**	346,253,026
Depreciation on property, plant and equipment	15	**9,157,866**	9,418,717
Amortisation of prepaid land lease payments	19	**320,437**	312,661
Allowance/(reversal) for impairment losses on:			
– Trade receivables	21(c)	**529,249**	(1,350,791)
– Other receivables	22(a)	**38,169**	30,984
Write off other receivables		**–**	614,000
Loss on disposal of property, plant and equipment, net		**83,692**	52,853
Recovery on/(uncollectible) amounts written off other receivables	22(a)	**573,658**	(2,799,456)
Operating lease rentals – land and buildings		**2,791,863**	2,300,997
Staff costs (including emoluments of directors and supervisors – Note 14):			
– Salaries and allowances		**29,051,326**	29,307,779
– Pension fund contribution		**2,186,302**	1,948,379
		31,237,628	31,256,158

10. Income tax expenses

(a) Enterprise income tax ("EIT")

In accordance with the new PRC Enterprise Income Tax Law which became effective from 1 January 2008, a unified enterprise income tax rate of 25% will be applied to both domestic-invested enterprises and foreign-invested enterprises. Enterprises established prior to 16 March 2007 eligible for preferential tax treatment in accordance with the currently prevailing tax laws and administrative regulations shall, under the regulations of the State Council, gradually be subject to the new tax rate over a five-year transitional period until 2012. Accordingly, the Company and Shandong Hidersun Fertilizer Industry Co., Ltd. can continue to enjoy the preferential tax rates during the transitional period and are subject to EIT rate of 22% for the year (2009: 20%).

The Company did not provide for any EIT since there was no taxable income for the year (2009: nil).

10. Income tax expenses *(continued)*

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

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

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

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

	2010	2009
	RMB	RMB
Profit before income tax expenses	**7,977,989**	4,685,759
Calculated at statutory rate of 25% (2009: 25%)	**1,994,497**	1,171,440
Tax effect of non-taxable items	**(445,288)**	(720,079)
Tax effect of expenses not deductible for taxation purposes	**726,838**	1,939,360
Utilisation of tax losses previously not recognised	**(847,380)**	(738,327)
Tax rate differential	**(635,305)**	(487,928)
Over provision in prior years	**(808,623)**	(553,252)
Income tax (credit)/expenses	**(15,261)**	611,214

(b) Deferred taxation

At 31 December 2010, the Group and the Company have unused tax losses of RMB9,348,000 and RMB9,348,000 respectively (2009: RMB12,508,000 and RMB11,944,000) available for offset against future profits which would expire within five years since the respective years in which the tax losses were incurred. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. All unused tax losses will be expired after five years since their date of incurrence.

11. Profit attributable to owners of the company

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of a profit of RMB2,497,444 (2009: loss of RMB1,972,093).

12. Dividend

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

13. Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to owners of the Company of RMB6,142,042 (2009: RMB5,148,779), divided by the weighted average number of shares of 1,420,000,000 (2009: 1,121,260,274) shares.

Diluted earnings per share is not presented as there are no dilutive potential ordinary shares outstanding during the years of 2010 and 2009.

14. Emoluments of directors, supervisors and employees

(a) Directors' and supervisors' emoluments

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

	2010	2009
	RMB	RMB
Fees	**249,224**	220,000
Salaries, housing and other allowances	**962,200**	890,319
Discretionary performance bonuses	**199,772**	125,788
Pension	**220,875**	146,791
	1,632,071	1,382,898

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

Executive directors:

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

	Fees emoluments	**Salaries, allowances and benefits in kind**	**Retirement benefits scheme contributions**	**Total**
	RMB	RMB	RMB	RMB
2010				
Mr Wang Shuxin	**–**	**373,992**	**65,481**	**439,473**
Mr Xie Kehua	**–**	**257,020**	**43,161**	**300,181**
Mr Hao Zhihui	**–**	**309,166**	**59,985**	**369,151**
	–	**940,178**	**168,627**	**1,108,805**
2009				
Mr Wang Shuxin	–	350,178	40,061	390,239
Mr Xie Kehua	–	269,847	40,529	310,376
Mr Hao Zhihui (appointed on 19 May 2009)	–	202,167	26,707	228,874
	–	822,192	107,297	929,489

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

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

Non-executive directors:

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

	2010	2009
	RMB	RMB
Mr Feng Enqing	**33,643**	30,000
Mr Wang Xiaofa	**33,643**	30,000
Mr Xie Guangbei	**33,643**	30,000
	100,929	90,000

Independent non-executive directors:

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

	2010	2009
	RMB	RMB
Professor Xian Guoming	**33,643**	30,000
Mr Guan Tong	**33,643**	30,000
Mr Wu Chen	**33,643**	30,000
	100,929	90,000

Supervisors:

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

	Salaries, allowances and benefits in kind	**Retirement benefits scheme contributions**	**Total**
	RMB	RMB	RMB
2010			
Mr Zhao Tingying	**160,574**	**32,447**	**193,021**
Mr Yuan Wei	**61,220**	**19,801**	**81,021**
	221,794	**52,248**	**274,042**
2009			
Mr Zhao Tingying	136,883	24,945	161,828
Mr Yuan Wei	57,032	14,549	71,581
	193,915	39,494	233,409

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

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

Independent supervisors:

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

	2010	2009
	RMB	RMB
Mr Gao Xianbiao	**23,683**	20,000
Mr Zhao Kuiying	**23,683**	20,000
	47,366	40,000

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2009: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2009: two) individuals during the year are as follows:

	2010	2009
	RMB	RMB
Salaries, housing and other allowances	**328,049**	300,655
Retirement benefits scheme contributions	**32,447**	24,945
Salaries, housing and other allowances	**360,496**	325,600

The emoluments fell within the following bands:

	Number of individuals	
	2010	2009
Nil – RMB856,000 (2009: RMB879,000) (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 (2009: nil).

None of the directors and supervisors waived any emoluments during the year (2009: nil).

15. 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 2009	29,755,998	73,364,605	7,540,758	24,766,869	16,358,677	151,786,907
Reclassification	20,092,726	(65,381)	(287,302)	(19,740,043)	–	–
Additions	111,000	4,744,487	2,211,840	474,515	2,739,333	10,281,175
Disposals	(286,711)	(9,379,800)	(493,175)	(642,523)	–	(10,802,209)
At 31 December 2009	49,673,013	68,663,911	8,972,121	4,858,818	19,098,010	151,265,873
Transfer to prepaid land lease payments	–	–	–	–	(6,594,900)	(6,594,900)
Additions	1,654,171	4,118,552	763,317	406,308	2,001,384	8,943,732
Reclassification	–	10,350,068	6,000	286,089	(10,642,157)	–
Disposals	–	(1,956,367)	(598,291)	(223,110)	–	(2,777,768)
At 31 December 2010	51,327,184	81,176,164	9,143,147	5,328,105	3,862,337	150,836,937
Accumulated depreciation						
At 1 January 2009	5,975,686	28,886,742	4,105,405	2,577,886	–	41,545,719
Reclassification	1,384,587	(297,099)	4,319	(1,091,807)	–	–
Charge for the year (Note 9)	1,205,451	5,632,178	1,197,330	1,383,758	–	9,418,717
Written back on disposals	(107,334)	(7,025,965)	(350,656)	(225,092)	–	(7,709,047)
At 31 December 2009	8,458,390	27,195,856	4,956,398	2,644,745	–	43,255,389
Charge for the year (Note 9)	1,416,588	6,054,333	1,225,811	461,134	–	9,157,866
Written back on disposals	–	(1,956,367)	(577,834)	(153,437)	–	(2,687,638)
At 31 December 2010	9,874,978	31,293,822	5,604,375	2,952,442	–	49,725,617
Carrying amount						
At 31 December 2010	41,452,206	49,882,342	3,538,772	2,375,663	3,862,337	101,111,320
At 31 December 2009	41,214,623	41,468,055	4,015,723	2,214,073	19,098,010	108,010,484

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

Group *(continued)*

Note:

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

(2) A subsidiary of the Group is in a process of applying for the land use right certificate of buildings with a carrying amount of RMB 1.1 million (2009: RMB1.3 million).

(3) At 31 December 2010, the carrying amount of property, plant and equipment pledged as security for certain of the Group's banking facilities amounted to RMB55 million (2009: RMB23 million) (Note 26).

Company

	Buildings	**Plant and machinery**	**Motor vehicles**	**Furniture, fixtures & equipment**	**Total**
	RMB	RMB	RMB	RMB	RMB
Cost					
At 1 January 2009	286,712	6,510,626	1,392,826	1,533,487	9,723,651
Additions	–	–	–	8,380	8,380
Disposals	(286,712)	(5,396,836)	–	(218,203)	(5,901,751)
At 31 December 2009	–	1,113,790	1,392,826	1,323,664	3,830,280
Disposals	–	–	(172,940)	(992,101)	(1,165,041)
At 31 December 2010	–	1,113,790	1,219,886	331,563	2,665,239
Accumulated depreciation					
At 1 January 2009	95,443	3,820,579	1,112,164	1,177,079	6,205,265
Charge for the year	11,890	339,243	152,931	193,529	697,593
Written back on disposals	(107,333)	(3,046,032)	–	(206,215)	(3,359,580)
At 31 December 2009	–	1,113,790	1,265,095	1,164,393	3,543,278
Charge for the year	–	–	66,737	69,771	136,508
Written back on disposals	–	–	(172,940)	(992,101)	(1,165,041)
At 31 December 2010	–	1,113,790	1,158,892	242,063	2,514,745
Carrying amount					
At 31 December 2010	–	–	60,994	89,500	150,494
At 31 December 2009	–	–	127,731	159,271	287,002

Note: The Company's buildings are erected on leasehold land in the PRC under a medium-term lease.

16. Goodwill

	Group 2010 RMB	Group 2009 RMB
At 31 December	**3,133,932**	3,133,932

Impairment of goodwill

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

1 Gross margin ratio of 48% (2009: 46%)
2 Pre-tax discount rate of 15% (2009: 14%) per year
3 Average growth rate of 9% (2009: 10%)

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 2010.

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

17. Interests in subsidiaries

	Company 2010 RMB	Company 2009 RMB
Unlisted equity investments, at cost	**98,507,897**	98,507,897
Amounts due from/to subsidiaries	**37,687,771**	36,427,508
At 31 December	**136,195,668**	134,935,405

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

17. Interests in subsidiaries *(continued)*

Particulars of the Group's subsidiaries as at 31 December 2010, which are all incorporated and operating in the PRC, are as follows:

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

Note: Shandong Fulilong Fertilizer Industry Co., Ltd. (山東福利龍肥業有限公司) changed its name to Shandong Hidersun Fertilizer Industry Co., Ltd. (山東海得斯肥業有限公司) during the year.

18. Available-for-sale financial assets

	Group and Company	
	2010	2009
	RMB	RMB
Unlisted equity investment, at cost	**3,000,000**	3,000,000

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

19. Prepaid land lease payments

	Group 2010 RMB	2009 RMB
Cost		
At 1 January	**6,807,324**	6,807,324
Transferred from property, plant and equipment (Note 15)	**6,594,900**	–
At 31 December	**13,402,224**	6,807,324
Accumulated amortisation		
At 1 January	**982,914**	670,253
Charge for the year (Note 9)	**320,437**	312,661
At 31 December	**1,303,351**	982,914
Carrying amount		
At 31 December	**12,098,873**	5,824,410
Portion classified as current assets (included in Prepayments and other receivables)	**320,437**	320,438
Non-current assets	**11,778,436**	5,503,972
	12,098,873	5,824,410

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

20. Inventories

	2010		2009	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Raw materials	**36,209,507**	**336,542**	39,311,864	1,196,461
Work-in-progress	**939,165**	**–**	441,031	–
Finished goods	**25,422,670**	**–**	16,429,338	–
Packaging materials	**8,479,301**	**–**	8,214,646	–
	71,050,643	**336,542**	64,396,879	1,196,461
Less: Provision for inventory obsolescence	**(1,065,742)**	**(336,542)**	(4,302,297)	(1,196,461)
	69,984,901	**–**	60,094,582	–

At 31 December 2010, inventories pledged as security for certain of the Group's banking facilities amounted to RMB37 million (2008: RMB23 million) (Note 26).

At 31 December 2010, a provision of RMB2,383,274 and RMB853,281 (2009: RMB265,304 recorded in cost of sales) made in prior years against the carrying value of finished goods has been reversed and recorded as other income and net gains and cost of sales respectively. This reversal arose due to the subsequent sales of those inventories previously reserved for.

The cost of inventories recognised as an expense during the year includes RMB nil (2009: RMB2,763,448) in respect of write-downs of inventory to its net realisable value.

21. Trade and bills receivables

	Group	
	2010	2009
	RMB	RMB
Trade receivables (note (a))	**54,529,101**	58,462,088
Less: Allowance for doubtful debts (note (c))	**(4,842,794)**	(5,306,975)
	49,686,307	53,155,113
Bills receivables	**500,000**	250,000
	50,186,307	53,405,113

21. Trade and bills receivables *(continued)*

Notes:

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

	Group	
	2010	2009
	RMB	RMB
Within 3 months	**30,931,209**	28,607,503
Between 3 to 6 months	**13,668,315**	15,827,777
Between 6 to 12 months	**3,957,368**	6,632,363
Over 1 year	**5,972,209**	7,394,445
	54,529,101	58,462,088

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

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

	Group	
	2010	2009
	RMB	RMB
At 1 January	**5,306,975**	6,939,070
Additional/(reversal) of allowance provided in prior years (Note 9)	**529,249**	(1,350,791)
Uncollectible amounts written off	**(993,430)**	(281,304)
At 31 December	**4,842,794**	5,306,975

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

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

	Group	
	2010	2009
	RMB	RMB
Neither past due non impaired	**22,835,614**	25,513,912
Within 3 months	**11,450,923**	9,910,600
Between 3 to 6 months	**12,950,505**	10,218,022
Between 6 to 12 months	**1,937,143**	5,492,271
Over 1 year	**512,122**	2,020,308
	49,686,307	53,155,113

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

22. Prepayments and other receivables

	2010		2009	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Other receivables	**5,511,285**	**1,995,977**	6,886,158	1,892,870
Less: allowance for doubtful debts (note a)	**(1,918,617)**	**(1,492,004)**	(1,306,790)	(754,815)
	3,592,668	**503,973**	5,579,368	1,138,055
Deposits and prepayments	**14,322,000**	**206,173**	27,825,713	102,675
	17,914,668	**710,146**	33,405,081	1,240,730

(a) Allowance for doubtful debts

	2010		2009	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
At 1 January	**1,306,790**	**754,815**	4,075,262	2,829,974
Additional allowance (Note 9)	**38,169**	**(18,770)**	30,984	(59,731)
Recovery on/(uncollectible) amounts written off (Note 9)	**573,658**	**755,959**	(2,799,456)	(2,015,428)
At 31 December	**1,918,617**	**1,492,004**	1,306,790	754,815

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

23. Restricted bank deposits and bank balances and cash

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

As at 31 December 2010, cash and bank balances denominated in RMB amounted to approximately RMB46,776,000 (2009: approximately RMB30,621,000). 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.

24. Trade and bills payables

	2010		2009	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Trade payables	**19,294,644**	**26,918**	8,940,698	26,918
Bills payables	**16,510,000**	**–**	37,500,000	–
	35,804,644	**26,918**	46,440,698	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:

	2010		2009	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Within 3 months	**30,653,797**	**–**	29,986,108	–
Between 3 to 6 months	**1,459,917**	**–**	13,733,871	–
6 months to 12 months	**3,021,015**	**–**	2,279,280	–
Over one year	**669,915**	**26,918**	441,439	26,918
	35,804,644	**26,918**	46,440,698	26,918

25. Other payables and accruals

	2010		2009	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Other payables	**8,034,217**	**1,060,035**	27,217,525	1,754,299
Accruals	**1,298,766**	**15,259**	513,125	15,847
Receipt in advance	**11,953,336**	**–**	21,977,073	–
Payable to Social Security Fund (note)	**2,714,427**	**2,714,427**	2,819,136	2,819,136
	24,000,746	**3,789,721**	52,526,859	4,589,282

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).

26. Bank borrowings

	2010 Group RMB	2010 Company RMB	2009 Group RMB	2009 Company RMB
Secured against property, plant and equipment and inventories (note (i))	**40,500,000**	**–**	21,500,000	–
Unsecured (note (ii))	**42,000,000**	**8,000,000**	27,000,000	10,000,000
	82,500,000	**8,000,000**	48,500,000	10,000,000

The above bank borrowings include portions of term loans due for repayment after one year, however, as these term loans contain repayment on demand clause, the entire amount is classified as current liabilities. The bank borrowings based on the agreed terms of repayment granted by banks are as follows:

	2010 Group RMB	2010 Company RMB	2009 Group RMB	2009 Company RMB
On demand or within one year	**77,500,000**	**8,000,000**	48,500,000	10,000,000
After one year but within two years	**5,000,000**	**–**	–	–
	82,500,000	**8,000,000**	48,500,000	10,000,000

Notes:

(i) Secured against property, plant and equipment and inventories with a total carrying amount of about RMB92 million (2009: RMB46 million) (Notes 15 and 20).

(ii) Unsecured loans are guaranteed as follows:

	2010 Group RMB	2010 Company RMB	2009 Group RMB	2009 Company RMB
Guarantees were provided by:				
– The Company (Note 32(b))	**34,000,000**	**–**	3,000,000	–
– Two subsidiaries of the Company	**8,000,000**	**8,000,000**	24,000,000	10,000,000
	42,000,000	**8,000,000**	27,000,000	10,000,000

(iii) The bank borrowings of the Group bear interest at floating effective interest rate ranging from 5.3% to 7.0% (2009: 5.3% to 9.8%) per annum.

27. Share capital

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

	2010		2009	
	Number (million)	**RMB (million)**	Number (million)	RMB (million)
Ordinary shares of RMB 0.1 each:				
Domestic shares				
Beginning of year	**715**	**71**	245	24
Issue for cash during the year	**–**	**–**	470	47
End of year	**715**	**71**	715	71
H shares				
Beginning and end of year	**705**	**71**	705	71
Total, end of year	**1,420**	**142**	1,420	142

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

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

(b) Movements in reserves are set out in the consolidated statement of changes in equity.

(c) No share options had been granted by the Company under its share option scheme (the "Scheme") since its adoption. At 31 December 2010, none of the directors or supervisors, employees or other participants of the Scheme had any rights to acquire the H Shares in the Company (2009: nil).

28. Reserves

	Share premium RMB (note(i))	Capital reserve RMB (note(iii))	Accumulated losses RMB	Total RMB
The Company				
At 1 January 2009	74,869,185	(2,312,483)	(84,984,102)	(12,427,400)
Issue of shares	947,225	–	–	947,225
Total comprehensive income for the year	–	–	(1,972,093)	(1,972,093)
At 31 December 2009	75,816,410	(2,312,483)	(86,956,195)	(13,452,268)
Total comprehensive income for the year	–	–	2,497,444	2,497,444
At 31 December 2010	75,816,410	(2,312,483)	(84,458,751)	(10,954,824)

(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.

29. Commitments

(a) Capital commitments

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

	Group	
	2010	2009
	RMB	RMB
Authorised and contracted for		
– Acquisition of plant and machinery	**174,964**	13,755,040

(b) Operating lease commitments

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

	Group	
	2010	2009
	RMB	RMB
Within one year	**1,568,622**	469,604
After one year but within five years	**5,121,130**	1,895,030
After five years	**6,256,191**	6,765,034
	12,945,943	9,129,668

Operating lease payments represent rentals payable by the Group for certain of its office and factory premises and staff quarters. Lease are negotiated for terms ranged from 2 to 32 years (2009: 2 to 32 years) and rentals are fixed over the corresponding terms of the leases.

30. Related parties transactions

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

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

	2010		2009	
Nature of transaction	**Group**	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Rental payments	**2,115,612**	**326,268**	1,817,388	326,268

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

30. Related parties transactions *(continued)*

(b) Amounts due from related parties represent:

	2010		2009	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Ultimate holding company	**18,261**	**18,261**	26,087	26,087

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

(c) Members of key management personnel during the year comprised the executive directors only whose remuneration is set out in Note 14 to the financial statements.

31. Capital risk management

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

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

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

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

The net debt-to-adjusted capital ratio at 31 December 2010 and 2009 was as follows:

	Group	
	2010	2009
	RMB	RMB
Total debts – Bank borrowings	**82,500,000**	48,500,000
Less: Bank balances and cash and restricted bank deposits	**(51,945,433)**	(42,556,768)
Net debts	**30,554,567**	5,943,232
Total equity	**166,697,608**	158,704,358
Net debt-to-adjusted equity ratio	**18.3%**	3.7%

32. Financial risk management

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

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

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

(a) Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 7% (2009: 7%) and 30% (2009: 29%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

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

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.

32. Financial risk management *(continued)*

(b) Liquidity risk

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

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

The Group	**Carrying amount RMB**	**Total contractual undiscounted cash flow RMB**	**Within 1 year or on demand RMB**	**More than 1 year but less than 2 years RMB**
2010				
Bank borrowings	**82,500,000**	**85,894,874**	**80,451,981**	**5,442,893**
Trade and bills payables	**35,804,644**	**35,804,644**	**35,804,644**	**–**
Other payables	**12,047,410**	**12,047,410**	**12,047,410**	**–**
	130,352,054	**133,746,928**	**128,304,035**	**5,442,893**

The Group	Carrying amount RMB	Total contractual undiscounted cash flow RMB	Within 1 year or on demand RMB	More than 1 year but less than 2 years RMB
2009				
Bank borrowings	48,500,000	49,684,169	49,684,169	–
Trade and bills payables	46,440,698	46,440,698	46,440,698	–
Other payables	30,549,786	30,549,786	30,549,786	–
	125,490,484	126,674,653	126,674,653	–

32. Financial risk management *(continued)*

(b) Liquidity risk *(continued)*

The Company	**Carrying amount RMB**	**Total contractual undiscounted cash flow RMB**	**Within 1 year or on demand RMB**
2010			
Bank borrowings	**8,000,000**	**8,219,364**	**8,219,364**
Trade and bills payables	**26,918**	**26,918**	**26,918**
Other payables	**3,774,462**	**3,774,462**	**3,774,462**
	11,801,380	**12,020,744**	**12,020,744**
Financial guarantees issued			
Maximum amount guaranteed	**–**	**34,000,000**	**34,000,000**

The Company	Carrying amount RMB	Total contractual undiscounted cash flow RMB	Within 1 year or on demand RMB
2009			
Bank borrowings	10,000,000	10,282,039	10,282,039
Trade and bills payables	26,918	26,918	26,918
Other payables	4,573,435	4,573,435	4,573,435
	14,600,353	14,828,392	14,828,392
Financial guarantees issued			
Maximum amount guaranteed	–	3,000,000	3,000,000

32. Financial risk management *(continued)*

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

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

	Group			
	2010		2009	
	Effective interest rate		Effective interest rate	
	%	**RMB**	%	RMB
Fixed rate borrowings				
Bank borrowings	**6.32%**	**82,5000,000**	6.48%	48,500,000

	Company			
	2010		2009	
	Effective interest rate		Effective interest rate	
	%	**RMB**	%	RMB
Fixed rate borrowings				
Bank borrowings	**5.31%**	**8,000,000**	6.37%	10,000,000

At 31 December 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after taxation and accumulated losses by approximately RMB638,000 (2009: increase/decrease the Group's profit after taxation by approximately RMB400,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis for 2009.

(d) Currency risk

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

(e) Price risk

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

32. Financial risk management *(continued)*

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2010 and 2009, except for the amounts due from subsidiaries which are unsecured, non-interest bearing and have no fixed repayment terms and available-for-sale financial assets which is stated at cost less impairment at the end of reporting period. Given these terms it is not meaningful to disclose their fair values.

(g) Fair values estimation

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

33. Summary of financial assets and financial liabilities by category

The carrying amounts of the financial assets and financial liabilities as recognised at 31 December 2010 and 2009 may be categorised as follows:

	2010		2009	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Financial assets				
Loans and receivables (including bank balances and cash and restricted bank deposits)	**106,573,380**	**3,309,480**	101,567,336	4,838,850
Available-for-sale financial assets	**3,000,000**	**3,000,000**	3,000,000	3,000,000
	109,573,380	**6,309,480**	104,567,336	7,838,850
Financial liabilities				
Financial liabilities measured at amortised cost	**124,478,620**	**9,086,954**	123,218,826	11,781,217

34. Contingent liabilities

The Company guaranteed the banking facilities granted to certain of its subsidiaries amounting to RMB34 million (2009: RMB3 million).

As at 31 December 2010, all (2009: all) the above banking facilities granted were utilised.

35. Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 10 March 2011.

NOTICE OF ANNUAL GENERAL MEETING

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

1. To consider and, if thought fit, approve the report of the directors' of the Company for 2010;

2. To consider and, if thought fit, approve the report of the Supervisory Committee of the Company for 2010;

3. To consider and, if thought fit, approve the audited consolidated financial statements of the Group for the year ended 31 December 2010;

4. To consider and, if thought fit, approve the proposal of appointing BDO Limited as auditor of the Company for the financial year of 2011 and authorize the Directors of the Company to fix their remuneration; and

5. To transact any other business.

By order of the Board
Wang Shuxin
Chairman

Tianjin, China

10 March 2011

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 9 April 2011 to 10 May 2011 (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 8 April 2011 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 20 April 2011.

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

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