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)

2014 ANNUAL REPORT

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

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

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

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The information set out in this report, for which the directors of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") collectively and individually accept full responsibility, is given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this report or any statement herein misleading.

Contents

CORPORATE INTRODUCTION

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

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

GROUP STRUCTURE

Tianjin TEDA Biomedical Engineering Company Limited

100%

Guangdong Fulilong Compound Fertilizers Co., Ltd. ("Guangdong Fulilong")
(principally engaged in the research, development, manufacture and sales of biological compound fertilizers)

51%

Shandong Hidersun Fertilizer Industry Co., Ltd. ("Shandong Hidersun")
(principally engaged in the research, development, manufacture and sale of biological compound fertilizers)

50.16%

Tianjin Alpha HealthCare Products Co., Ltd. ("Tianjin Alpha")
(principally engaged in the research, development, manufacture and sales of sugar-reducing health products and sugar-free products)

Corporate Information

Executive Directors
Mr. Wang Shuxin
Mr. Hao Zhihui
Mr. Chen Yingzhong (appointed on 13 May 2014)

Non-executive Directors
Mr. Feng Enqing
Mr. Xie Guangbei
Mr. Ou Linfeng

Independent non-executive Directors
Mr. Guan Tong
Mr. Wu Chen
Mr. Chan Kin Sang

Supervisors
Ms. Yang Chunyan
Ms. Liu Jinyu

Independent Supervisors
Mr. Gao Xianbiao
Mr. Zhao Kuiying

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

Compliance Officer
Mr. Wang Shuxin

Audit Committee
Mr. Guan Tong
Mr. Wu Chen
Mr. Chan Kin Sang

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

Nomination Committee
Mr. Wang Shuxin
Mr. Guan Tong
Mr. Wu Chen

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

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

Auditor
BDO Limited

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

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

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

Company Website
www.bioteda.com

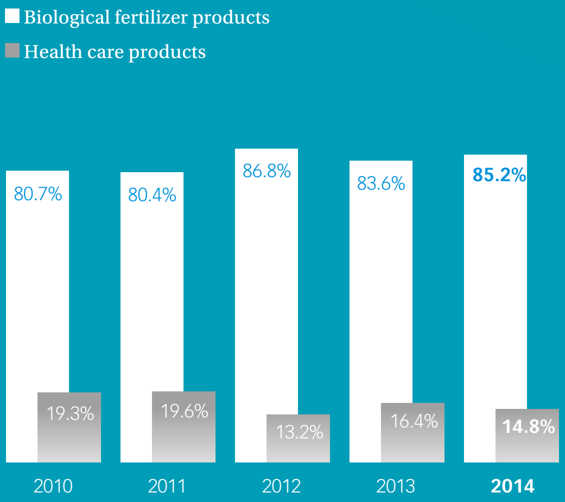
Stock Code
8189

FINANCIAL HIGHLIGHTS

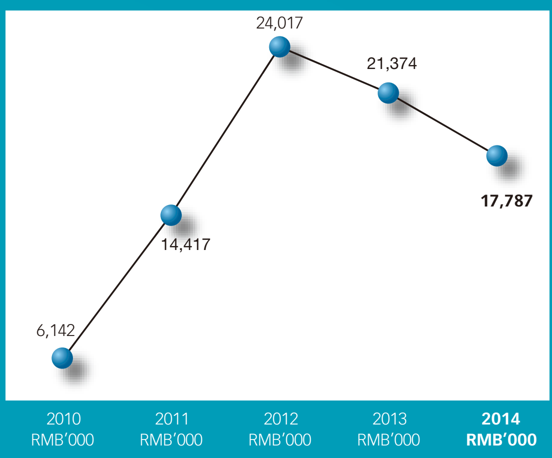
	For the year ended 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014 RMB'000**
Results					
Turnover	429,057	511,151	677,640	583,112	**552,041**
Gross profit	85,760	99,268	136,336	130,585	**114,595**
Gross Margin	19.99%	19.42%	20.12%	22.39%	**20.76%**
Profit attributable to the shareholders	6,142	14,417	24,017	21,374	**17,787**
Earnings per share	0.43 cents	1.02 cents	1.69 cents	1.51 cents	**1.25 cents**

	For the year ended 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014 RMB'000**
Assets & Liabilities					
Total assets	309,073	324,299	421,976	412,864	**432,622**
Total liabilities	142,376	145,888	219,346	188,093	**188,924**
Equity attributable to the shareholders	141,061	156,039	180,056	201,429	**198,021**

Turnover growth and breakdown



Profit attributable to the shareholders



CHAIRMAN'S STATEMENT

GROWTH

Dear shareholders,

I, on behalf of the Board, would like to present the 2014 annual report of Tianjin TEDA Biomedical Engineering Company Limited to all the shareholders.

The economic scale of China is continuously expanding while the economic growth in China is decelerating from year to year. Under the double pressure from the restriction on the environment of resource in China and the instability in the pace of recovery of the world's economy, and given that the economy in China is taking a new shape, the structure tends to be optimized, product prices tend to be moderated, the availability of new job opportunities tends to be stable and the economic growth tends to be restored to its potential level, the two main business segments operated by the Group, compound fertilizer and health care products, have experienced extremely fierce competition. In the adverse market condition, the Group has insisted to make progress while maintaining stability and has been committed to lower the operating costs of the enterprise and increase the value of the shareholder in a stable and yet progressive manner to ensure a healthy and stable development of the enterprise.

Chairman's Statement

OPERATIONAL REVIEW

Under the new shape of economic development in China, the traditional fertilizer market was impacted by the reform of land system, the change on the consumption concept of peasants and the advancement in agricultural technology. The nation faces various challenges, such as excess capacity, standards of environmental protection, innovation and advancement in products as well as fierce competition from overseas markets. During the period under review, the products of Guangdong Fulilong and Shandong Hidersun have gained popularity in the market among the peasants through the innovation in technology and service. Furthermore, during the period under review, the research results of Zhilong active fertilizers developed by Guangdong Fulilong have successfully passed the examination by the experts from Chinese Society of Plant Nutrition and Fertilizer Science and it is recognised that the fertilizer reaches an advanced level in the international arena.

With the improvement on the living standard of people, it is estimated that the sales scale of the market of nutrition and health care products in China has already reached over RMB600 billion and the market would continue to grow as a result of increase in people's awareness in physical health and wellness. On the other hand, due to improper conducts in market competition of health care products, such as illegal addition of ingredients and exaggerated market campaigns, the healthy development of health care products has also been hindered to a certain extent. During the period under review, the Company's subsidiary Tianjin Alpha has invested in the building of new plants to resolve aging and under productivity problems of its existing production line equipment. It is believed that after the new plants passing the trial operation, the production cost would be further lowered and the market competitiveness of the products would also be increased.

FINANCIAL REVIEW

For the year ended 31 December 2014, the two business areas in our group have recorded a total sales of RMB552,041,373, a drop of 5% from that of a year earlier. As the gross profit margin of 20.76% shows a decrease when compared with last year, the gross profit of RMB114,595,187 decreases by 12% compared to the same period in 2013. During the review period, profit attributable to shareholders totals RMB17,787,428, a decrease of 17% compared to the same corresponding period last year. Earning per share of the Company is RMB1.25 cent.

FUTURE PROSPECTS

The competition in the fertilizer market is as fierce as that in the market of any other products. Fierce competition is a reflection of increasing maturity of the market as well as an unavoidable process to rebalance the industry. The theme of the "Document No.1" issued by the central government in 2015 is "to put more efforts on the reform and innovation and accelerate the construction for agricultural modernisation", and the ultimate goal of the policy is to guarantee the safety of food in China. With the increasing speed of land circulation in the country, more and more plantation owners work with professional cooperative community. Their existence has laid a strong foundation for the agricultural modernisation in China. According to statistics, the demand for compound fertilizers in the nation would remain to grow at a rate of 5% to 7%, therefore, the future of the compound fertilizer industry is bright.

Health care products and people's life are interrelated and the health care products industry in China has rapidly developed into a considerable industry. "12th Five Year Development Planning of the Food Industry" and "Several Opinions of the State Council on Promoting a Healthy Development of Service Industry" have outlined a satisfying future for the health care industry, hence, nutrition and health care products industry is in the spotlight of investors. Tianjin Alpha, the Company's subsidiary, is planning to list in the National Equities Exchange and Quotations when it is ready through the introduction of strategic investors, this would be beneficial to the brand promotion, market expansion and diversification of financing channels, of Tianjin Alpha.

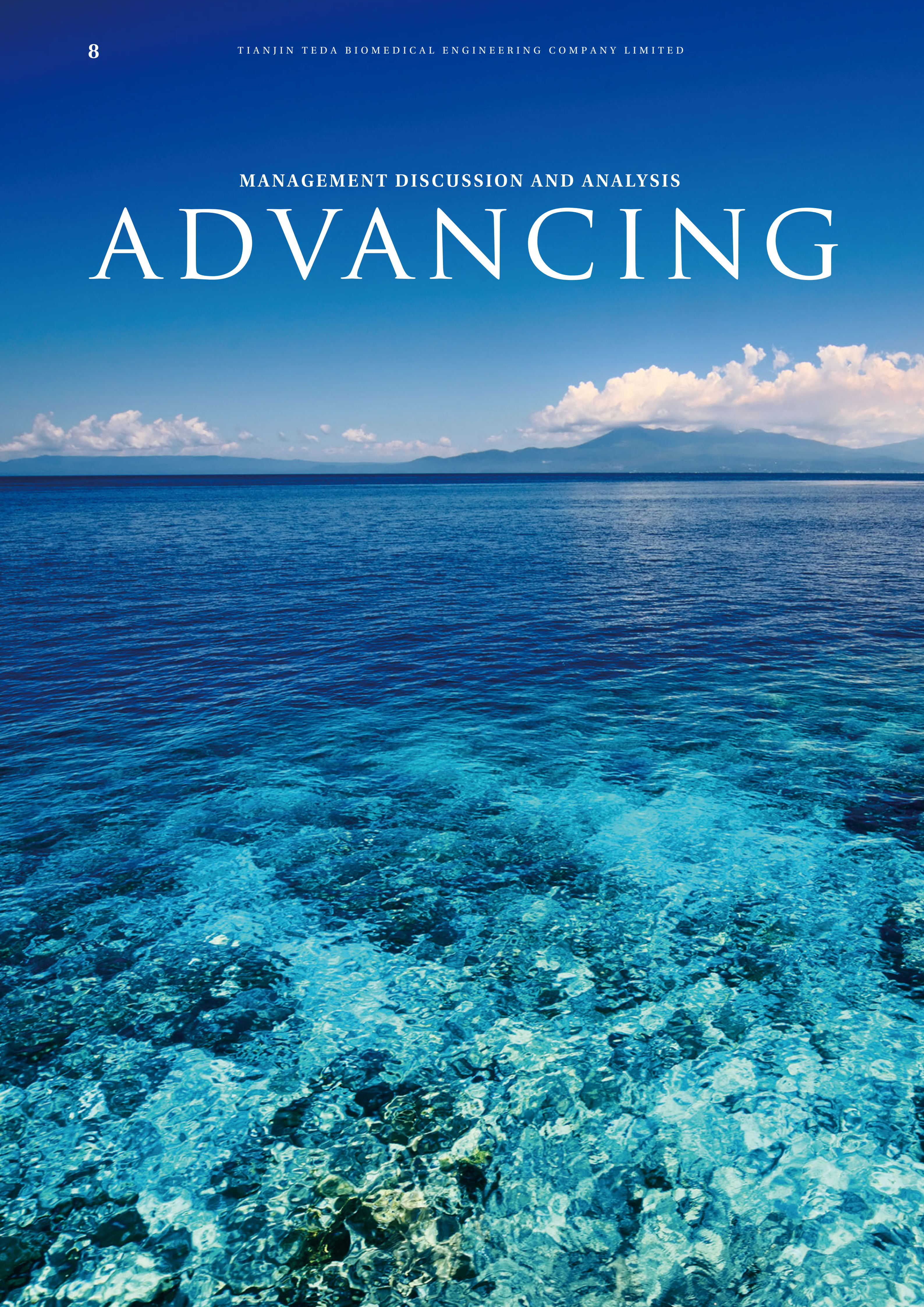
Lastly, I would like to express my sincere gratitude the Board and all the frontline staff for their continuous supports for as well as the people from all sectors for their unceasing interest in the development of the Company.

Wang Shuxin
Chairman

25 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

ADVANCING



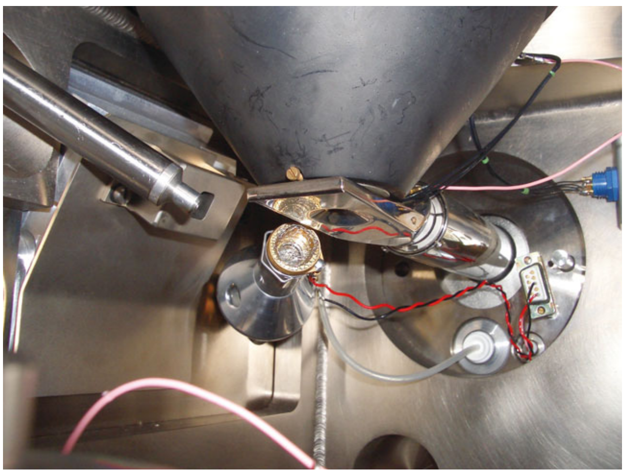
BUSINESS REVIEW

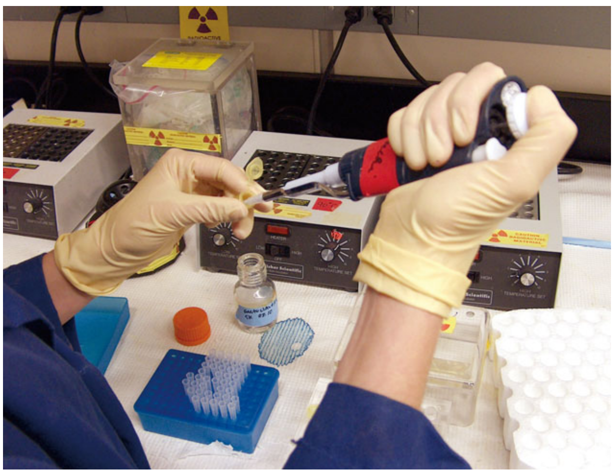
Biological compound fertilizer

Under the new environment of economic development in China, the traditional fertilizer market was adversely affected by the reform of land system, the change on the consumption concept of peasants and the advancement in agricultural technology. The nation faces various challenges, such as excess capacity, standards of environmental protection, innovation and advancement in products as well as fierce competition from overseas markets. During the period under review, the prices for the raw materials of compound fertilizers, such as urea, potassium fertilizer and phosphorus fertilizer, remained in the doldrums in China. The trading of compound fertilizers has turned to be stagnant after the sales on credit was encouraged. Under the adverse market environment, Guangdong Fulilong and Shandong Hidersun, the subsidiaries of the Company, have taken a series of proactive steps to embrace challenges. Firstly, the market competitiveness and profitability of products were enhanced by improvement on product structures through innovative technology and products; secondly, by employing creative services through turning product sales based marketing strategy into product-and-service driven marketing strategy, customers have experienced higher efficiency in applying fertilizers as well as after-sales service. During the period under review, the results from the "Analysis on Key Technology to Commercialize Active Fertilizer and on Application of Products (活性肥料產業化關鍵技術與產品應用研究)" conducted by Guangdong Fulilong has passed the examination conducted by the experts from the Chinese Society of Plant Nutrition and Fertilizer Science. This project has successfully developed two important technologies with independent intellectual property rights, namely the development and manufacturing of highly effective active additives and the production and addition of compound fertilizers, and the results have reached advanced international standard. Furthermore, Guangdong Fulilong and Shandong Hidersun have been awarded with the honour of "Top 100 Phosphorus Fertilizer Enterprises in 2014 (2014年磷複肥企業100強)" in the conference of "Top 100 Chinese Fertilizer Enterprises in 2014 (2014中國化肥企業100強)" and the Seventh Marketing Summit Forum of Chinese Fertilizer Enterprises (第七屆中國化肥企業營銷高峰論壇) organised by the Fertilizer Professional Committee of Chemical Industry and Engineering Society of China as well as the China Chemical Industry Information Association. Moreover, Guangdong Fulilong and Shandong Hidersun have been honoured with the "Fertilizer Enterprise with Stable Quality in 2014 (2014年中國化肥質量穩定品牌企業)" and "Top 50 Enterprises Competitive in New Fertilizer in 2014 (2014年新型肥料競爭力企業50強)" respectively.

Health care products

With the improvement on the living standard of people, it is estimated that the sales scale of the market of nutrition and health care products in China has already reached over RMB600 billion and the market would continue to grow as a result of increase in people's awareness in physical health and wellness. On the other hand, due to improper conducts in market competition of health care products, such as illegal addition of ingredients and





exaggerated market campaigns, the healthy development of health care products has also been hindered to a certain extent. During the period under review, as the existing biscuit production lines and mooncake production lines of the Company's subsidiary Tianjin Alpha were facing aging, under productivity and unreasonable production arrangement problems,, investment has been made to construct new plants. The production cost would be further lowered after the trial operation of the new plants and this would increase the market competitiveness of the products. Besides, Tianjin Alpha has, by introducing strategic investors, further improved the structure of equity, financing and company management, which has laid a sound foundation for the continuous and stable development of Tianjin Alpha. During the period under review, in the selection of "Top 10 Chinese Enterprises Producing Sugar-free Food in 2014 (2014年度中國無糖食品生產企業十大品牌)" organised by China Sugar-free Food Industry Alliance (中國無糖食品產業聯盟), Tianjin Alpha has finally been granted with "Top 10 Chinese Enterprises Producing Sugarless Food in 2014 (2014年度中國無糖食品生產企業十大品牌)".

FINANCIAL REVIEW

Turnover, gross profit and gross margin

For the year ended 31 December 2014, the major businesses of the Group were biological compound fertilizer products and medical and health products, which in aggregate achieved annual sales of RMB552,041,373, representing a decrease of 5.33% as compared to last year (31 December 2013: RMB583,111,851). In particular, the Group recorded an annual sales of RMB470,267,081 for compound fertilizer products, representing a decrease of 3.54% as compared to last year (31 December 2013: RMB487,506,072); the Group recorded an annual sales of RMB81,774,292 for health care products, representing a decrease of 14.47% as compared to last year (31 December 2013: RMB95,605,779).

For the year ended 31 December 2014, the overall gross profit of the Group's two businesses was RMB114,595,187, representing a decrease of 12% as compared to last year (31 December 2013: RMB130,584,662); the overall gross margin of the Group was 20.76%, representing a decrease compared to last year (31 December 2013: the overall gross margin was 22.39%). During the review period, given that the Group's business of combined fertilizers was affected by the continuous decrease in the price of raw materials, mainly as urea, and the continuous sluggishness of the compound fertilizer market, the market price of compound fertilizer products remained at a low level and this resulted in a relatively higher production cost and a fall in the Group's consolidated gross margin and gross profit.

Other income and net losses

For the year ended 31 December 2014, other income and net losses of the Group was RMB207,590(31 December 2013: RMB1,936,533). The details are set out in Note 8 to the accounts.

Selling and distribution costs

For the year ended 31 December 2014, selling and distribution costs of the Group was RMB39,596,183, representing a decrease of 14.55% as compared to last year (31 December 2013: RMB46,337,136). During the review period, in view of the intensified market competition, the Group has adopted a series of measures for consolidating and expanding its sales channels. Besides, the Group will enhance its effort on product promotion and at the same time hold a strict control over selling expenses. Consequently, there was a decrease in both the cost of sales and cost of distribution as compared to last year.

Administrative expenses

For the year ended 31 December 2014, administrative expenses of the Group were RMB28,804,720 (31 December 2013: RMB28,995,919), representing a decrease of 0.66% as compared to last year. During the review period, in view of the increase in the labor cost, the Group has enhanced the efficiency of human resources and its control over administrative expenses by optimizing the structure of the management.

Research and development expenses

For the year ended 31 December 2014, research and development expenses of the Group were RMB11,068,388, representing a substantial decrease of 47.20% as compared to last year (31 December 2013: RMB20,961,537). which is mainly attributable to the substantial decrease in research and development expenses of the Group during the year as the work on the research and development of Zhilong active fertilizers has been substantially completed in 2013.

Finance costs

For the year ended 31 December 2014, finance costs of the Group were RMB8,133,057, representing an increase of 6.93% as compared to last year (31 December 2013: RMB7,606,131), mainly due to the increase in the average bank loans held by the Group as compared to the same corresponding period in last year as well as the increase in the loan's interest rate offered by some banks during the period under review.

Profits for the year

For the year ended 31 December 2014, the profit attributable to the owner of the Company was RMB17,787,428, representing a decrease of 16.78% as compared to last year (31 December 2013: RMB21,373,605); earnings per share of the Company were RMB1.25 cents compared to RMB1.51 cents of the same period of last year.

STRUCTURE OF SHARE CAPITAL

As at 31 December 2014, the structure of share capital of the Company is set out in Note 28 to the accounts.

TRANSFER OF LISTING

Pursuant to Chapter 9A of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Board of the Company proposes the transfer of listing ("Transfer of Listing")from the Growth Enterprise Market to the Main Board of the Stock Exchange and the Transfer of Listing is subject to the approvals of Shareholders and the Stock Exchange. Shareholders may refer to announcement of the Company dated 19 May 2014 and results announcements of the extraordinary general meeting and class meeting dated 4 July 2014 for detailed information on the Transfer of Listing of the Company, the amendments on the Articles of Association of the Company, and the granting of authorization to the Board to take any actions as it may consider necessary, desirable and expedient in relation to the related matters. The Company submitted a formal application to the Stock Exchange for the Transfer of Listing on 3 September 2014.

DISPOSALS OF EQUITY INTERESTS

On 31 August 2014, the Company entered into an agreement with Tianjin Jinnasen Technology Development Co. Ltd. and Tang Huiyue, pursuant to which the Company has agreed to sell and they have agreed to purchase a total of 49.84% equity interest in Tianjin Alpha Health-Care Products Co., Ltd ("Tianjin Alpha"), a wholly-owned subsidiary of the Company, at a consideration of RMB22,000,000 (equivalent to approximately HK$27,759,600). As the applicable percentage ratios (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("GEM Listing Rules")) of disposal of a 49.84% equity interest in Tianjin Alpha, exceed 5% but are less than 25%, the disposal constitutes a disclosable transaction for the Company under GEM Listing Rules. Details of the transaction are set out in the announcement of the Company dated 1 September 2014.

PLACING

On 13 January 2015, the Board of the Company passed a resolution approving the appointment of China Merchants Securities (HK) Co., Ltd., to be the placing agent in relation to a placing of not more than 192,500,000 H Shares (for itself and for Tianjin TEDA International Incubator). The 192,500,000 H Shares represents not more than approximately 13.56% and 27.30% respectively of the existing total issued share capital and the existing issued H Shares of the Company as at the date of this annual report. The pricing price shall not be at a discount of more than 15% of the average closing price of H Shares during the 5 consecutive trading days immediately prior to the date on which the placing price is agreed (“Placing”), and, under all circumstances, shall not be less than RMB0.316 (equivalent to HK$0.400, which represents the double of the audited net asset per share as stated in the audited financial statement of the Company for the year ended 31 December 2013) for the purpose of ensuring that the ability and quality of investors and the potential risks involved in the issue have been taken into consideration. On 25 February 2015, the Company issued a circular and an announcement in respect of the convening of a general meeting and a class meeting on 16 April 2015 for the purpose of granting a special mandate to issue the new H shares that will possibly be placed and amending the articles of association of the Company. The placing is conditional upon the approval at the general meeting and the class meeting of the Company, the agreement on the placing price and the signing of the placing agreement between the Company and the placing agent, as well as the approval of the Stock Exchange for the listing of, and permission to deal in, the total H shares to be placed.

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 2014 and the year ended 31 December 2013 are disclosed in Note 6 to the accounts.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During 2014, the Group financed its operations mainly by internally generated cash and banking facilities.

As at 31 December 2014, the Group’s current assets and net current assets were RMB324,693,607 (31 December 2013: RMB324,462,606) and RMB135,769,218 (31 December 2013: RMB136,370,036) respectively. The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was 1.72 (31 December 2013: 1.73). The Group’s current assets as at 31 December 2014 comprised mainly cash and bank balances of RMB48,383,977 (31 December 2013: RMB43,108,953), trade and bills receivables of RMB103,319,636 (31 December 2013: RMB111,878,457) and inventories of RMB138,376,713 (31 December 2013: RMB109,138,521).

As at 31 December 2014, the total bank borrowings of the Group amounted to RMB87,300,000 (31 December 2013: RMB102,300,000), and the total bills payable amounted to RMBNil (31 December 2013: RMB1,000,000). The bank borrowings are denominated in Renminbi and provided by various licensed banks in China with fixed and variable interest rates ranging from 6.2% to 9.0% (31 December 2013: 6.2% to 8.6%) per annum. Out of all the bank borrowings, a total amount of RMB52,000,000 will mature in the first half of 2015, a total amount of RMB35,300,000 will mature in the second half of 2015.

As at 31 December 2014, the Group’s consolidated total assets and net assets were about RMB432,622,005 (31 December 2013: RMB412,863,536) and RMB243,697,616 (31 December 2013: RMB224,770,966) respectively. The Group’s consolidated gearing ratio, defined as the ratio of total liabilities to total assets, was 0.44 (31 December 2013: 0.46). As at 31 December 2014, the Group’s gearing ratio, defined as the ratio of total bank borrowings to total assets, was 0.20 (31 December 2013: 0.25).

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2014, the Group and the Company had contingent liabilities amounting to RMB45,000,000 (31 December 2013: RMB65,000,000) and RMB45,000,000 (31 December 2013: RMB45,000,000) respectively in connection with the provision of guarantee as security for bank loans granted to its subsidiaries.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2014, the Group had 500 employees (2013: 558 employees). Remunerations of the Group's employees are determined in accordance with the terms of government policies and by reference to market level and the performance, qualifications and experience of employees. Discretionary bonuses are paid to few employees as recognition of and reward for their contribution to the corporate development. Other benefits include contributions to retirement schemes, medical schemes, unemployment insurance schemes and housing allowances

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 POLICIES

The Group's bank borrowings are denominated in Renminbi and are usually renewed for one year upon maturity. Any surplus cash will be placed as deposits with licensed banks in China.

FUTURE OUTLOOK

Looking ahead in 2015, given that the environment for the domestic and overseas economic development is still complicated and the pace of recovery of the world's major economies is uneven, it is difficult for the external demand to drive our exports significantly, and it is estimated that the growth in the investment of the nation may slow down and yet stable while the consumption demand will keep a steady growth. The two main business segments operated by the Group, compound fertilizer and health care products, are both the booming industries encouraged to be developed in the country. The management of the Company will make adjustments to the operational strategies and monitor and control the financial risks of the enterprise with reference to the changes in market in order to increase the Company's profitability which is a main factor to evaluate the performance.

The theme of "Document No.1" issued by the central government in 2015 is "to put more efforts on the reform and innovation and accelerate the construction for agricultural modernisation", and the ultimate goal of the policy is to guarantee the safety of food in China. Ensuring food safety in China provides a foundation to promote the economic development and maintain social stability. What makes the nation able to support 20% of the world's population with 9% of the world's cultivated fields is the great efforts put on the development of fertilizers. However, with the increasing speed of land circulation in the country, more and more plantation owners work with professional cooperative community. As food production continues to intensified, the problem of applying excess fertilizers in the process of food production has become more serious, this is not only unfavourable for increasing food production but also causes acute damages to the ecosystem. The fertilizer products in the nation will be developed under the direction which places strong emphasis on function, effectiveness and biological and environmental friendliness. Controlled-release and sustained-release fertilizers, water-soluble fertilizers and compound fertilizers with medium and trace elements will capture the market share. Currently, increasing the effective utilisation rate has come under the spotlight of the world. The main function of Zhilong active fertilizers successfully developed by the Company's subsidiary, Guangdong Fulilong is to improve the soil environment, promote the growth of soil micro-organisms in fertilizer microsites, enhance the absorption of the nutrients in fertilizer into the crops and improve the quality of crops, therefore, the Group will put more marketing efforts to

Management Discussion and Analysis

promote Zhilong active fertilizers. Furthermore, water soluble fertilizer is in a critical period as it is changing from being a subsidiary fertilizer to a primary fertilizer in the country. With the problem of farmland irrigation becoming so important that it has to be included in the "Document No.1" of the central government, the areas of farmland which adopted water conservation facilities of drip irrigation and spray irrigation have rapidly expanded, hence, the advantages of water soluble fertilizer have become more significant. Guangdong Fulilong and Shandong Hidersun, the subsidiaries of the Company, will invest sufficient resources on the research and development of humic acid water soluble fertilizers. Humic acid water soluble fertilizers are multi-functional fertilizers in line with the concept of environmental protection as well as the development direction of new fertilizer. Humic acid water soluble fertilizer is mainly used to stimulate the growth of crops, improve the physicochemical characteristics of soil, provide crops with nutritious elements and promote the reproduction and activities of micro-organisms, and as the fertilizers have the advantages of being time saving, water saving and fertilizer saving, they are welcomed by the public.

Health care products and people's life are interrelated and the health care products industry in China has rapidly developed into a considerable industry. "12th Five Year Development Plan of the Food Industry" and "Several Opinions of the State Council on Promoting a Healthy Development of Service Industry" have outlined a satisfying future for the health care industry among which the nutrition and health care products industry has attracted the attention of investors. It is estimated that China's health care products market is shared as to approximately 50% by the middle-aged and the elderly, 25% by female and approximately 25% by children and juvenile, thus it can be seen that the market of the health care products for the middle-aged and the elderly is the largest. Currently, the primary market of the health care products in China lies at cities and the penetration rate of the health care products in rural area is low. In the regions that are relatively prosperous such as Yangtze River Delta and Pearl River delta, people's consumption power is greater but the awareness in health care is weak, so the markets in these regions have strong growth potential. Tianjin Alpha, the Company's subsidiary, will adopt new marketing strategies and will proactively expand sales channels, therefore, it is believed that after the new plants passing the trial operation, the production cost would be further lowered, which will increase the profitability of the enterprise. As a High-New Technology Enterprise, Tianjin Alpha is currently applying for the "Tianjin Nutrition and Metabolic Food Engineering Technology Centre" in order to further strengthen its ability to develop new products. Moreover, Tianjin Alpha is planning to list in the National Equities Exchange and Quotations when it is ready through the introduction of strategic investors, this would be beneficial to the brand promotion, market expansion and diversification of financing channels, of Tianjin Alpha and would ensure a healthy, stable and continuous development of the enterprise.

In future, the international and China's economic environment may be subject to higher fluctuation and uncertainties and the two main business segments operated by the Group, compound fertilizer and health care products, may face unprecedented challenges. Nevertheless, we are still determined to continue to seek for improvement, further enhancing the operational quality and core competitiveness of the Company and endeavour to maximize the return for the shareholders.

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

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

1. MEETING OF THE SUPERVISORY COMMITTEE

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

1. On 1 January 2014, the Supervisory Committee held the first meeting in 2014, at which Ms. Yang Chunyan was elected as the Chairman of the 5th session of Supervisory Committee commencing with immediate effect until 31 December 2016;

2. On 19 March 2014, the Supervisory Committee held the second meeting in 2014, at which the consolidated financial statements of the Group for the year 2013 audited by BDO Limited was reviewed and approved;

3. On 8 May 2014, the Supervisory Committee held the third meeting in 2014, at which the first quarterly report of the unaudited results for the three months ended 31 March 2014 was reviewed and approved;

4. On 7 August 2014, the Supervisory Committee held the fourth meeting in 2014, at which the half-year report of the unaudited results of the Company for the six months ended 30 June 2014 was reviewed and approved;

5. On 13 November 2014, the Supervisory Committee held the fifth meeting in 2014, at which the third quarterly report of the unaudited results of the Company for the nine months ended 30 September 2014 was reviewed and approved.

2. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE OPERATION OF THE COMPANY IN 2014:

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

2. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE OPERATION OF THE COMPANY IN 2014: *(continued)*

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

In the coming year, the members of the Supervisory Committee will continue to improve their working capabilities, enhance their senses of responsibilities and adhere to principles, while being bold, fair and responsible when performing their duties. Meanwhile, the Supervisory Committee will further improve the corporate governance, enhance the consciousness of self-discipline and sense of integrity, strengthen the supervisory intensity as well as earnestly bear the responsibilities of protecting shareholders' interests in accordance with the Company Law for the purpose of creating a sustained and healthy development of the Company.

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

25 March 2015

Directors' Report

The Directors submit their report together with the audited financial statements of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATION

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

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

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

CHANGE OF SHARE CAPITAL

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 37 of this annual report.

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

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company at 31 December 2014 calculated under the Company's bye-laws amounted approximately to RMBNil (2013: RMBNil).

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statements of changes in equity on page 41 of this annual report and Note 30 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights 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 2014 is set out on page 5 of this annual report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2014, the Group and the Company had contingent liabilities amounting to RMB45,000,000 (31 December 2013: RMB65,000,000) and RMB45,000,000 (31 December 2013: RMB45,000,000) respectively in connection with the provision of guarantee as security for bank loans granted to its subsidiaries.

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	24.62%
– Five largest suppliers combined	39.43%
Sales	
– The largest customer	4.38%
– Five largest customers combined	12.54%

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The directors, supervisors and senior management during the year were:

Executive Directors
Mr. Wang Shuxin
Mr. Hao Zhihui
Mr. Chen Yingzhong (appointed on 13 May 2014)

Non-executive Directors
Mr. Feng Enqing
Mr. Xie Guangbei
Mr. Ou Linfeng

Independent Non-executive Directors
Mr. Guan Tong
Mr. Wu Chen
Mr. Chan Kin Sang

Supervisors
Ms. Yang Chunyan
Ms. Liu Jinyu

Independent Supervisors
Mr. Gao Xianbiao
Mr. Zhao Kuiying

Senior Management
Chief Executive Officer
Mr. Wang Shuxin
Qualified Accountant and Company Secretary
Mr. Ng Ka Kuen Raymond

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

According to the requirements of the Association of the Company, all the directors and supervisors of the Company are appointed for a term of three years and are subject to re-election every three years. In the current session, all the directors and supervisors of the Company were appointed for a term of three years until 31 December 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Wang Shuxin ("Mr. Wang"), aged 50, is the Chairman of the Board of Directors of the Company and is responsible for the Company's strategic planning and business development. Mr. Wang was instrumental in the establishment of Tianjin TEDA International Incubator (天津泰達國際創業中心) ("TTII") in April 1996 and has been the legal representative of Tianjin TEDA Institute of Biomaterials and Medical Engineering (天津開發區泰達生物材料與醫學工程研究所) ("IBME") since January 1998. 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. Wang has been appointed as the Chairman of the Board of Directors of the Company since September 2000 and he also started to serve as Chief Executive Officer of the Company since 3 July 2013.

Mr. Hao Zhihui ("Mr. Hao"), aged 53, graduated from Tianjin Medical University in August 1984 with a bachelor's degree in medicine and thereafter taught in the university. He also completed his master's degree in Medicine offered by the same university in August 1992. From May 1995 to August 1997, he was in charge of production and technology in DPC (Tianjin) Co., Ltd (天津德普生物技術和醫學產品有限公司). From September 1997 to September 2000, he worked in Tianjin TEDA International Incubator and was the chief of the Medicine Industry Department (醫藥產業部部長). In March 2004, he graduated from the School of Continuing Education of Tsinghua University, Business Administration Major. From September 2000 to August 2006, he has assumed the posts of chief investment officer, chairman of the Supervisory Committee and executive vice president (常務副總裁) in the Company. He has been the President of the Company from August 2006 to April 2011. Mr. Hao has been appointed as an executive director of the Company since May 2009 and the vice chairman of the Board of Directors of the Company since April 2011.

Mr. Chen Yingzhong ("Mr. Chen"), aged 49, has over 20 years of substantial experience in sales and general management and has been extremely familiar with the business and operations of the Group. Mr. Chen has joined the Group since January 2004 and acted as the General Manager of the Sales Department of Guangdong Fulilong Compound Fertilizers Co. Ltd.. From 2007 to 2012, Mr. Chen assumed the position of the General Manager of the Sales Department of Shandong Hidersun Fertilizer Industry Co., Ltd. ("Shandong Hidersun") and he has been appointed as the chairman of Shandong Hidersun since November 2012. Since March 2009, Mr. Chen has also become the sole equity owner and chairman of Shandong Zhinong Fertilizers Company Limited ("Zhinong Fertilizers"). Mr. Chen has been appointed as an executive director of the Company since May 2014.

Non-executive Directors

Mr. Feng Enqing ("Mr. Feng"), aged 56, 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 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 from 2001 to 2004 and has been the assistant director of Tianjin TEDA International Incubator since 2009. He was appointed as deputy director of the Industrialization Promotion Center (Tianjin Binhai) under National 863 Plan in 2011. He joined the Company in September 2000 and has been appointed as a non-executive director since then.

Mr. Xie Guangbei ("Mr. Xie"), aged 60, graduated from Nankai University in 1993 with a master's degree in Economics. In 1998, he was granted a MBA degree from Rensselaer Polytechnic Institute in Troy, New York, the US. He is the investment and financial consultant of the Office of Residential Property Commercialization headed by the Ministry of Construction of the PRC. He is also the vice chairman and president of Tianjin Securities Investment Consulting Company Limited (天津證券投資諮詢有限公司). He was an engineer of the Business Department of China Shizheng Huabei College of Design (中國市政華北設計院計劃經營處), director and deputy general manager and senior engineer of Tianjin Eastern International Engineering Consultancy (天津東方國際工程諮詢). He joined the Company as an independent supervisor in November 2000 and has been appointed as a non-executive director since November 2003.

Mr. Ou Linfeng ("Mr. Ou"), aged 44, graduated with professional business accounting qualification from Guangdong Chaoyang TV University (廣東潮陽廣播電視大學) in 1997. Between August 1994 and December 1998, Mr. Ou was the head of accounting department of the Chaoyang Branch of China Construction Bank and from January 1999 to November 2001, Mr. Ou was appointed a sales manager of Taiyuan Lingyunda Trade Company (太原淩雲達貿易公司). He was appointed by our Group in December 2001 as a sales manager of Guangdong Fulilong, a wholly owned subsidiary of the Company. Since May 2011, Mr. Ou has been promoted to the deputy general manager of Guangdong Fulilong. Mr. Ou has been appointed as a non-executive director of the Company since August 2011.

Independent Non-executive Directors

Mr. Guan Tong ("Mr. Guan"), aged 46, 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. Guan has been appointed as an independent non-executive director of the Company since September 2005.

Mr. Wu Chen ("Mr. Wu"), aged 70, 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 awarded a certificate by Tianjin Municipal Personnel Bureau (天津人事局) in April 1996. Mr. Wu has been appointed as an independent non-executive director of the Company since September 2006.

Mr. Chan Kin Sang ("Mr. Chan", alias: Mr. Peter K. S. Chan), aged 63, is the sole proprietor of Messrs. Peter K. S. Chan & Co., Solicitors and Notaries. Mr. Chan graduated from the University of Hong Kong with a bachelor's degree in laws in 1979. Mr. Chan has been a practising solicitor in Hong Kong since 1982. Mr. Chan was admitted as a notary public in 1997 and as a China-appointed attesting officer in 2000. He is currently a Fellow of the Hong Kong Institute of Directors. Mr. Chan has been appointed as an independent non-executive director of the Company since May 2013.

Mr. Chan currently acts as independent non-executive directors of several Hong Kong and overseas listed companies, namely China Taifeng Beddings Holdings Limited (Stock Code: 873), China Percious Metal Resources Holdings Co., Ltd. (Stock Code: 1194), Tianhe Chemicals Group Limited (Stock Code: 1619) and China Fortune Financial Group Limited (Stock Code: 290) listed on the Stock Exchange, as well as Luxking Group Holdings Limited (Stock Code: L34) listed on Singapore Exchange Securities Trading Limited ("SGX-ST"). Mr. Chan also acts as non-executive directors of a number of Hong Kong and overseas listed companies, namely Combest Holdings Limited (Stock Code: 8190) listed on GEM of the Stock Exchange, and Pan Hong Property Group Limited (Stock Code: P36) listed on SGX-ST. In the past three years, Mr. Chan acted as director of a number of Hong Kong and overseas listed companies, namely United Pacific Industries Limited (Stock Code: 176), Pacific Plywood Holdings Limited (Stock Code: 767) and Zhongda International Holdings Limited (Stock Code: 909) which are all listed on the Stock Exchange, as well as Ming Kei Holdings Limited (Stock Code: 8239) listed on GEM of the Stock Exchange and People's Food Holdings Limited (Stock Code: P05) listed on SGX-ST.

Supervisors

Ms. Yang Chunyan ("Ms. Yang"), aged 38, 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 has been appointed as Chairman of the Trade Union of the Group since 28 June 2007 and a supervisor of the Company since January 2010.

Ms. Liu Jinyu ("Ms. Liu"), aged 42, graduated with a degree in Corporate Management and Human Resources Management from Tianjin Nankai University (天津南開大學). Between 1997 and 2001, she acted as the chief officer of the human resources department of Tianjin New World Department Store Co., Ltd. (天津新世界百貨有限公司). Then she was engaged as the manager of the general department of Tianjin Zhongying Food Co., Ltd (天津中迎食品有限公司) from 2001 to 2003 and the human resources manager of Tianjin Auchan Hypermarkets Co., Ltd (天津歐尚超市有限公司) from 2003 to 2007. Ms. Liu joined the Company as human resources manager in 2007 and has been appointed as deputy officer of the President's office of the Company since April 2011. Ms. Liu has been appointed as a supervisor of the Company since August 2011.

Independent Supervisors

Mr. Gao Xianbiao ("Mr. Gao"), aged 53, graduated from the Agricultural Soil Department (土壤農化系) of Shandong Agricultural Industry University (山東農業大學) in 1982. Mr. Gao 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 ("Mr. Zhao"), aged 46, is an economist. Mr. Zhao graduated from Nankai University with a bachelor degree in Finance in 1990 and subsequently obtained a master's degree in Economics from Tianjin University of Finance and Economics (天津財經大學). He specializes in financial management and analysis. He held various posts in branches of the Agricultural Bank of China from 1990 to 2000 and China CITIC Bank since 2000 and has been the head of a branch office of China CITIC Bank in Tianjin since August 2005. He is now the deputy head of the branch office of China CITIC Bank in Tangshan.

SENIOR MANAGEMENT

Chief Executive Officer

Mr. Wang Shuxin, whose biographical details are set out in the section headed "Executive Directors" has been appointed as the Chief Executive Officer of the Company since 3 July 2013.

Qualified Accountant and Company Secretary

Mr. Ng Ka Kuen Raymond ("Mr. Ng"), aged 54, 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 of audit experience.

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 2014. The service contracts of the Company's directors and supervisors were renewed for a term of three years commencing from 1 January 2014 as approved at the extraordinary general meeting held on 27 December 2013 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 by the shareholders of the Company 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.

MATERIAL CONTRACTS

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

DIRECTORS' REMUNERATION AND TOP FIVE HIGHEST PAID PERSONS

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors, namely Mr. Guan Tong, Mr. Wu Chen and Mr. Chan Kin Sang, 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.

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

As at 31 December 2014, the interests of the directors and supervisors of the Company and their respective associates in the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) were as follows:

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

Directors/Supervisors/ Executive Officers	Personal	Family	Corporate	Other	Total	Percentage of the issued share capital
Mr. Chen Yingzhong	–	–	170,000,000 (Note)	–	170,000,000	11.97%

Note: These shares are held by Shandong Zhinong Fertilizers Company Limited ("Zhinong Fertilizers"), and Mr. Chen is the beneficial owner who holds 100% equity interest in Zhinong Fertilizers. All of the shares represent domestic shares.

Save as disclosed in this paragraph, as at 31 December 2014, none of the Directors or the Supervisors of the Company had interest in any securities and underlying shares and debentures of the Company or any of its associated corporations, which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the following persons (other than the Directors and the Supervisors of the Company) had interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

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

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

Note: All of the shares represent domestic share.

Save as disclosed above, as at 31 December 2014, the Directors of the Company were not aware of any other person (other than the Directors and the Supervisors of the Company) who had an interest and short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company

MANAGEMENT CONTRACTS

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

COMPETING INTERESTS

During the year ended 31 December 2014, none of the Directors, the Supervisors, or the management shareholders and their respective associates of the Company (as defined the GEM Listing Rule) 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.

SHARE OPTION SCHEME

For the year ended 31 December 2014, the Company has no existing share option scheme in place.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules and by reference to the "Guidelines for The Establishment of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The audit committee provides an important link between the Board and the Company's auditor in matters coming within the scope of the Group's audit. The primary duties of the committee are to review and supervise the financial reporting process of the Group. It also reviews the effectiveness of the external audit, internal controls and risk evaluation. The audit committee of the Company comprises three independent nonexecutive directors, namely Mr. Guan Tong, Mr. Wu Chen and Mr. Chan Kin Sang, among whom, Mr. Guan Tong has been appointed as the chairman of the committee due to his professional qualifications in accounting and auditing experience.

The audit committee had held four meetings during the current financial year, and it has also reviewed the audited annual results of the Group for the year ended 31 December 2014.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 26 to 34 of this annual report.

SUFFICIENCY OF THE PUBLIC FLOAT

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

AUDITOR

On 13 May 2014, BDO Limited ("BDO") was re-appointed, and 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 2014 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, 25 March 2015

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company have 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 Group. The corporate governance principles which the Company complies emphasize on the establishment of an efficient board of directors and sound internal control, as well as the transparency presented to all of the shareholders. The Directors are of the view that, the Company had complied with all the provisions of the Code except A.2.1 of the Code during the period under review.

DIRECTORS' SECURITIES TRANSACTION

For the year ended 31 December 2014, 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 with 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 tremendous efforts, time and attention to the affairs of the Group. Each 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 19 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 overall corporate strategy, annual and interim results, implementation of corporate plans, risk management, major acquisitions, disposals and capital raising, and other significant operational and financial matters. The Chairman of the Board has focused on the effective operation of the Board, and encouraged all the Directors to devote themselves to the affairs of the Board, perform their own duties and discuss all the important issues in a timely manner. The Chairman also supervised the implementation and review of good corporate governance practices and procedures. 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 publication, execution of business strategies and initiatives adopted by the board of Directors, effective implementation of internal controls system and risk management procedures, and compliance with relevant statutory requirements and rules and regulations. Pursuant to the requirements set out in Code, the Chairman has carried out measures to ensure that the management provides updated information to all the members of the Board on a monthly basis, which contains the latest operational developments, important financial data, major events and, if any, the background information of the issues to be discussed at the Board meeting. The Chairman has also taken appropriate measures to keep in touch with the shareholders and make sure that the opinions of the shareholders can be heard by the Board; to encourage and help the non-executive Directors to make contributions to the Board and to ensure that the executive Directors maintain a constructive relationship with the non-executive Directors.

BOARD OF DIRECTORS AND BOARD MEETING *(continued)*

Board Composition and Board Practices *(continued)*

The Board members for the year ended 31 December 2014 were:

Executive Directors

Mr. Wang Shuxin
Mr. Hao Zhihui
Mr. Chen Yingzhong (appointed on 13 May 2014)

Non-executive Directors

Mr. Feng Enqing
Mr. Xie Guangbei
Mr. Ou Linfeng

Independent Non-executive Directors

Mr. Guan Tong
Mr. Wu Chen
Mr. Chan Kin Sang

Pursuant to the requirements of Code provision A.2.1 of the Code, the Chairman of the Board and the Chief Executive Officer shall be performed 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. However, during the period under review, as Mr. Wang serves as the Chairman and the Chief Executive Officer of the Company, such practice deviates from code provision A.2.1 of the Code. The Board is of the opinion that it is appropriate and in the best interests of the Company for Mr. Wang to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of the Company. The Company has been proactively recruiting candidates for the post of Chief Executive Officer through different means so as to fulfill the requirements of A.2.1 of the Code as soon as possible for increasing 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 the 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 standard as well as providing adequate checks and balances for safeguarding the interests of shareholders and the Company as a whole.

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

BOARD OF DIRECTORS AND BOARD MEETING *(continued)*

Board Composition and Board Practices *(continued)*

Throughout the year, the Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. The Board of Directors holds at least four meetings per year (one official Board meeting for each quarter at least). During 2014, the Board held 7 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 has met on other occasions when a board-level decision on a particular matter was required. The Directors has received details of agenda items for decision and minutes of committee meetings in advance of each board meeting. The Directors have attended 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 has been given of a regular board meeting to enable the Directors to make informed decisions on matters to be raised at the board meetings. Independent non-executive Directors and other non-executive Directors have been treated the same as other members of the Board, and have attended the board meetings and the committee meetings where they served as a member to actively participate in the discussion of the issues proposed at the meetings and advice on the developing strategy of the Company based on their own professional background, skills and qualifications. They have also attended general meetings and developed a balanced understanding of the views of shareholders. Besides, pursuant to the requirements of the Code, all directors have received continuous professional development training. During the period under review, the Company arranged one special trainings in relation to the GEM Listing Rules for the Directors, Supervisors and the senior management, which covered connected transactions and the revised provisions of the GEM Listing Rules in respect of the definitions of 'connected person' and 'associate'.

The attendance records of the Board members at the board meetings, general meetings and the training course are as follows:

Name of Directors	Attendance/ Number of Board Meeting	Attendance/ Number of General Meetings	Attendance/ Number of the Training Course
Executive Directors			
Mr. Wang Shuxin	7/7	2/2	1/1
Mr. Hao Zhihui	7/7	2/2	1/1
Mr. Chen Yingzhong (appointed on 13 May 2014)	1/2	0/1	0/0
Non-executive Directors			
Mr. Feng Enqing	7/7	2/2	1/1
Mr. Xie Guangbei	5/7	0/2	1/1
Mr. Ou Linfeng	3/7	0/2	1/1
Independent Non-executive Directors			
Mr. Guan Tong	7/7	1/2	1/1
Mr. Wu Chen	7/7	0/2	1/1
Chan Kin Sang	5/7	0/2	1/1

To the knowledge of the Directors, there is no financial, business, family or other material relationships amongst the members of the Board. The Company Secretary attends all regular board meetings to advise on corporate governance and statutory compliance when necessary. Moreover, the Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all board meetings. The Company Secretary also keeps the minutes, which are open for inspection at any reasonable notice by any Director.

AUDIT COMMITTEE

The Group had established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises three independent non-executive Directors, among whom, Mr. Guan Tong (關彤) was appointed as the chairman of the committee by virtue of the appropriate professional qualifications and auditing experience as required under the GEM Listing Rules.

During the year, the audit committee performed its duties and held six committee meetings to review and discuss the final, quarterly and interim results and the financial statements. In addition, the Audit Committee was also engaged in, among other things, (i) reviewing the implementation of the internal control system of the Group; (ii) reviewing and supervising the financial reporting process; (iii) reviewing the risk management systems of the Group; and (iv) reviewing and monitoring the terms of engagement, independence, effectiveness of the external auditor and providing advice thereon to the Board for improvement. 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 audit committee has reviewed and discussed the results of the Group for the year ended 31 December 2014 and the 2014 annual report.

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

Name of directors	Attendance/ Number of Meetings held
Mr. Guan Tong	6/6
Mr. Wu Chen	6/6
Mr. Chan Kin Sang	5/6

AUDITOR'S REMUNERATION

The audit committee of the Company is responsible for considering the remuneration of the external auditors and reviewing any non-audit functions performed by the external auditors, 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 Group with effect from 13 May 2014 until the conclusion of the forthcoming annual general meeting of the Company.

The annual consolidated financial statements for the financial year ended 31 December 2014 have been audited by BDO.

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

EXTERNAL AUDITOR *(continued)*

The remuneration paid/payable to the external auditors of the Company and its subsidiaries in respect of audit services and non-audit services for the year ended 31 December 2014 is set out as follows:

	Fee paid/payable	
Types of Services	**for the year ended 31 December 2014 RMB'000**	for the year ended 31 December 2013 RMB'000
Audit services		
– Annual audit of the financial statement of the company and its subsidiaries	**1,177**	992
Non-audit services		
– Issue of comfort letter in respect of transfer of listing of the Group	**111**	–

NOMINATION COMMITTEE

The Company has established the nomination committee in accordance with the Code. The nomination committee is comprised of three members (each a "Member"), the majority of whom are independent non-executive Directors. The nomination committee consists of the chairman Mr. Wang Shuxin, who is also the Chairman of the Board, and two members, namely Mr. Guan Tong and Mr. Wu Chen, who are independent non-executive directors.

The primary duties of the Nomination Committee cover the reviewing of the structure of the Board as well as combining the business model and actual needs through considering factors like the number of directors on the Board, the balance of composition of executive directors and non-executive directors, professional experience, cultural and educational background, etc., so as to enhance the diversity of the members of the Board and strengthen the independence elements. Identifying and nominating potential candidates for directorship, reviewing the nomination of Directors and making recommendations to the Board on appointment and re-appointment of Directors are also the duties of the Nomination Committee.

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

Name of directors	**Attendance/ Number of Meetings held**
Mr. Wang Shuxin	3/3
Mr. Guan Tong	3/3
Mr. Wu Chen	3/3

During the year under review, the nomination committee conscientiously performed its duties. Three meetings were held to review the structure, size, diversity and composition of the Board and assessed the independence of the independent non-executive Directors and the performance of the members of the Board including the members of the senior management of the Company.

REMUNERATION COMMITTEE

The Company has established the remuneration committee in accordance with the Code. The remuneration committee is comprised of three members (each a "Member"), the majority of whom are independent non-executive Directors. The remuneration committee consists of the chairman Mr. Guan Tong, an independent non-executive Director, and two members, namely Mr. Wu Chen, an independent non-executive director and Mr. Xie Guangbei, a non-executive director.

The principal duties of the Remuneration Committee include, among other things, formulating, reviewing and making recommendations to the Board on the remuneration policy and structure of the Group, determining the remuneration packages of individual executive Directors and members of senior management and making recommendations to the Board of the remuneration of non-executive Directors.

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

Name of directors	**Attendance/ Number of Meetings held**
Mr. Guan Tong	1/1
Mr. Xie Guangbei	1/1
Mr. Wu Chen	1/1

During the year under review, the remuneration committee performed its duties conscientiously. One meeting was held to review the remuneration policy and structure of the Group, determine the remuneration packages of the Directors and members of the senior management, assess the performance of all Directors and senior management, review and approve the performance-linked remuneration by reference to the operation goals of the Company passed by the Board and make recommendations to the Board in order to ensure the Company has properly disclosed the detail of the remunerations payable to all the directors and members of senior management, whether individually or on a named basis. The remuneration committee of the Company has considered and reviewed the service contracts of the Directors and is of the view that the existing terms of the service contracts are fair and reasonable.

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

	2014 (RMB)			2013 (RMB)		
Name of Directors	**Salaries, allowances and benefit in kind**	**Retirement benefits scheme contributions**	**Total**	Salaries, allowances and benefit in kind	Retirement benefits scheme contributions	Total
Executive Directors						
Mr. Wang Shuxin	**616,174**	**112,611**	**728,785**	485,552	92,814	578,366
Mr. Hao Zhihui	**589,676**	**110,019**	**699,695**	447,224	90,234	537,478
Mr. Chen Yingzhong (appointed on 13 May 2014)	**–**	**–**	–	–	–	–
Non-executive Directors						
Mr. Feng Enqing	**41,355**	**–**	**41,355**	41,355	–	41,355
Mr. Xie Guangbei	**41,355**	**–**	**41,355**	41,355	–	41,355
Mr. Ou Linfeng	**–**	**–**	**–**	–	–	–

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT *(continued)*

	2014 (RMB)			2013 (RMB)		
Name of Directors	**Salaries, allowances and benefit in kind**	**Retirement benefits scheme contributions**	**Total**	Salaries, allowances and benefit in kind	Retirement benefits scheme contributions	Total
Independent Non-executive Directors						
Mr. Guan Tong	**41,355**	**–**	**41,355**	41,355	–	41,355
Mr. Wu Chen	**41,355**	**–**	**41,355**	41,355	–	41,355
Mr. Chan Kin Sang	**143,644**	**–**	**143,644**	89,250	–	89,250
Chief Executive Officer						
Mr. Wang Shuxin	**616,174**	**112,611**	**728,785**	485,552	92,814	578,366
Qualified Accountant/Company Secretary						
Mr. Ng Ka Kuen Raymond	**–**	**–**	**–**	150,000	–	150,000

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statements made by the external auditor of the Company, BDO Limited, as to its reporting responsibilities on the consolidated financial statements of the Group is set out in the Auditor's Report on pages 35 of this annual report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast a 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.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting by Shareholders

Pursuant to articles 62(3) and 83 of the Articles of Association of the Company, extraordinary general meeting ("EGM") may be convened by the Board on written requisition of any two or more shareholders of the Company ("Shareholders") holding not less than one-tenth of the issued share capital of the Company having the right to vote (the "Requisitionist"). Such written requisition must specify the objects of the EGM and may be deposited at the head office or Hong Kong Share Registrar and Transfer Office of the Company. The Board upon receipt of the written requisition must convene an EGM as soon as practicable.

If the Board does not within 30 days from the date of receipt of the requisition proceed duly to convene an EGM, the Requisitionist may convene an EGM provided that any meeting so convened shall not be held after the expiration of four months from the date of receipt of the requisition by the Board. The convening procedures should follow the procedures of the board convening a general meeting as far as practicable.

Procedure for putting forward proposals at Shareholders' meetings

Pursuant to article 64 of the Articles of Association of the Company, any Shareholder holding not less than 5% of the issued share capital of the Company having the right to vote may by written requisition propose new resolutions to be discussed at a scheduled annual general meeting. Provided that any such proposed resolution is within the scope of duties to be discussed at an annual general meeting, the Company shall put it in the agenda of the annual general meeting.

Accordingly Shareholders who wish to propose a new resolution to be passed at any annual general meeting shall file a notice in writing to the head office or Hong Kong Share Registrar and Transfer Office of the Company for the attention of the company secretary.

Procedure in respect of the nomination of director candidates by Shareholders

Pursuant to Article 99 of the Company's Articles of Associations, if a Shareholder would like to recommend a person other than retiring Directors or candidates recommended by the Directors to be elected as a Director in a general meeting, the Shareholder who is qualified to attend and vote in the general meeting shall sign a notice of nomination (the "notice of nomination") in writing and the nominated person shall sign a notice indicating his willingness to stand for the election (collectively the "notices") and send the notices to the head office or Hong Kong Share Registrar and Transfer Office of the Company.

The notice of nomination shall state the full name of the nominating Shareholder, his/her shareholding in the shares of the Company, and the full name and details of the curriculum vitae of the nominated person, including the relevant qualification and experience, as required under Rule 17.50(2) of the GEM Listing Rules.

The notices must be submitted from date immediately the following the day of dispatch of the notice of the general meeting on election of Directors to 7 days prior to such general meeting; with a minimum period of 7 days. The Company shall propose a motion to the general meeting for considering the proposed election of the nominated person(s).

Enquiries put to the Board

Shareholders may send written enquiries or requests in respect of their rights to the registered office, head office, principal place of business, Hong Kong Representative Office or Hong Kong Share Registrar and Transfer Office of the Company for the attention of the company secretary.

INVESTORS RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company has committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its Shareholders. The Company uses its best endeavor to maintain regular communication with the Shareholders through a number of formal communication channels. In addition, the Company encourages all Shareholders to attend general meetings, which provide opportunities for direct dialogue between the Company and the Shareholders, and for Shareholders to keep informed of the Group's strategies and goals.

At the Company's annual general meeting held on 13 May 2014 and the extraordinary general meetings held on 4 July 2014, executive and independent non-executive Directors of the Company, were present in the meetings to attend to questions from Shareholders.

The Company updates its Shareholders on its key information, latest business developments and financial performance through its notices, announcements and circulars, as well as quarterly, interim and annual reports. The corporate website maintained by the Company at ***www.bioteda.com*** provides an effective communication platform to the public and the Shareholders.

During the year ended 31 December 2014, there has been no change in the Company's constitutional documents.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 37 to 92, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other 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 a 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 these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Independent Auditor's Report

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 2014 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, 25 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 RMB	2013 RMB
Turnover	7	**552,041,373**	583,111,851
Cost of sales		**(437,446,186)**	(452,527,189)
Gross profit		**114,595,187**	130,584,662
Other income and net losses	8	**(207,590)**	(1,936,533)
Selling and distribution costs		**(39,596,183)**	(46,337,136)
Administrative expenses		**(28,804,720)**	(28,995,919)
Research and development expenses		**(11,068,388)**	(20,961,537)
Finance costs	9	**(8,133,057)**	(7,606,131)
Profit before income tax expenses	9	**26,785,249**	24,747,406
Income tax expenses	10	**(7,826,196)**	(2,605,800)
Profit and total comprehensive income for the year		**18,959,053**	22,141,606
Attributable to:			
Owners of the Company		**17,787,428**	21,373,605
Non-controlling interests		**1,171,625**	768,001
		18,959,053	22,141,606
Earnings per share – Basic and diluted (RMB)	13	**1.25 cents**	1.51 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	2014 RMB	2013 RMB
Non-current assets			
Property, plant and equipment	15	**96,371,284**	76,647,961
Goodwill	16	**3,133,932**	3,133,932
Prepaid land lease payments	18	**8,423,182**	8,619,037
Total non-current assets		**107,928,398**	88,400,930
Current assets			
Inventories	19	**138,376,713**	109,138,521
Trade and bills receivables	20	**103,319,636**	111,878,457
Prepayments and other receivables	21	**34,613,281**	59,336,675
Restricted bank deposits	23	**–**	1,000,000
Bank balances and cash	23	**48,383,977**	43,108,953
Total current assets		**324,693,607**	324,462,606
Total assets		**432,622,005**	412,863,536
Current liabilities			
Trade and bills payables	24	**39,926,921**	55,406,552
Other payables and accruals	25	**31,932,275**	26,493,970
Financial liabilities	26	**22,439,591**	–
Tax payable		**7,325,602**	3,892,048
Bank borrowings	27	**87,300,000**	102,300,000
Total current liabilities		**188,924,389**	188,092,570
Net current assets		**135,769,218**	136,370,036
Total assets less current liabilities		**243,697,616**	224,770,966
NET ASSETS		**243,697,616**	224,770,966

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	2014 RMB	2013 RMB
Capital and reserves attributable to owners of the Company			
Share capital	28	**142,000,000**	142,000,000
Reserves		**56,020,985**	59,429,468
Equity attributable to owners of the Company		**198,020,985**	201,429,468
Non-controlling interests	29	**45,676,631**	23,341,498
TOTAL EQUITY		**243,697,616**	224,770,966

On behalf of the Board

Wang Shuxin
Director

Hao Zhihui
Director

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	2014 RMB	2013 RMB
Non-current assets			
Property, plant and equipment	15	**470,532**	579,185
Investments in subsidiaries	17	**108,634,827**	115,181,397
Total non-current assets		**109,105,359**	115,760,582
Current assets			
Prepayments and other receivables	21	**1,471,174**	455,799
Amount due from subsidiaries	22	**59,294,672**	46,921,828
Bank balances and cash	23	**338,798**	590,738
Total current assets		**61,104,644**	47,968,365
Total assets		**170,210,003**	163,728,947
Current liabilities			
Trade and bills payables	24	**26,918**	26,918
Amount due to a subsidiary	22	**2,392,805**	20,769,961
Other payables and accruals	25	**4,554,242**	4,250,332
Financial liabilities	26	**22,439,591**	–
Tax payable		**3,473,777**	–
Bank borrowings	27	**10,000,000**	–
Total current liabilities		**42,887,333**	25,047,211
Net current assets		**18,217,311**	22,921,154
NET ASSETS		**127,322,670**	138,681,736
Capital and reserves			
Share capital	28	**142,000,000**	142,000,000
Reserves	30	**(14,677,330)**	(3,318,264)
TOTAL EQUITY		**127,322,670**	138,681,736

On behalf of the Board

Wang Shuxin	**Hao Zhihui**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital Note 28 RMB	Share premium Note 30 (i) RMB	Surplus reserve Note 30(ii) RMB	Capital reserve Note 30(iii) RMB	Other reserve Note 30(v) RMB	Accumulated losses Note 30(iv) RMB	Attributable to owners of the Company RMB	Non-controlling interests Note 29 RMB	Total RMB
Balance as at 1 January 2013	142,000,000	75,816,410	4,604,647	2,541,404	-	(44,906,598)	180,055,863	22,573,497	202,629,360
Profit and total comprehensive income for the year	-	-	-	-	-	21,373,605	21,373,605	768,001	22,141,606
Transfer to reserve	-	-	2,226,398	-	-	(2,226,398)	-	-	-
Balance as at 31 December 2013	142,000,000	75,816,410	6,831,045	2,541,404	-	(25,759,391)	201,429,468	23,341,498	224,770,966
Profit and total comprehensive income for the year	-	-	-	-	-	17,787,428	17,787,428	1,171,625	18,959,053
Written put option over non controlling interests	-	-	-	-	(22,032,403)	-	(22,032,403)	-	(22,032,403)
Change in ownership in interests in subsidiaries without change of control (Note 29)	-	-	-	-	-	836,492	836,492	21,163,508	22,000,000
Balance as at 31 December 2014	142,000,000	75,816,410	6,831,045	2,541,404	(22,032,403)	(7,135,471)	198,020,985	45,676,631	243,697,616

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 RMB	2013 RMB
Cash flows from operating activities			
Profit before income tax expenses		**26,785,249**	24,747,406
Amortisation of prepaid land lease payments		**189,827**	423,672
Depreciation		**9,206,886**	8,832,048
Interest expense		**8,133,057**	7,606,131
Interest income		**(48,122)**	(244,877)
Provision for/(reversal of) bad debt of trade and other receivables		**1,182,329**	(343,318)
Provision for obsolete stock, net		**258,158**	372,345
Write off of property, plant and equipment		**–**	147,138
Impairment losses on property, plant and equipment		**–**	1,810,336
Gains on disposal of property, plant and equipment		**(148,217)**	(192,051)
Operating cash flows before working capital changes		**45,559,167**	43,158,830
Increase in inventories		**(29,496,350)**	(11,302,226)
Decrease in trade and bills receivables		**7,491,459**	11,691,834
Decrease in prepayments and other receivables		**24,614,455**	6,265,040
Decrease in trade and bills payables		**(15,479,631)**	(12,089,255)
Decrease in other payables and accruals		**(1,360,523)**	(34,385,152)
Cash generated from operations		**31,328,577**	3,339,071
Income tax paid		**(4,392,642)**	(6,384,984)
Interest paid		**(7,508,161)**	(7,606,131)
Net cash generated from/(used in) operating activities		**19,427,774**	(10,652,044)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(22,594,575)**	(8,024,108)
Proceeds from disposal of assets classified as held for sale		**–**	3,000,000
Proceeds from disposal of property, plant and equipment		**393,703**	482,477
Decrease in restricted bank deposits		**1,000,000**	15,712,100
Interest received		**48,122**	244,877
Net cash (used in)/generated from investing activities		**(21,152,750)**	11,415,346
Cash flows from financing activities			
New bank borrowings		**94,300,000**	111,300,000
Repayment of bank borrowings		**(109,300,000)**	(92,300,000)
Proceed from partial disposal of a subsidiary	29	**22,000,000**	–
Net cash generated from financing activities		**7,000,000**	19,000,000
Net increase in cash and cash equivalents		**5,275,024**	19,763,302
Cash and cash equivalents at beginning of year		**43,108,953**	23,345,651
Cash and cash equivalents at end of year		**48,383,977**	43,108,953
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash	36	**48,383,977**	43,108,953

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

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 and its subsidiaries (hereafter referred to as the "Group") principally engages in manufacturing and sale 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 disclosed in the "Corporate Information" section to the annual report.

As at 31 December 2014, Tianjin TEDA International Incubator (the "TTII"), a state-owned enterprise established in the PRC and solely owned by TEDA State-owned Asset Administration Operation Company, is the largest shareholder of the Company.

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

(a) Adoption of new/revised HKFRSs – Effective 1 January 2014

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKAS 36	Recoverable Amount Disclosures
HK (IFRIC) 21	Levies

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not have any offsetting arrangements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

The adoption of the amendments has no impact on these financial statements as the Company is not an investment entity.

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

(a) Adoption of new/revised HKFRSs – Effective 1 January 2014 *(continued)*

Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The amendments provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The amendments are applied retrospectively.

The adoption of the amendments has no impact on these financial statements as the Group does not apply hedge accounting.

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are applied retrospectively and no material impact on these financial statements.

HK (IFRIC) 21 – Levies

HK (IFRIC) 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation has been applied retrospectively.

The adoption of HK (IFRIC) 21 has no impact on these financial statements as the interpretation is consistent with the Group's previous application of its accounting policies on provisions.

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

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

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements [3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
HKFRS 9 (2014)	Financial Instruments[5]
HKFRS 15	Revenue from Contracts with Customers[4]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2018

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

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

Annual Improvements 2010-2012 Cycle, 2011-2013 Cycle and 2012-2014 Cycle

The amendments issued under the annual improvements process make small, non-urgent changes to a number of standards where they are currently unclear. They include amendments to HKAS 16 Property, Plant and Equipment to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

Amendments to HKAS 1 – Disclosure Initiative

The amendments clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and the presentation of the financial statements to their circumstance and the needs of users.

The key areas addressed by the changes are as follows:

- Materiality: an entity should not aggregate or disaggregate information in a manner that obscures useful information. An entity need not provide disclosures if the information is not material;

- Disaggregation and subtotals: the amendments clarify what additional subtotals are acceptable and how they should be presented;

- Notes: an entity is not required to present the notes to the financial statements in a particular order, and management should tailor the structure of their notes to their circumstances and the needs of their users;

- Accounting policies: how to identify a significant accounting policy that should be disclosed;

- Other comprehensive income from equity accounted investments: other comprehensive income of associates and joint ventures should be separated into the share of items that will subsequently be reclassified to profit or loss and those that will not.

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

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

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 19 (2011) – Defined Benefit Plans: Employee Contributions

The amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered instead of allocating the contributions to periods of service.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

The amendments to HKFRS 10 clarify that the exception from preparing consolidated financial statements is available to intermediate parent entities which are subsidiaries of investment entities. The exception is available when the investment entity parent measures its subsidiaries at fair value. The intermediate parent would also need to meet the other criteria for exception listed in HKFRS 10.

The amendments also clarify that an investment entity should consolidate a subsidiary which is not an investment entity and which provides services in support of the investment entity's investment activities, such that it acts as an extension of the investment entity. However, the amendments also confirm that if the subsidiary is itself an investment entity, the investment entity parent should measure its investment in the subsidiary at fair value through profit or loss. This approach is required regardless of whether the subsidiary provides investment-related services to the parent or to third parties.

The amendments to HKAS 28 allow an entity which is not an investment entity, but has an interest in an associate or a joint venture which is an investment entity, a relief to retain the fair value measurement applied by the investment entity associate or joint venture, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture for their subsidiaries when applying the equity method.

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

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

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the 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.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listings Rules").

(b) Basis of measurement

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

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and each of the group's 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 ("the Group"). 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 dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

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

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

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

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. 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.

(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%
Other structures and improvements	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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

(e) Prepaid land lease payments

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

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

(f) Research and development costs

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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 decreased. 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 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.

(ii) Impairment loss on financial assets

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

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

For loans and receivables

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial instruments *(continued)*

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

(k) Leases

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Provisions and contingent liabilities

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

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

(m) Income tax

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

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

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

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

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

(n) Government grants

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Foreign currencies

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

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

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

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

(p) Revenue recognition

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

(i) Revenue from the sale of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

(ii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding at the applicable interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Employees' benefits

(i) Short term benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(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.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(r) Capitalisation of borrowing costs

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

(s) Related parties

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

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

(ii) has significant influence over the Group; or

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Related parties *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of resulting 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.

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

Key sources of estimation uncertainty *(continued)*

Taxation

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Where the final tax outcome of these transactions is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

No deferred tax asset in relation to unused tax losses and deductible temporary differences has been recognised in the consolidated statement of financial position. In case where taxable future profits are generated, an understatement of current year accounting profit due to the unrecognised deferred tax asset may arise, which deferred tax asset would be recognised in the statement of profit or loss and other comprehensive income for the period in which such event takes place.

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 biological compound fertiliser products

- Manufacturing and sale of health care products

Inter-segment transactions are priced with reference to prices charged to extend parties for similar order.

6. SEGMENT INFORMATION *(continued)*

(a) Segment revenue and results

For the year ended 31 December 2014

	Fertiliser products RMB	Health care products RMB	Elimination RMB	Total RMB
Revenue to external customers	**470,267,081**	**81,774,292**	**–**	**552,041,373**
Segment profit/(loss) before income tax expenses	**29,733,712**	**(2,948,463)**	**–**	**26,785,249**

For the year ended 31 December 2013

	Fertiliser products RMB	Health care products RMB	Elimination RMB	Total RMB
Revenue to external customers	487,506,072	96,858,163	(1,252,384)	583,111,851
Segment profit before income tax expenses	17,930,096	6,817,310	–	24,747,406

(b) Segment assets and liabilities

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

	2014 RMB	2013 RMB
Segment assets		
Fertiliser products	**324,583,756**	321,361,123
Health care products	**107,013,162**	91,477,326
Segment assets	**431,596,918**	412,838,449
Unallocated	**1,025,087**	25,087
Consolidated total assets	**432,622,005**	412,863,536

The unallocated assets represented the corporate assets of the Company.

6. SEGMENT INFORMATION *(continued)*

(b) Segment assets and liabilities *(continued)*

	2014 RMB	2013 RMB
Segment liabilities		
Fertiliser products	**83,259,926**	165,770,286
Health care products	**78,764,979**	18,687,157
Segment liabilities	**162,024,905**	184,457,443
Unallocated	**26,899,484**	3,635,127
Consolidated total liabilities	**188,924,389**	188,092,570

The unallocated liabilities represent the corporate payables of the Company.

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

For the year ended 31 December 2014

	Fertiliser products RMB	Health care products RMB	Total RMB
Interest income	**24,636**	**23,486**	**48,122**
Finance costs	**3,571,536**	**4,561,521**	**8,133,057**
Income tax expenses	**4,492,880**	**3,333,316**	**7,826,196**
Amortisation of prepaid land lease payments	**189,827**	**–**	**189,827**
Depreciation	**7,753,789**	**1,453,097**	**9,206,886**
(Reversal of)/provision for bad debt of trade and other receivables, net	**(868,075)**	**2,050,404**	**1,182,329**
Provision for obsolete stock, net	**258,158**	**–**	**258,158**
Additions to non-current assets	**6,213,948**	**22,961,747**	**29,175,695**
Gain on disposal of property, plant and equipment	**(6,226)**	**(141,991)**	**(148,217)**

6. SEGMENT INFORMATION *(continued)*

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

For the year ended 31 December 2013

	Fertiliser Products RMB	Health care products RMB	Total RMB
Interest income	166,764	78,113	244,877
Finance costs	3,994,080	3,612,051	7,606,131
Income tax expenses	1,126,172	1,479,628	2,605,800
Amortisation of prepaid land lease payments	423,672	–	423,672
Depreciation	7,948,798	883,250	8,832,048
Reversal of provision for bad debt of trade and other receivables	(118,195)	(225,123)	(343,318)
Provision for obsolete stock, net	372,345	–	372,345
Additions to non-current assets	6,071,021	1,953,087	8,024,108
Write-off of property, plant and equipment	147,138	–	147,138
Impairment losses on property, plant and equipment	1,810,336	–	1,810,336
(Gain)/loss on disposal of property, plant and equipment	(220,488)	28,437	(192,051)

(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 2014 and 2013, 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:

	2014 RMB	2013 RMB
Fertiliser products	**470,267,081**	487,506,072
Health care products	**81,774,292**	95,605,779
	552,041,373	583,111,851

8. OTHER INCOME AND NET LOSSES

	2014 RMB	2013 RMB
Gain on disposal of property, plant and equipment	**148,217**	192,051
Write off of property, plant and equipment	–	(147,138)
Impairment loss on property, plant and equipment	–	(1,810,336)
Government grants (Note)	**383,300**	153,794
Interest income	**48,122**	244,877
Others	**(351,839)**	(64,382)
	227,800	(1,431,134)
Less: Business tax	**(435,390)**	(505,399)
	(207,590)	(1,936,533)

Note: Government grants mainly represent subsidies granted by the PRC Government to subsidiaries of the Group on the research and development of compound fertilisers and health products. The subsidies were recognised in profit or loss only when the research and development has been completed and fulfilled the criteria set by the PRC Government.

9. PROFIT BEFORE INCOME TAX EXPENSES

	Notes	2014 RMB	2013 RMB
Profit before income tax expenses is arrived after charging/(crediting):			
Finance costs			
Interest expense on bank borrowings wholly repayable within five years		**8,133,057**	7,606,131
Auditor's remuneration		**1,288,315**	922,309
Research and development expenses		**11,068,388**	20,961,537
Cost of inventories recognised as expense		**437,446,186**	452,527,189
Depreciation on property, plant and equipment	15	**9,206,886**	8,832,048
Amortisation of prepaid land lease payments	18	**189,827**	423,672
Allowance for/(reversal of) impairment losses on (net):			
– Trade receivables	20(b)	**1,067,363**	50,828
– Other receivables	21(a)	**114,966**	(394,146)
Operating lease rentals:			
– land and buildings		**4,288,185**	3,216,909
– equipment		**600,000**	–
Staff costs (including emoluments of directors and supervisors – Note 14):			
– Salaries and allowances		**36,685,287**	36,430,458
– Pension fund contribution		**5,967,929**	3,893,551
		42,653,216	40,324,009

Note: Borrowing costs of approximately RMB30,000 attributable to qualifying assets have been capitalised with a capitalisation rate of 7.37% during the year ended 31 December 2014 (2013: 8.48%).

10. INCOME TAX EXPENSES

(a) The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2014 RMB	2013 RMB
Current tax – PRC		
– tax for the year	**8,042,637**	4,663,002
– over provision in respect of prior years	**(216,441)**	(2,057,202)
	7,826,196	2,605,800

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax of the subsidiaries of the Group is calculated based on the statutory tax rate of 25%, except for the following subsidiary.

Guangdong Fulilong Compound Fertilisers Co., Ltd. is recognised as a High and New-Tech enterprise according to the PRC tax regulations and is entitled to a preferential tax rate of 15% (2013: 15%).

10. INCOME TAX EXPENSES *(continued)*

(a) The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents: *(continued)*

The income tax expenses for the year can be reconciled to the Group's profit before income tax expenses as follows:

	2014 RMB	2013 RMB
Profit before income tax expenses	**26,785,249**	24,747,406
Calculated at statutory rate of 25% (2013: 25%)	**6,696,312**	6,186,851
Tax effect of non-taxable items	**(169,150)**	(109,972)
Tax effect of expenses not deductible for taxation purposes	**857,597**	292,539
Utilisation of tax losses previously not recognised	**–**	(152,759)
Tax rate differential	**(3,205,479)**	(1,553,657)
Tax effect on partial disposal of a subsidiary	**3,473,777**	–
Over provision in prior years	**(216,441)**	(2,057,202)
Others	**389,580**	–
Income tax expenses	**7,826,196**	2,605,800

(b) Deferred taxation

At 31 December 2014, the Group and the Company have no unused tax losses (2013: Nil) available for offset against future profits which would expire within five years since the respective years in which the tax losses were incurred.

11. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of a loss of RMB11,780,093 (2013: loss of RMB7,533,895).

12. DIVIDEND

No dividend has been paid or declared by the Company during the year (2013: Nil).

13. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit attributable to owners of the Company of RMB17,787,428 (2013: RMB21,373,605), divided by the weighted average number of shares of 1,420,000,000 (2013: 1,420,000,000).

Diluted earnings per share is the same as basic earnings per share as there are no dilutive potential ordinary shares outstanding during the years of 2014 and 2013.

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:

	2014 RMB	2013 RMB
Fees	**322,242**	318,969
Salaries, housing and other bonus and allowances	**1,392,194**	1,369,928
Retirement benefits scheme contributions	**280,366**	234,408
	1,994,802	1,923,305

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 RMB	Salaries, allowances and benefits in kind RMB	Retirement benefits scheme contributions RMB	Total RMB
2014				
Mr Wang Shuxin	–	**616,174**	**112,611**	**728,785**
Mr Hao Zhihui	–	**589,676**	**110,019**	**699,695**
Mr Chen Yingzhong (i)	–	–	–	–
	–	**1,205,850**	**222,630**	**1,428,480**
2013				
Mr Wang Shuxin	–	485,552	92,814	578,366
Mr Zhang Chunsheng (ii)	–	288,116	–	288,116
Mr Hao Zhihui	–	447,244	90,234	537,478
	–	1,220,912	183,048	1,403,960

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:

	2014 **RMB**	2013 RMB
Mr Feng Enqing	**41,355**	41,355
Mr Xie Guangbei	**41,355**	41,355
Mr Ou Linfeng	**–**	–
	82,710	82,710

Independent non-executive directors:

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

	2014 **RMB**	2013 RMB
Mr Guan Tong	**41,355**	41,355
Mr Chao Kai (iii)	**–**	13,785
Mr Chan Kin Sang	**143,644**	89,250
Mr Wu Chen	**41,355**	41,355
	226,354	185,745

(i) Appointed on 13 May 2014
(ii) Resigned on 3 July 2013
(iii) Resigned on 21 March 2013

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

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

Supervisors:

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

	Salaries, allowances and benefits in kind RMB	Retirement benefits scheme contributions RMB	Total RMB
2014			
Ms Yang Chunyan	**90,104**	**29,710**	**119,814**
Ms Liu Jinyu	**96,240**	**28,027**	**124,267**
	186,344	**57,737**	**244,081**
2013			
Ms Yang Chunyan	72,824	24,564	97,388
Ms Liu Jinyu	76,192	26,796	102,988
	149,016	51,360	200,376

Independent supervisors:

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

	2014 RMB	2013 RMB
Mr Gao Xianbiao	**13,177**	26,355
Mr Zhao Kuiying	–	24,159
	13,177	50,514

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2013: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2013: two) individuals during the year are as follows:

	2014 RMB	2013 RMB
Salaries, housing and other allowances	**456,852**	246,744
Retirement benefits scheme contributions	**5,154**	–
Salaries, housing and other allowances	**462,006**	246,744

The emoluments fell within the following bands:

	Number of individuals 2014	 2013
Nil – RMB792,900 (2013: RMB788,457) (equivalent to Nil – HK$1,000,000)	**3**	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 (2013: Nil).

None of the directors and supervisors waived any emoluments during the year (2013: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB	Other structures and improvements RMB	Plant and machinery RMB	Motor vehicles RMB	Furniture, fixtures and equipment RMB	Construction in progress RMB	Total RMB
Cost							
At 1 January 2013	48,167,183	6,180,696	53,654,620	10,273,932	6,534,944	4,654,520	129,465,895
Additions	-	3,821,918	1,883,509	1,503,525	277,060	538,096	8,024,108
Reclassification to other receivable	-	-	-	-	-	(2,160,000)	(2,160,000)
Disposals	-	-	(634,000)	(1,091,380)	(68,528)	-	(1,793,908)
Write off	-	(100,000)	(1,156,259)	(100,000)	(670,505)	-	(2,026,764)
At 31 December 2013	48,167,183	9,902,614	53,747,870	10,586,077	6,072,971	3,032,616	131,509,331
Additions	-	-	5,095,295	2,255,431	391,044	21,433,925	29,175,695
Transfers	-	16,844,642	-	-	-	(16,844,642)	-
Disposals	-	-	(76,282)	(1,338,206)	-	-	(1,414,488)
Write off	(3,269,277)	-	-	-	-	-	(3,269,277)
At 31 December 2014	44,897,906	26,747,256	58,766,883	11,503,302	6,464,015	7,621,899	156,001,261
Accumulated depreciation							
At 1 January 2013	10,046,244	777,095	26,577,953	6,197,833	4,002,969	-	47,602,094
Charge for the year (Note 9)	1,318,053	777,493	4,802,292	1,358,394	575,816	-	8,832,048
Impairment loss for the year	-	-	-	-	-	1,810,336	1,810,336
Written back on disposals	-	-	(447,735)	(1,000,062)	(55,685)	-	(1,503,482)
Write off	-	(100,000)	(1,138,926)	(83,169)	(557,531)	-	(1,879,626)
At 31 December 2013	11,364,297	1,454,588	29,793,584	6,472,996	3,965,569	1,810,336	54,861,370
Charge for the year (Note 9)	1,319,023	942,306	5,106,578	1,349,377	489,602	-	9,206,886
Written back on disposals	-	-	(2,289)	(1,166,713)	-	-	(1,169,002)
Write off	(3,269,277)	-	-	-	-	-	(3,269,277)
At 31 December 2014	9,414,043	2,396,894	34,897,873	6,655,660	4,455,171	1,810,336	59,629,977
Carrying amount							
At 31 December 2014	35,483,863	24,350,362	23,869,010	4,847,642	2,008,844	5,811,563	96,371,284
At 31 December 2013	36,802,886	8,448,026	23,954,286	4,113,081	2,107,402	1,222,280	76,647,961

Notes:

(1) A construction of research and development centre in the PRC has been terminated during the year ended 31 December 2013. The relevant construction in progress of approximately RMB1.8 million and the Company assessed the value-in-use amount to be minimal. Therefore, an impairment loss of approximately RMB1.8 million was recognised in other gains and losses to write down to the carrying amount during the year ended 31 December 2013.

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

(3) At 31 December 2014, the carrying amount of property, plant and equipment pledged as security for certain of the Group's banking facilities amounted to approximately RMB20 million (2013: RMB19 million) (Note 27).

Notes to The Financial Statements

Year ended 31 December 2014

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

Company

	Plant and machinery RMB	Motor vehicles RMB	Furniture, fixtures and equipment RMB	Total RMB
Cost				
At 1 January 2013	1,113,790	1,219,886	403,884	2,737,560
Additions	–	360,960	37,976	398,936
Disposal	–	(105,449)	–	(105,449)
At 31 December 2013 and 2014	1,113,790	1,475,397	441,860	3,031,047
Accumulated depreciation				
At 1 January 2013	1,113,790	1,158,892	207,126	2,479,808
Charge for the year	–	38,285	33,946	72,231
Disposal	–	(100,177)	–	(100,177)
At 31 December 2013	1,113,790	1,097,000	241,072	2,451,862
Charge for the year	–	64,372	44,281	108,653
At 31 December 2014	1,113,790	1,161,372	285,353	2,560,515
Carrying amount				
At 31 December 2014	–	314,025	156,507	470,532
At 31 December 2013	–	378,397	200,788	579,185

16. GOODWILL

	Group	
	2014	2013
	RMB	RMB
At 31 December	**3,133,932**	3,133,932

Impairment of goodwill

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

1 Gross margin ratio of 46% (2013: 46%)
2 Pre-tax discount rate of 14% (2013: 16%) per year
3 Average growth rate of 4% (2013: 7%)

Budgeted gross margin is determined based on the unit's past performance and management's expectations for the market development. The cash flow beyond the five-years period are extrapolated using average growth rate, which does not exceed the average growth rate of the past industry growth rate. 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 2014.

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.

Notes to The Financial Statements

Year ended 31 December 2014

17. INVESTMENTS IN SUBSIDIARIES

	Company 2014 RMB	2013 RMB
Unlisted equity investments, at cost (Note (i) & (ii))	**108,634,827**	115,181,397

(i) The Company increased investment of RMB8.4 million in Tianjin Alpha Health Care Products Co., Ltd during the year ended 31 December 2013.

(ii) On 30 September 2014, the Company disposed of 49.84% equity interests of Tianjin Alpha. The directors of the Company are of opinion that the Group continues to have control on Tianjin Alpha, therefore it remains as subsidiary of the Company. Details please refer to note 29 to the consolidated financial statements.

Particulars of the Group's subsidiaries as at 31 December 2014, which are all incorporated and operating in the PRC, are as follows:

	Form of business structure	Place of incorporation	Attributable equity interest held by the Group	Place of operation and principal activities
Tianjin Alpha Health Care Products Co. Ltd. (Tianjin Alpha) 天津阿爾發保健品有限公司	Corporation	PRC	50.16%	Manufacturing and sale of sugar-reducing and sugar-free health products in the PRC
Shandong Hidersun Fertiliser Industry Co., Ltd. ("SD Hidersun") 山東海得斯肥業有限公司	Corporation	PRC	51%	Manufacturing and sale of biological compound fertilisers in the PRC
Guangdong Fulilong Compound Fertiliser Co., Ltd. 廣東福利龍複合肥有限公司	Corporation	PRC	100%	Manufacturing and sale of biological compound fertilisers in the PRC

Note: None of the subsidiaries had issued any debt securities at the end of the year.

18. PREPAID LAND LEASE PAYMENTS

	Group 2014 RMB	2013 RMB
Cost		
At 1 January	**9,418,796**	18,865,324
Reclassification (Note (ii))	**–**	(9,446,528)
At 31 December	**9,418,796**	9,418,796
Accumulated amortisation and impairment		
At 1 January	**615,960**	1,782,989
Charge for the year (Note 9)	**189,827**	423,672
Reclassification (Note (ii))	**–**	(1,590,701)
At 31 December	**805,787**	615,960
Carrying amount		
At 31 December (Note (i))	**8,613,009**	8,802,836
Portion classified as current assets (included in prepayments and other receivables)	**189,827**	183,799
Non-current assets	**8,423,182**	8,619,037
	8,613,009	8,802,836

(i) The Group's prepaid land lease payments comprise medium term leases of land in the PRC. The Group is in a process of applying for the certificates of certain prepaid land lease payments.

(ii) In October 2013, the Group started legal proceeding against a lessor and its associates for failure to assist the Group in applying for relevant certificate of a prepaid land lease with carrying value of approximately RMB7.9 million in a reasonable time frame. The Group made claim for recovering the consideration paid and other additional costs incurred and the carrying amount was reclassified to other receivables as at year ended 31 December 2013. During the year ended 31 December 2014, the proceeding has still been ongoing and the Company obtained legal advice in respect of the merits of the case and the directors of the Company are confident that they have a strong claim in this proceeding.

Notes to The Financial Statements

Year ended 31 December 2014

19. INVENTORIES

	2014 Group RMB	2014 Company RMB	2013 Group RMB	2013 Company RMB
Raw materials	**85,856,149**	**336,542**	49,872,829	336,542
Work-in-progress	**709,000**	–	696,342	–
Finished goods	**40,998,008**	–	47,742,244	–
Packaging materials	**12,790,648**	–	12,546,041	–
	140,353,805	**336,542**	110,857,456	336,542
Less: Provision for inventory obsolescence	**(1,977,092)**	**(336,542)**	(1,718,935)	(336,542)
	138,376,713	–	109,138,521	–

At 31 December 2014, inventories pledged as security for certain of the Group's banking facilities amounted to RMB29 million (2013: RMB44 million) (Note 27).

20. TRADE AND BILLS RECEIVABLES

	Group 2014 RMB	Group 2013 RMB
Trade receivables (Note (a))	**109,538,931**	117,644,659
Less: Allowance for doubtful debts (Note (b))	**(7,075,103)**	(6,755,417)
	102,463,828	110,889,242
Bills receivables	**855,808**	989,215
	103,319,636	111,878,457

20. TRADE AND BILLS RECEIVABLES *(continued)*

Notes:

(a) The Group generally grants credit terms of 120 days to major customers and 90 days to other trade customers.

The following is an ageing analysis of trade receivables at the end of the reporting periods:

	Group	
	2014	2013
	RMB	RMB
Within 3 months	**62,381,362**	64,763,567
Between 3 to 6 months	**22,478,476**	32,408,930
Between 6 to 12 months	**13,111,843**	13,468,575
Over 1 year	**11,567,250**	7,003,587
	109,538,931	117,644,659

(b) The movements in allowance for doubtful debts during the year are as follows:

	Group	
	2014	2013
	RMB	RMB
At 1 January	**6,755,417**	7,684,746
Impairment loss recognised, net (Note 9)	**1,067,363**	50,828
Bad debt written off	**(747,677)**	(980,157)
At 31 December	**7,075,103**	6,755,417

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately RMB7.1 million (2013: RMB6.8 million) with a carrying amount before provision of RMB11.4 million (2013: RMB6.8 million). The Group recognised impairment loss on individual assessment related to customers that were in financial difficulties or had prolonged delay in settlements and management of the Group assessed that the amount is expected to be irrecoverable. The Group does not hold any collateral over these balances.

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

20. TRADE AND BILLS RECEIVABLES *(continued)*

Notes: *(continued)*

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

	Group 2014 RMB	Group 2013 RMB
Within 3 months	**17,170,958**	32,408,930
Between 3 to 6 months	**6,555,921**	13,468,575
Between 6 to 12 months	**8,862,761**	7,003,587
	32,589,640	52,881,092

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.

21. PREPAYMENTS AND OTHER RECEIVABLES

	2014 Group RMB	2014 Company RMB	2013 Group RMB	2013 Company RMB
Prepayments				
Prepaid promoting expenses	–	–	375,725	–
Advanced deposits to suppliers	**20,615,671**	–	40,792,514	–
Other prepayments	**635,893**	**446,066**	614,509	430,712
	21,251,564	**446,066**	41,782,748	430,712
Other receivables	**15,457,906**	**2,602,171**	19,535,150	1,651,950
Less: allowance for doubtful debts (Note a)	**(2,096,189)**	**(1,577,063)**	(1,981,223)	(1,626,863)
	13,361,717	**1,025,108**	17,553,927	25,087
	34,613,281	**1,471,174**	59,336,675	455,799

21. PREPAYMENTS AND OTHER RECEIVABLES *(continued)*

(a) Allowance for doubtful debts

	2014		2013	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
At 1 January	**1,981,223**	**1,626,863**	2,375,369	1,901,894
Allowance for impairment loss	**164,766**	**–**	–	–
Recovery on amounts written off	**(49,800)**	**(49,800)**	(394,146)	(275,031)
At 31 December	**2,096,189**	**1,577,063**	1,981,223	1,626,863

Other receivables are assessed to be impaired individually at each reporting date and impairment losses of the Group and the Company amounting to approximately RMB2.1 million (2013: RMB2.0 million) and RMB1.6 million (2013: RMB1.6 million) respectively have been made as at 31 December 2014. The individually impaired receivables are recognised based on the indication of financial difficulties and default in payments. Consequently, specific impairment provision was recognised. Prepayments and other receivables are non-interest bearing and the Group does not hold any collateral over these balances.

22. AMOUNT DUE FROM/(TO) SUBSIDIARIES

The amounts due from/(to) subsidiaries are interest-free, unsecured and repayable on demand.

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 2014, cash and bank balances denominated in RMB amounted to approximately RMB48,267,106 (2013: approximately RMB42,878,400). 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 as at 31 December 2013 were denominated in RMB and pledged to secure the Group's credit facilities granted by banks. The restricted bank deposits were released during year ended 31 December 2014 as the credit facilities were expired.

Notes to The Financial Statements

Year ended 31 December 2014

24. TRADE AND BILLS PAYABLES

	2014		2013	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Trade payables	**39,926,921**	**26,918**	54,406,552	26,918
Bills payables	**–**	**–**	1,000,000	–
	39,926,921	**26,918**	55,406,552	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:

	2014		2013	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Within 3 months	**24,811,933**	**–**	34,592,475	–
Between 3 and 6 months	**5,510,782**	**–**	6,954,715	–
Between 6 and 12 months	**6,275,266**	**–**	11,153,901	–
Over 1 year	**3,328,940**	**26,918**	2,705,461	26,918
	39,926,921	**26,918**	55,406,552	26,918

25. OTHER PAYABLES AND ACCRUALS

	2014		2013	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Other payables	**12,953,409**	**1,327,036**	7,933,380	1,117,630
Accruals	**4,472,569**	**661,997**	3,217,070	615,205
Receipt in advance	**11,941,088**	**–**	12,826,023	–
Payable to Social Security Fund Note (i)	**2,565,209**	**2,565,209**	2,517,497	2,517,497
	31,932,275	**4,554,242**	26,493,970	4,250,332

Note:

(i) 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. FINANCIAL LIABILITIES

	Group and Company	
	2014	2013
	RMB	RMB
Gross put option Note (i)	**22,439,591**	–

Note:

(i) Balance represents written put option liability to non-controlling interests in respect of disposal transaction of 49.84% equity interests of Tianjin Alpha if certain provisions may not be fulfilled by the Company by end of 31 December 2015. The fair value of the gross put option liability at date of disposal on 30 September 2014 was approximately RMB22,032,000 with corresponding amount recognised in equity and is carried at amortised cost until the expiry of the provisions on 31 December 2015. For details of disposal transaction, please refer to note 29 to the financial statements.

27. BANK BORROWINGS

	2014		2013	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Secured	**87,300,000**	**10,000,000**	102,300,000	–

The bank borrowings based on the agreed terms of repayment granted by banks are repayable within one year.

Notes:

(i) In 2014, secured against property, plant and equipment, inventories and restricted deposits with a total carrying amount of about RMB49 million (2013: RMB66 million). Certain bank loans were also guaranteed by the Company.

(ii) The bank borrowings of the Group and the Company bear interest at fixed and floating effective interest rate ranging from 6.2% to 9.0% (2013: 6.2% to 8.6%) and 7.8% (2013: Nil) per annum respectively.

Notes to The Financial Statements

Year ended 31 December 2014

28. SHARE CAPITAL

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

	2014		2013	
	Number (million)	**RMB (million)**	Number (million)	RMB (million)
Ordinary shares of RMB0.1 each:				
Domestic shares				
At 1 January and 31 December	**715**	**71**	715	71
H shares				
At 1 January and 31 December	**705**	**71**	705	71
Total at 31 December	**1,420**	**142**	1,420	142

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

(b) Movements in the Group's 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 2014, none of the directors or supervisors, employees or other participants of the Scheme had any rights to acquire the H Shares in the Company (2013: Nil).

29. NON-CONTROLLING INTERESTS

(a) Disposal of interest in a subsidiary without loss of control

On 31 August 2014, the Company entered into an agreement ("the Agreement") with two purchasers (collectively referred to as "the "Purchasers") to dispose of 49.84% interest in Tianjin Alpha at a consideration of RMB22 million (the "Consideration"). Details please refer to the Company's announcement dated 1 September 2014. Included in the Agreement, there is put option issued to the Purchasers as part of the transaction and the financial impact has been recognised and disclosed in Note 26 to the financial statements. The carrying amount of the non-controlling interest in Tianjin Alpha on the date of disposal was RMB21,163,508. The group recognised an increase in non-controlling interests of RMB21,163,508 and an increase in equity attributable to owners of the Company of RMB836,492. The disposal of transaction was completed on 30 September 2014. The effect of changes in the ownership interest of Tianjin Alpha on the equity attributable to owners of the Company during the year is summarised as follows:

	Group 2014 RMB
Carrying amount of non-controlling interests disposal of	**21,163,508**
Consideration received from non-controlling interests	**22,000,000**
Gain on disposal within equity	**836,492**

29. NON-CONTROLLING INTERESTS *(continued)*

(b) Summarised financial information on subsidiaries with material non-controlling interests

The total non-controlling interests are attributable to 49.84% and 49% non-controlling interests ("NCI") of Tianjin Alpha and Shandong Hidersun respectively and constitutes material NCI. Summarised financial information in relation to the NCI, before intra-group elimination is presented below:

	Tianjin Alpha	Shandong Hidersun	
	2014	2014	2013
	RMB	RMB	RMB
For the year ended 31 December			
Revenue	**81,774,292**	**194,691,162**	210,598,226
(Loss)/profit for the year	**(2,614,497)**	**1,781,698**	1,567,341
Total comprehensive income for the year	**(2,614,497)**	**1,781,698**	1,567,341
Profit and total comprehensive income allocated to NCI	**298,593**	**873,032**	768,001
For the year ended 31 December			
Cash flow generated from operating activities	**35,165,568**	**2,734,286**	4,222,920
Cash flow used in investing activities	**(22,816,663)**	**(4,700,148)**	(4,403,231)
Cash flow (used in)/generated from financing activities	**(10,000,000)**	**5,000,000**	–
Net cash inflow/(outflow)	**2,348,905**	**3,034,138**	(180,311)
As at 31 December			
Current assets	**77,660,975**	**79,520,568**	72,462,475
Non-current assets	**24,962,838**	**74,768,779**	76,346,126
Current liabilities	**(62,695,744)**	**(104,903,774)**	(101,204,726)
Net assets	**39,928,069**	**49,385,573**	47,603,875
Accumulated non-controlling interests	**21,462,101**	**24,214,530**	23,341,498

30. RESERVES

The Company	Share premium RMB (Note (i))	Capital reserve RMB (Note (iii))	Accumulated losses RMB (Note (iv))	Other Reserve RMB (Note (v))	Total RMB
At 1 January 2013	75,816,410	(2,312,483)	(77,338,296)	–	(3,834,369)
Profit and total comprehensive income for the year	–	–	516,105	–	516,105
At 31 December 2013	75,816,410	(2,312,483)	(76,822,191)	–	(3,318,264)
Profit and total comprehensive income for the year	–	–	10,673,337	–	10,673,337
Written put option over non-controlling interests	–	–	–	(22,032,403)	(22,032,403)
At 31 December 2014	75,816,410	(2,312,483)	(66,148,854)	(22,032,403)	(14,677,330)

(i) Share premium

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

(ii) Surplus reserve

In accordance with the PRC Companies Law, the Company and its subsidiaries are required to transfer 10% of their profit after tax, as determined in accordance with accounting standards and regulations of the PRC, to the statutory surplus reserve (until such reserve reaches 50% of the registered capital of the respective companies). The statutory surplus reserve is non-distributable and can be used to make up losses or to increase share capital. Except for the reduction of losses incurred, other usage should not result in the statutory surplus reserve falling below 25% of the registered capital. No such transfer was made in 2014 as such reserve reached 50% of the registered capital of the respective companies.

The current year's profit of the Company was used for making up the accumulated losses from prior years and no surplus reserve was set up for the Company for the year ended 31 December 2014.

(iii) Capital reserve

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

(iv) Accumulated losses

The accumulated losses represents the cumulative net gains and losses recognised in profit or loss.

(v) Other reserve

The reserve represents written put option liability to non-controlling interests in respect of disposal transaction of 49.84% equity interest in Tianjin Alpha.(Note 26)

31. COMMITMENTS

(a) Capital commitments

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

	Group	
	2014	2013
	RMB	RMB
Authorised and contracted for		
– Acquisition of property, plant and machinery	**6,932,000**	1,753,000

(b) Operating lease commitments

Operating lease payments represent rentals payable by the Group for certain of its office and factory premises and staff quarters. At the end of reporting period, the Group had outstanding minimum commitments under operating leases review every 1 to 10 years and many have break clauses, which fall due as follows:

	Group	
	2014	2013
	RMB	RMB
Within one year	**3,628,104**	3,536,670
After one year but within five years	**13,370,041**	12,441,973
After five years	**14,857,796**	18,180,736
	31,855,941	34,159,379

32. RELATED PARTY 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, there are no other related parties transactions for the year ended 31 December 2014.

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

33. CAPITAL RISK MANAGEMENT

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

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

The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debts as total debt (which includes interest-bearing loans and borrowings), 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 2014 and 2013 was as follows:

	Group	
	2014	2013
	RMB	RMB
Total debts – Bank borrowings	**87,300,000**	102,300,000
Less: Bank balances and cash and restricted bank deposits	**(48,383,977)**	(44,108,953)
Net debts	**38,916,023**	58,191,047
Total equity	**243,697,616**	224,770,966
Net debt-to-adjusted equity ratio	**16.0%**	25.9%

34. FINANCIAL RISK MANAGEMENT

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

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

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

(a) Credit risk

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

In respect of trade and other 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 2% (2013: 4%) and 10% (2013: 13%) 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 20 and 21 respectively.

(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:

34. FINANCIAL RISK MANAGEMENT

(b) Liquidity risk *(continued)*

The Group	Carrying amount RMB	Total contractual undiscounted cash flow RMB	Within 1 year or on demand RMB
2014			
Bank borrowings	**87,300,000**	**90,101,307**	**90,101,307**
Trade and bills payables	**39,926,921**	**39,926,921**	**39,926,921**
Other payables	**19,991,187**	**19,991,187**	**19,991,187**
Financial liabilities	**22,439,591**	**24,145,000**	**24,145,000**
	169,657,699	**174,164,415**	**174,164,415**
Financial guarantees issued			
Maximum amount guaranteed	**–**	**45,000,000**	**45,000,000**
2013			
Bank borrowings	102,300,000	105,807,753	105,807,753
Trade and bills payables	55,406,552	55,406,552	55,406,552
Other payables	13,667,947	13,667,947	13,667,947
	171,374,499	174,882,552	174,882,552
Financial guarantees issued			
Maximum amount guaranteed	–	65,000,000	65,000,000

34. FINANCIAL RISK MANAGEMENT

(b) Liquidity risk *(continued)*

The Company	Carrying amount RMB	Total contractual undiscounted cash flow RMB	Within 1 year or on demand RMB
2014			
Trade and bills payables	**26,918**	**26,918**	**26,918**
Amount due to a subsidiary	**2,392,805**	**2,392,805**	**2,392,805**
Other payables	**4,554,242**	**4,554,242**	**4,554,242**
Financial liabilities	**22,439,591**	**24,145,000**	**24,145,000**
Bank borrowings	**10,000,000**	**10,533,479**	**10,533,479**
	39,413,556	**41,652,444**	**41,652,444**
Financial guarantees issued			
Maximum amount guaranteed	**–**	**45,000,000**	**45,000,000**
2013			
Trade and bills payables	26,918	26,918	26,918
Amount due to a subsidiary	20,769,961	20,769,961	20,769,961
Other payables	4,250,332	4,250,332	4,250,332
	25,047,211	25,047,211	25,047,211
Financial guarantees issued			
Maximum amount guaranteed	–	45,000,000	45,000,000

(c) Interest rate risk

The Group's and the Company's interest rate risk arises primarily from bank borrowings. Bank borrowings were issued at variable rates and at fixed rates for years ended 31 December 2014 and 2013 expose the Group to cash flow interest rate risk and fair value interest risk respectively. The Company was mainly exposed to cash flow interest rate risk primarily in relation to variable – rate bank borrowings for the year ended 31 December 2014. The Group and the Company have no significant interest bearing assets apart from cash and bank deposits. The Group and the Company have not used any financial instruments to hedge potential fluctuations in interest rates.

34. FINANCIAL RISK MANAGEMENT

(c) Interest rate risk *(continued)*

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

	Group			
	2014		2013	
	Effective interest rate % per annum	**RMB**	Effective interest rate % per annum	RMB
Borrowings				
Fixed rate borrowings	**7.77%**	**45,000,000**	7.47%	45,000,000
Variable rate borrowing	**7.31%**	**42,300,000**	7.41%	57,300,000
		87,300,000		102,300,000

	Company			
	2014		2013	
	Effective interest rate % per annum	**RMB**	Effective interest rate % per annum	RMB
Borrowings				
Variable rate borrowing	**7.8%**	**10,000,000**	–	–

At 31 December 2014, 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 and the Compnay's profit before taxation by approximately RMB389,000 and RMB100,000 (2013: RMB582,000 and RMB Nil), respectively.

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 2013.

(d) Currency risk

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

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

Summarised in the following table are the carrying amounts not measured at fair value include cash and cash equivalents, trade and other receivables, due from fellow subsidiaries, loans receivable, trade and other payables, financial liabilities, financial guarantees issued and borrowings. Due to their short term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates fair value, and accordingly no disclosure of the fair values of these items is presented.

	2014		2013	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Financial assets				
Loans and receivables (including bank balances and cash and restricted bank deposits)	**165,065,331**	**60,658,578**	173,301,462	47,562,362
Financial liabilities				
Financial liabilities measured at amortised cost	**169,657,699**	**39,413,556**	171,374,499	25,047,211

36. NOTES SUPPORTING CASH FLOW STATEMENT

Significant non-cash transactions are as follows:

Investing activities

	Group	
	2014	2013
	RMB	RMB
Purchase of property, plant and equipment	**6,581,120**	–

37. CONTINGENT LIABILITIES

As at 31 December 2014, banking facilities of approximately RMB88 million (2013: RMB105 million) were granted to the Group and the Group utilised approximately RMB87 million (2013: RMB102 million) during the year ended 31 December 2014. The Group and the Company provided guarantees of approximately RMB45 million (2013: RMB65 million) and RMB45 million (2013: RMB45 million) respectively for the utilised banking facilities.

38. EVENT AFTER THE END OF REPORTING PERIOD

On 13 January 2015, the board of directors of the Company resolved to hold Extraordinary General Meeting and the Class Meetings on 16 April 2015 for granting of a specific mandate in relation to the Placing of not more than 192,500,000 H shares for itself and for TTII. Please refer to the Company's announcements dated 25 February 2015 for details.

39. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 March 2015.