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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)

ANNOUNCEMENT ON ANNUAL RESULTS FOR 2007

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 operated by the Stock Exchange and no assurance is given that there will be liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcement in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at "www.hkgem.com" in order to obtain up-to-date information on GEM-listed issuers.

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

HIGHLIGHTS

- Overall turnover increased by about 21.18% over the corresponding period of 2006 to RMB327,954,880 for the year ended 31 December 2007.

- The Group was benefited from the increase in sale of the fertilizer products and the increase of sales income derived from Alpha's diabetic health products.

- Gross profit for the year ended 31 December 2007 (excluding other revenues) increased to RMB 50,639,174, representing about 16.08% increase from the gross profit recorded in 2006.

- As compared with the profit attributable to equity shareholders for 2006 of RMB3,034,418, the Group's loss attributable to equity shareholders for the year ended 31 December 2007 was RMB11,377,409. The loss attributable to equity shareholders was mainly attributable to the price hike and shortage of raw materials supply, a substantial increase in the research and development costs and a rise in finance costs. And despite the fact that the Group was not able to achieve the record of making profit attributable to equity shareholders for 2007, the Group's business still recorded modest growth and showed impressive growth potential and profit prospect.

The Board of Directors (the "Board") of Tianjin TEDA Biomedical Engineering Company Limited ("TEDA Biomedical" or the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (hereafter collectively referred to as the "Group") for the year ended 31 December 2007 with comparative figures for the year ended 31 December 2006 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	**2007** RMB	2006 RMB
Turnover	2	**327,954,880**	270,639,221
Cost of sales		**(277,315,706)**	(227,013,769)
Gross profit		**50,639,174**	43,625,452
Other revenue	2	**1,491,205**	6,587,070
Selling and distribution costs		**(24,819,330)**	(20,795,398)
Administrative expenses		**(19,022,874)**	(25,644,292)
Research and development expenses		**(7,297,842)**	(3,896,670)
Finance costs	3	**(10,342,782)**	(7,470,936)
Share of results of an associate		**(1,318,912)**	163,849
Excess of interest in the net fair value of assets and liabilities of a subsidiary acquired over cost		**–**	3,126,187
Gain on disposal of subsidiaries		**–**	6,869,968
(Loss)/profit before taxation	4	**(10,671,361)**	2,565,230
Income tax	5	**(1,076,871)**	(326,253)
(Loss)/profit for the year		**(11,748,232)**	2,238,977
Attributable to:			
Equity holders of the Company	6	**(11,377,409)**	3,034,418
Minority interest		**(370,823)**	(795,441)
		(11,748,232)	2,238,977
(Loss)/earning per share – Basic (RMB)	8	**(1.87 cents)**	0.50 cents

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2007

	2007	2006
	RMB	RMB
Assets and liabilities		
Non-current assets		
Property, plant and equipment	**106,004,768**	97,854,782
Goodwill on consolidation	**3,133,932**	3,133,932
Interests in an associate	**18,980,641**	20,299,553
Available-for-sale investment	**3,000,000**	–
Trade receivables	**1,815,818**	3,348,169
Other receivables	**6,119,116**	9,456,816
Lease prepayments	**6,112,515**	3,335,915
	145,166,790	137,429,167
Current assets		
Inventories	**51,278,714**	37,844,710
Trade receivables	**55,261,383**	56,559,434
Prepayments and other receivables	**25,747,242**	24,128,680
Amount due from an associate	**–**	397,677
Amounts due from related parties	**2,764,988**	2,651,716
Restricted bank deposits	**27,800,000**	8,550,000
Cash and bank balances	**17,582,127**	11,277,587
	180,434,454	141,409,804
Current liabilities		
Trade and bills payables	**105,902,418**	39,269,550
Other payables and accruals	**25,684,842**	29,386,521
Government grants received in advance	**2,000,000**	–
Amount due to an associate	**3,587,159**	–
Short-term bank borrowings	**96,700,000**	104,400,000
Amount due to a related company	**1,000,000**	–
Amounts due to ex-shareholders of a subsidiary	**31,732,823**	33,402,972
Current portion of finance lease payable	**–**	346,816
	266,607,242	206,805,859
Net current liabilitiess	**(86,172,788)**	(65,396,055)
Total assets less current liabilities carried forward	**58,994,002**	72,033,112

	2007	2006
	RMB	RMB
Total assets less current liabilities brought forward	**58,994,002**	72,033,112
Non-current liabilities		
Finance lease payable	**–**	(1,290,878)
Net assets	**58,994,002**	70,742,234
Equity		
Share capital	**61,000,000**	61,000,000
Reserves	**(3,969,487)**	7,407,922
Equity attributable to equity holders	**57,030,513**	68,407,922
Minority interests	**1,963,489**	2,334,312
Total equity	**58,994,002**	70,742,234

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Share capital	Share premium	Surplus reserve	Capital reserve	Accumulated losses	Attributable to equity holders of the Company	Minority interests	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as at 31 December 2005	**61,000,000**	**75,089,571**	**–**	**2,541,404**	**(73,257,471)**	**65,373,504**	**32,499,701**	**97,873,205**
Capital contribution from a minority shareholder	–	–	–	–	–	–	7,159,210	7,159,210
Acquisition of a subsidiary	–	–	–	–	–	–	(36,529,158)	(36,529,158)
Profit/(loss) for the year	–	–	–	–	3,034,418	3,034,418	(795,441)	2,238,977
Balance as at 31 December 2006	**61,000,000**	**75,089,571**	**–**	**2,541,404**	**(70,223,053)**	**68,407,922**	**2,334,312**	**70,742,234**
Loss for the year	–	–	–	–	(11,377,409)	(11,377,409)	(370,823)	(11,748,232)
Transfer from/(to) reserves	–	–	788,272	–	(788,272)	–	–	–
Balance as at 31 December 2007	**61,000,000**	**75,089,571**	**788,272**	**2,541,404**	**(82,388,734)**	**57,030,513**	**1,963,489**	**58,994,002**

Note:

1. Basis of preparation and accounting policies

a. Basis of preparation of financial statements

(i) The consolidated financial statements have been prepared under the historical cost convention except that certain assets and liabilities are stated at their values as explained in the accounting policies below.

(ii) The financial statements have been prepared on a going concern basis, assuming that the Group will continue to operate as a going concern, notwithstanding the fact that the Group suffered accumulated losses and net current liabilities of RMB82,388,734 and RMB86,172,788 respectively as at 31 December 2007. The validity of the Company's and the Group's ability to continue as a going concern depends on the success of the Group's future operations, the ability of the Group to renew or replace the banking facilities as they fall due and to secure additional external funding.

The Group has obtained its principal banker's confirmation that it will extend its banking facilities to the Group of up to RMB200 million beyond the next balance sheet date of 31 December 2008. Drawdowns from this facility will be subject to the bank's normal approval procedures. As at 31 December 2007, about RMB 103.3 million of this facility still remained unused.

In addition, on 12 December 2007 the Company obtained an approval from the China Securities Regulatory Commission for the Company's proposed placing of not more than 374 million H shares.

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

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

b. Adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

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

However, the adoption of HKFRS 7 "Financial Instruments" and the HKAS 1 Amendment "Capital Disclosures" have resulted in expanded and additional disclosures in these financial statements regarding the Group's financial instruments and the Group's objectives, policies and processes for managing capital.

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

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC)–Int 11	HKFRS 2 – Group and treasury Share transactions	1 March 2007
HK(IFRIC)–Int 12	Service concession arrangements	1 January 2008
HK(IFRIC)–Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC)–Int 14	HKAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction	1 January 2008

The directors of the Company anticipate that the application of the above standards or interpretations will have no material impact on the financial statements of the Group in the period of their initial application.

HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures in the financial statements.

2. Turnover, revenue and segment information

(a) Revenue recognised during the year is as follows:

	2007	2006
	RMB	RMB
Sale of goods		
– Medical and health products	**47,372,022**	39,422,718
– Fertilizer products	**280,582,858**	231,216,503
Total turnover	**327,954,880**	270,639,221
Other revenue		
– Technology transfers	**–**	3,000,000
– Government grants	**310,000**	500,000
– Bad debts recovery	**130,149**	786,304
– Over provision written back		
Trade payables	**–**	687,091
Other payables and accruals	**123,435**	1,553,634
– Interest income	**697,649**	342,193
– Others	**529,972**	651,008
	1,791,205	7,520,230
Less: Business tax	**(300,000)**	(933,160)
	1,491,205	6,587,070
Total revenue	**329,446,085**	277,226,291

(b) Primary reporting format – business segments

The Group's main business segments are analysed below. There is no sale or other transaction between the business segments.

(i) 2007 segment analysis:

	Medical and health products RMB	Distribution of fertilizer products RMB	Total RMB
Segment revenue	**47,372,022**	**280,582,858**	**327,954,880**
Segment profit	**3,389,524**	**2,345,285**	**5,734,809**
Unallocated income			**430,000**
Unallocated costs			**(5,174,476)**
Operating profit			**990,333**
Finance costs			**(10,342,782)**
Share of results of an associate	**–**	**(1,318,912)**	**(1,318,912)**
Loss before taxation			**(10,671,361)**
Taxation			**(1,076,871)**
Loss for the year			**(11,748,232)**
Segment assets	**61,575,166**	**251,358,755**	**312,933,921**
Unallocated assets			**12,667,323**
Total assets			**325,601,244**
Segment liabilities	**10,692,939**	**144,414,410**	**155,107,349**
Unallocated liabilities			**111,499,893**
Total liabilities			**266,607,242**
Impairment losses on receivables	**93,264**	**1,299,924**	**1,393,188**
Capital expenditure	**472,117**	**26,142,586**	**26,614,703**
Depreciation	**2,308,788**	**4,237,689**	**6,546,477**
Loss on disposal of property, plant and equipment	**79,628**	**771,769**	**851,397**

(ii) 2006 segment analysis:

	Medical and health products RMB	Distribution of fertilizer products RMB	Total RMB
Segment revenue	39,422,718	231,216,503	270,639,221
Segment profit	316,564	7,396,438	7,713,002
Unallocated income			48,996
Unallocated costs			(7,885,836)
Operating loss			(123,838)
Finance costs			(7,470,936)
Share of results of an associate	–	163,849	163,849
Excess of interest in the net fair value of assets and liabilities of a subsidiary acquired over cost	–	3,126,187	3,126,187
Gain on disposal of subsidiaries	6,869,968	–	6,869,968
Profit before taxation			2,565,230
Taxation			(326,253)
Profit for the year			2,238,977
Segment assets	54,425,928	210,624,261	265,050,189
Unallocated assets			13,788,782
Total assets			278,838,971
Segment liabilities	6,128,773	64,034,610	70,163,383
Unallocated liabilities			137,933,354
Total liabilities			208,096,737
Amortisation of proprietary technologies	300,772	1,666	302,438
Impairment losses on receivables	1,854,162	2,420,328	4,274,490
Capital expenditure	162,717	62,984,888	63,147,605
Depreciation	2,166,848	3,081,678	5,248,526
Loss on disposal of property, plant and equipment	631,300	–	631,300

(c) Secondary reporting format – geographical segments

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

3. Finance costs

	2007	2006
	RMB	RMB
Interest expense on bank borrowings and other borrowings wholly repayable within five years	**10,342,782**	7,470,936

4. (Loss)/profit before taxation

(Loss)/profit before taxation is stated after crediting and charging the following:

	2007	2006
	RMB	RMB
Crediting		
Recovery of bad debts	**67,820**	786,304
Write back of inventory obsolescence and write-off	**38,025**	260,829
Charging		
Amortisation of lease prepayments	**296,838**	76,304
Amortisation of proprietary technologies (included in administrative expenses)	**–**	302,438
Auditors' remuneration	**980,000**	910,000
Impairment losses on		
– Trade receivables	**1,132,175**	3,296,387
– Other receivables	**381,951**	978,103
Cost of inventories sold	**277,315,706**	227,013,769
Depreciation:		
Leased property, plant and equipment	**232,058**	232,058
Owned property, plant and equipment	**6,314,419**	5,016,468
Inventory obsolescence and write-off	**173,974**	176,076
Legal and professional consulting service fees	**401,787**	1,141,381
Loss on disposal of property, plant and equipment, net	**851,397**	631,300
Operating lease rentals – land and buildings	**1,907,163**	670,228
Pension costs	**1,398,889**	1,679,261
Staff costs other than pension costs (including emoluments of Directors and Supervisors)	**19,242,151**	16,595,709

5. Taxation

(a) Enterprise income tax ("EIT")

Company:

In 2003, the Company changed its tax status to that of a Foreign Investment Enterprises ("FIE"). In accordance with the relevant tax regulations, as a production FIE located in Tianjin Economic and Technological Development Area ("TEDA"), the Company is eligible to enjoy the concessionary EIT of 15%. It is further entitled to exemption from EIT for two years commencing from the first profit-making year after offsetting prior years' losses, followed by a 50% reduction for the next three years thereafter. In addition, the Company shall enjoy exemption from 3% local income tax during its actual operational period in TEDA. The Company has not provided for any EIT (2006: nil) since the tax loss brought forward exceeds the taxable income for the year.

Subsidiaries:

Tianjin Alpha HealthCare Products Co., Ltd. ("Alpha"), being a production FIE located in TEDA, is also eligible for all the benefits enjoyed by the Company as described above. 2007 is Alpha's sixth profit-making year, consequently EIT has been provided at 15% (2006: 7.5%) of taxable income for the year.

Tianjin Wan Tai Bio-Development Co., Ltd. ("Wantai"), being a limited liability company incorporated in the PRC, is subject to the statutory 30% EIT and 3% local income tax. Wantai has not provided for any EIT since it has no taxable income for the year (2006: nil).

Shandong Fulilong Fertilizer Co., Ltd. ("SD Fulilong"), being a FIE incorporated in PRC located in a new and high technology zone, is subject to the statutory 24% EIT and exemption from local income tax. SD Fulilong has not provided for any EIT since it has no taxable income for the year (2006: nil).

Guangdong Fulilong Compound Fertilizers Co., Ltd. ("GD Fulilong"), has been approved as a new and high technology enterprise and is therefore subject to the statutory 15% EIT and exemption from local income tax. GD Fulilong has not provided for any EIT for 2007 since it has no taxable income for the year.

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

The taxation charge on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the statutory taxation sate in the PRC as follows:

	2007	2006
	RMB	RMB
(Loss)/ profit before taxation	**(10,671,361)**	2,565,230
Calculated at statutory rate of 33% (2006: 33%)	**(3,521,549)**	846,525
Income not subject to tax	**–**	(5,930,003)
Expenses not deductible for taxation purposes	**327,126**	–
Tax rate differential	**1,395,692**	(594,733)
Tax losses not recognised	**2,664,387**	6,010,951
Others	**(27,477)**	(6,487)
Under provision in prior year	**238,692**	–
Taxation charge	**1,076,871**	326,253

(b) Deferred taxation

At 31 December 2007, the Group had the following respective estimated unused tax losses, which will expire as follows:

	2007		2006	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Year of expiry				
2007	**–**	**–**	6,364,000	6,364,000
2008	**18,544,000**	**18,544,000**	18,544,000	18,544,000
2009	**13,427,000**	**13,427,000**	13,427,000	13,427,000
2010	**5,529,000**	**–**	5,529,000	–
2011	**16,860,000**	**4,177,000**	16,860,000	4,177,000
2012	**14,262,000**	**4,917,000**	–	–
	68,622,000	**41,065,000**	60,724,000	42,512,000

No deferred tax assets have been recognised (2006: nil) as the availability of future taxable profit to utilise the temporary differences is not probable.

6. (Loss)/profit attributable to equity holders of the Company

The (loss)/profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a loss of RMB4,917,443 (2006: loss of RMB4,176,516).

7. Dividend

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

8. (Loss)/earnings per share

The calculation of (loss)/earnings per share is based on the Group's loss attributable to equity holders of the Company of RMB11,377,409 (2006: profit of RMB3,034,418), divided by the weighted average number of shares issued during the year of 610,000,000 (2006: 610,000,000) shares.

Diluted (loss)/earnings per share is not presented as there are no (2006: no) dilutive potential shares.

9. Reserves

	Share premium	Capital reserve	Accumulated losses	Total
	RMB	RMB	RMB	RMB
The Company				
At 31 December 2005	75,089,571	(2,312,483)	(59,745,109)	13,031,979
Net loss for the year	–	–	(4,176,516)	(4,176,516)
At 31 December 2006	75,089,571	(2,312,483)	(63,921,625)	8,855,463
Net loss for the year	–	–	(4,917,443)	(4,917,443)
At 31 December 2007	**75,089,571**	**(2,312,483)**	**(68,839,068)**	**3,938,020**

10. Trade receivables

	Group	
	2007	2006
	RMB	RMB
Trade receivables	**63,657,290**	65,372,549
Less: Receivable after one year, classified as non-current assets (Note (c))	**(1,815,818)**	(3,348,169)
Trade receivables, current assets	**61,841,472**	62,024,380
Less: Allowance for doubtful debts (Note (d))	**(6,580,089)**	(5,464,946)
	55,261,383	56,559,434

Note:

(a) The Group generally grant credit terms of 120 days to major customers and 90 days to others.

(b) An ageing analysis of year end current trade receivables is as follows:

	Group	
	2007	2006
	RMB	RMB
Within 3 months	**31,648,804**	27,879,752
Between 3 to 6 months	**12,978,594**	18,233,610
Between 6 to 12 months	**8,393,523**	11,186,317
Over 1 year	**8,820,551**	4,724,701
	61,841,472	62,024,380

(c) Trade receivables, non-current

	Group	
	2007	2006
	RMB	RMB
Instalment sale receivable	**3,547,203**	5,079,554
Less: Current portion	**(1,731,385)**	(1,731,385)
Non-current portion	**1,815,818**	3,348,169

The instalment sale receivable is related to a sale of a set of equipment to a hospital during 2003. The repayment schedule of the instalment sale receivable is as follows:

	Group	
	2007	2006
	RMB	RMB
Within one year	**1,800,000**	1,800,000
In the second year to fifth year, inclusive	**2,000,000**	3,800,000
	3,800,000	5,600,000
Future finance income on instalment sale receivable	**(252,797)**	(520,446)
Present value of instalment sale receivable	**3,547,203**	5,079,554

The present value of the instalment sale receivable is analysed as follows:

	Group	
	2007	2006
	RMB	RMB
Within one year	**1,731,385**	1,731,385
In the second year to fifth year, inclusive	**1,815,818**	3,348,169
	3,547,203	5,079,554

(d) Allowance for doubtful debts

	Group	
	2007	2006
	RMB	RMB
At 1 January	**5,464,946**	8,590,814
Impairment loss recognised	**1,132,175**	3,296,387
Uncollectible amounts written off	**–**	(5,635,951)
Recovery of bad debts	**(17,032)**	(786,304)
At 31 December	**6,580,089**	5,464,946

11. Trade and bills payables

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:

	2007		2006	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
	(Note)			
Within 3 months	**86,860,089**	**–**	14,010,467	–
Between 3 to 6 months	**2,594,970**	**–**	23,995,802	–
6 months to one year	**15,550,740**	**–**	1,209,798	100,000
Over one year	**896,619**	**26,918**	53,483	50,353
	105,902,418	**26,918**	39,269,550	150,353

Note: Included bills payable to an associate of RMB24,000,000 (2006: RMB23,500,000).

12. Short-term bank borrowings

	2007		2006	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Short term bank borrowings:				
– secured against inventories, property, plant and equipment *(Note (i))*	**19,500,000**	**–**	3,500,000	–
– secured against lease prepayments *(Note (ii))*	**500,000**	**–**	–	–
– unsecured *(Note (iii))*	**76,700,000**	**76,000,000**	100,900,000	100,000,000
	96,700,000	**76,000,000**	104,400,000	100,000,000

Note:

(i) Secured against inventories, property, plant and equipment with a net book value of about RMB62 million (2006: RMB1.8 million).

(ii) Secured against lease prepayments with a net book value of about RMB3.1 million (2006: nil).

(iii) Unsecured loans are guaranteed as follows:

	2007		2006	
	Group	**Company**	Group	Company
	RMB	**RMB**	RMB	RMB
Guarantees were provided by:				
– the Company	**700,000**	**–**	900,000	–
– Tianjin TEDA Guarantee Co. Ltd.	**76,000,000**	**76,000,000**	100,000,000	100,000,000
	76,700,000	**76,000,000**	100,900,000	100,000,000

(iv) All short-term bank borrowings bore annual interest ranging from 6.1% to 8.9% (2006 : from 5.6% to 7.6%)

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Without qualifying the auditor's opinion, the auditor draws attention to Note 1(a)(ii) in the financial statements which indicates that the group suffered accumulated losses of RMB82,388,734 at 31 December 2007 and, as of that date, the group's current liabilities exceeded its current assets by RMB86,172,788. These conditions, along with other matters as set forth in Note 1(a)(ii), indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 December 2007, the Group was principally engaged in the research, production and sale of two major products, namely biological compound fertilizer products and medical and health products. Its sales income for the year totalled approximately to RMB327,950,000, a 21.18% increase comparing with that of the year before. The series of products under the brand names of "Fulilong" and "Lvzhou" with the certificate for "products exempted from national quality surveillance inspection" granted by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China are its flagship biological compound fertilizers. Guangdong Fulilong, which is a subsidiary of TEDA Biomedical, is a high and new technological enterprise in Guangdong Province and has obtained ISO9001 Quality Certificate. Guangdong Fulilong has its own strengths in the technology, brand name and marketing network. During 2007, Guangdong Fulilong actively developed the biological compound fertilizer product market and further expanded its distributor network and retail points on the foundation of its existing market. Its products have been sold to 21 provinces and autonomous regions in the PRC and developed as the primary segment of the Group's overall business. TEDA Biomedical's subsidiary in Weifang of Shandong, Shandong Fulilong Fertilizer Industry Co., Ltd. has a highly condensed biological compound fertilizer production line with Melt Granulation Method with High Tower and an annual production capacity of 300,000 tonnes. The products are mainly distributed to Shandong, China's largest rural market, and its surrounding areas. The operation of the production line has commenced in 2007. The Group realized a sales income from compound fertilizer products of RMB280,580,000, an increase of 21.35% comparing with the same recorded in the year before. For the year ended 31 December 2007, the sales income of medical and healthcare products, with ALPHA series as its flagship healthcare food products, amounted to RMB47,370,000, representing an increase of 20.16% as compared with that of in 2006. ALPHA has further consolidated its market position with its existing resources and has commenced its gradual expansion in an appropriate extent.

An announcement "The Proposed Amendment to the Articles of Association" dated 24 August 2007 and a circular "The Proposed Amendment to the Articles of Association" dated 3 September 2007 issued by the Company disclosed the transfers of 10,000,000 (an aggregate of 20,000,000) domestic shares of the Company held by Tianjin TEDA Shuang You Technology Development Company Limited ("SYT") to each of Mr. Wu Xiaofang (吳曉芳先生) and Mr. Wang Shaoyun (汪少雲先生) as set out in an announcement and a circular of the Company dated 14 June 2006 and 16 June 2006, respectively were not approved by the Ministry of Commerce and were terminated by the parties in August 2007. SYT, as the vendor, entered into agreements with Guangzhou Wenguang Media Company Limited ("Wenguang Media") on 15 August 2007 and Beijing Zhongxing Wuhuan Building Materials Company Limited ("Wuhuan Building") on 16 August 2007 for the transfer of 10,000,000 domestic shares of the Company (an aggregate of 20,000,000 domestic shares, representing 3.28% of the total issued share capital of the Company) to each of the aforementioned companies. In addition, on 15 August 2007, Mr. Yang Fusheng (楊福生先生), a promoter of the Company, also entered into an agreement for the sale of 2,000,000 domestic shares of the Company (representing 0.33% of the total issued share capital of the Company) to Wenguang Media. The special resolution relating to the proposed amendment to Article 20 of the Articles of Association of the Company has been duly passed at the Extraordinary General Meeting held on 18 October 2007.

The Company issued a circular dated 18 September 2006 in relation to the proposed placing of the New Placing H Shares, proposed granting of the Specific Mandate and proposed amendments of articles of association and the above resolutions has been passed at the Extraordinary General Meeting and the Class Meetings held on 20 November 2006. The Company issued an announcement and a circular "(I) Proposed Granting of the New Specific Mandate; and (II) Proposed Appointment and Re-election of Directors and Supervisors" on 1 November 2007 and 8 November 2007, respectively. In view of additional time is needed by the Company to obtain the approval of the issue of the New Placing H Shares by the China Securities Regulatory Commission ("CSRC"), the directors proposed to obtain the New Specific Mandate. The aforementioned resolutions in respect of (I) the proposed granting of the New Specific Mandate; and (II) the proposed appointment and re-election of Directors and Supervisors were duly passed at the Extraordinary General Meeting and the Class Meetings held on 24 December 2007. The Company has obtained "Approval on addition issuance of overseas listed foreign shares of Tianjin TEDA Biomedical Engineering Company Limited" from the CSRC on 12 December 2007 and the application of the above proposed placing of new H Shares was duly approved.

Operating Environment

Since agriculture plays a prominent role in China's economy and in consideration of the current development of the farming sector, the Chinese government has put great emphasis on agricultural modernization over the years. China exempted agricultural tax from 2006 in an attempt to cut down cost of agricultural production and such tax preferential policy has substantially increased agricultural productivity and the demand for fertilizers. As the world's largest fertilizer producer and consumer, China's national output of fertilizers in 2006 amounted to approximately 53 million tonnes which accounted for about 1/3 of the world's total output and demonstrated an annual growth rate of over 10%. In 2006, China's national consumption of fertilizers was 56.71 million tonnes with its self-sufficiency rate reached about 93% while its industrial consumption of fertilizers amounted to about 1/3 of the world's total. The sales volume of diversified compound fertilizers increased rapidly in recent years. In 2002, the consumption of compound fertilizers represented 22% of the total consumption of all fertilizers and such figure has jumped to over 30% in 2007. As a result of the effective promotion of formula fertilizing by the state, compound fertilizers have dominated the future development of China's fertilizer industry. In the meantime, the robust development of compound fertilizer industry has immensely stimulated the growth of the upstream raw material manufacturing industry. However, the rapid development of resources-oriented industry has further highlighted the problem of scarcity in resources of our country and the outcome for a mismatch of supply and demand would be the substantial increase of prices of resources-type raw materials. In addition, the insufficiency of transport capacity of China's railway system and the upsurge of oil prices have aggravated the imbalance of supply and demand of raw materials. In short, raw material supply is the key to the development of compound fertilizer industry. Proprietary formula fertilizer which is characterized by its market-oriented nature is expected to dominate the future development of compound fertilizer products. However, such product, being more regional-oriented and having relatively low demand in quantity, fails to satisfy the requirements of cost-effective mass production for lowering the total costs. Problems as to how to extend the application of a single type of formula fertilizer in order to reduce loss arising from product conversion during the production process and how to make use of modern logistics means such as agricultural production information, chain supermarkets for establishing a terminal sales network will become the challenges that compound fertilizer industry has to face. The state has gradually implemented market-oriented reforms in the fertilizer industry and reduced government's direct intervention in the market prices of fertilizers with an aim to promoting the sound development of the fertilizer industry and creating a fair playing field for fertilizer enterprises.

Currently, the customer base of the sugar-free food products of the Group, including diabetes, people with high blood sugar levels and high blood cholesterol levels, remain relatively stable. With a rising living standard and higher health awareness, people will put more emphasis on low-sugar and low-calorie food in their diets. As one of the health products, sugar-free food products have been increasingly recognized and accepted. It is now recognized that sugar-free food products are not only for diabetes, but also have other advantages such as preventing obesity, tooth decay and high blood sugar levels and blood cholesterol levels. More youngsters and parents prefer sugar-free food products for the benefits of their own and their children. This reflects that sugar-free food products have become one of the uprising trends in healthcare products industry.

As the PRC's population is aging, the proportion of total population aged 60 or above has increased from 10.45% in 2000 to 13% in 2005. Aging population and higher health awareness among people will drive the demand for medical and health products. The average per capita disposable income of urban resident in the PRC kept rising every year. The growth in economy will also boost the demand for medical services among the residents. Given the gradual improvement in the medical systems in the PRC, the medical and healthcare industry is expected to attain sustainable and stable long-term growth. Meanwhile, the medical and healthcare market in the PRC has become increasingly competitive. State and local administrative departments of the industry have tightened the measures and adopted different policies for regulating and optimizing the market for medical device products, healthcare food products for controlling blood sugar levels and sugar-free food products and this serves to create a favourable environment for the healthy and continuous development of enterprises engaging in these businesses.

During the year ended 31 December 2007, in light of the rapid growth in the sales of the Company's biological compound fertilizer products and medical and health products, the Group's total turnover amounted to approximately RMB327,960,000 (excluding other revenues), representing an increase of 21.18% as compared with RMB270,640,000 recorded in 2006.

During the year ended 31 December 2007, a network of 474 direct compound fertilizer supply distributors in 21 provinces, cities and autonomous regions in the country was established and this network has contributed approximately RMB280,580,000 to the sales turnover of the Group and approximately RMB29,040,000 to the sales gross profit. The gross profit margin of compound fertilizers product was 10.35%, resulting in a change in the Group's overall gross profit margin from 16.1% in 2006 to 15.44% in 2007. With the commencement of operation of the Group's newly-built production bases which adopt new technology, the gross profit margin from the sales of biological fertilizers will rise.

In 2007, the profit and loss attributable to the equity holders of the Group turned from a profit of approximately RMB3,030,000 in 2006 to a loss attributable to the equity holders of approximately RMB11,377,000 in 2007. The principal underlying reason is that the increasing prices of raw materials during the period under review have led to an increase in the costs of the products and inadequate supply. Therefore, the limited production volume fails to satisfy the demand of our customers. Soared R&D expenses and increase in finance costs are also major causes to the loss attributable to the equity holders.

Production and Research and development

In early 2007, the Group's sugar-free almond juice under the brand "Alpha" was recognized as one of the better quality products for the second consecutive year in the National Supervision and Selective Examination Report on Vegetable Protein Beverages issued by the General Administration of Quality Supervision, Inspection and Quarantine of PRC. "Alpha" sugar-free mooncakes also passed a quality system certification examination and obtained a B-grade certificate in May 2007. In November 2007, the QS annual inspection on quality and safety of "Alpha" oatmeal and biscuits for diabetic patients was duly passed and an A-grade certification was obtained.

Guangdong Fulilong has also successfully passed its quality system annual inspection. Biological organic fertilizers under the Group's "Fulilong" registered trademark was awarded the Green Food Production Material (綠色《綠色食品生產資料》) certificate in August 2007 and application for the relevant government award has been made. In October 2007, Guangdong Fulilong completed the final inspections and reporting of the Dongguan municipal-level technical modification project, "Research and Application of New Tri-compound Fertilizer," as well as the Guangdong provincial-level key technological innovation project, "Extended Trial and Demonstration of the Production of Organic/Inorganic Biological Fertilizer with Waste from Food Industries." In addition, the reporting of "Research and Development of Key Technologies in Relation to the Large-scale Production of All-nutrition Compound Fertilizer," a corporate subsidized research and development project, has been completed and this project has been submitted for filing purpose. In November 2007, Guangdong Fulilong passed the on-site inspection conducted by the "Enterprises Engineering Research Centre" successfully, in which inspections and reviews have been focused on the selection and fermentation of active bacteria for biological fertilizer, fermentation equipment for bacteria fluid and the preservation of active bacteria.

The Group's production base in Weifang, Shandong Province, which has a production line with an annual production capacity of 300,000 tonnes of highly condensed biological compound fertilizer and the technology known as "Melt Granulation Method with High Tower" applied, commenced production in 2007. Shandong Fulilong obtained the National Industrial Products Production License issued by the General Administration of Quality Supervision, Inspection and Quarantine of PRC in September 2007. In November 2007, Shandong Fulilong filed its "Production Project of Compound Fertilizer with Tower for Spraying Granulation" as one of the candidate projects for the Scientific and Technological Awards.

Application for government subsidies for the intraocular Lens (IOL) projects was completed and approved in accordance with the terms of subsidies for the commercialization of medical equipment as set out in the Rules of the Promotion of High Technology Industries in the Tianjin Economic-Technological Development Area.

Sales Highlights

As at 31 December 2007, the Group generated a combined sales income of RMB327,960,000, representing an increase of 21.18% compared with the previous year, among which the income from the sales of biological compound fertilizer products was RMB280,580,000, a 21.35% growth from the last year. The sales income contribution of those products accounted for 85.6% of the Group's combined sales income. The growth in the sales of the Group's biological compound fertilizers is attributable to the popularity of "Fulilong" brand, the technological strengths and the network distribution and marketing methods.

Another source of the Group's sales was its medical and health products, which are mainly composed of "Alpha" diabetic and sugar-free health food products. As the sales of sugar-free food increased, the total sales of medical and health products reached approximately RMB47,370,000 in 2007.

Financial Status and Capital Structure

The Group's loss attributable to the equity holders for the year ended 31 December 2007 was approximately RMB11,377,000, as compared with the profit for 2006 of approximately RMB3,030,000. The loss was mainly attributable to the price hike and shortage of raw materials supply, a substantial increase in the research and development costs and a rise in finance costs. Finance costs increased by 38.44% due to the increase in bank loans while the administrative expenses decreased by approximately 25.82% compared to the corresponding period in 2006, and the research and development expenses increased by 87.28% as compared with the corresponding period in 2006.

The Group's capital structure as at 31 December 2007 is as follows: total assets amounted to RMB325,600,000; current assets, fixed assets, investments (including interest in an associate) and other non-current assets accounted for 55.4%, 32.6%, 6.7% and 5.3% of the total assets respectively.

Future Outlook

The PRC is characterized by its huge population, shortage of land as well as the lack of food and material supplies. Therefore, the PRC government adopts an agricultural policy that encourages the PRC chemical fertilizer industry to expand and satisfy the domestic demand. On the basis of the present population and its pace of growth, the PRC population is expected to reach 1.45 billion in 2030, while the demand for food will amount to 640 million tonnes, and this development will serve as the drive for the huge demand of fertilizers. On the ground that the supply of fertilizers can only be satisfied with a strong fertilizer industry, the PRC government has implemented various measures to boost the production capacity of chemical fertilizers, under which the total value of production of the PRC fertilizer industry has reached RMB240.9 billion in 2005, while the aggregate value of production of the industry as a whole (including the value-added in different production segments) has amounted to the range of approximately RMB280.0 billion to approximately RMB300.0 billion with a production volume of 51,778,600 tonnes, accounting for 30% of the world total production. During the past two decades, consumption volume of fertilizers in the PRC increased rapidly, and, according to the forecast of the Ministry of Agriculture, such growth will continue in the next 15 years. Leveraged on its edge in products distribution supported by its established nation-wide marketing network that covers almost every region and its leading technology in the production of compound fertilizer with "Melt Granulation Method with High Tower," as well as its increased marketing efforts, the Group will, under its adopted customer-oriented approach, be able to provide timely market information updates to its customers and adhere to its direction of developing its proprietary brands and strengthening its core competitiveness.

The Group has established a sales network for its "Alpha" brand diabetic health products and sugar-free food that covers major hypermarkets across the country, such as Wal-mart, Carrefour, China Resources Vanguard, RT-Mart, Nanjing Suguo Supermarket and Beijing Wumart. Foods suitable for diabetics as well as xylitol whole-wheat biscuits, sugar-free almond juice, sugar-free orange juice and sugar-free mooncakes for the general market developed by Alpha, with which the national standards on healthcare products and sugar-free foods has been complied, have improved in terms of texture and quality, and this makes Alpha an intergrated enterprise which engages in the development and manufacturing of all the six major types of diabetic food products with the approval of the Ministry of Health of the PRC. For broadening the food choices of diabetes patients, the Group has developed a series of functional sugar-free foods under two major product lines of sugar-reducing products and sugar free products:

Categories	Product Name	Approval Reference Number	Health Certificate Number
Sugar-reducing health foods	Alpha chromium-rich milk powder	Wei Shi Jian Zi (2003) No. 0227	Jin Wei Shi Zheng Zi (2007) No. 120100 – Jian 00046
	Alpha Diabetic Oatmeal	Wei Shi Jian Zi (2000) No. 0302	
	Alpha Diabetic Tea	Wei Shi Jian Zi (2000) No. 0648	
	Alpha Sugar-Reducing Biscuits	Wei Shi Jian Zi (1997) No. 643	
	Alpha Nutritious Noodles	Wei Shi Jian Zi (96) No. 023	
	Alpha Sugar Reducing Powder	Wei Shi Jian Zi (96) No. 024	
	Alpha Mitongshu	Wei Shi Jian Zi (96) No. 025	
Sugar-free foods	Alpha Orange-flavour Sugar-free Beverages	QS1100 0601 3377	Jin Wei Shi Zheng Zi (2004) No. 120000 – Kai S00032
	Alpha Sugar-free Almond Juice	QS1308 0601 2141	
	Alpha Soybean Milk Powder	QS1216 0601 0069	
	Alpha Nutritious Oatmeal	QS1216 0701 0010	
	Alpha Sugar-free Mooncakes	QS1216 2401 0005	
	Alpha Nutritious Biscuits	QS1216 0801 0224	
	Alpha Xylitol Whole-wheat Biscuits	QS1216 0801 0224	
	Alpha Nutritious Dry Noodles	QS1214 0103 0002	
	Alpha Xylitol Sweetener		
	Alpha Aspartame		

The Group will further segregate the sugar-free foods market segments and introduce sugar-free foods with different characteristics, such as anti-caries, weight-control and fiber-rich to cater different customers group with a target to diversify the product portfolio and to enlarge the market share. The Group is determined to expand the target customer base of sugar-free food and gradually turn the brand of "Alpha" that represents professional health food for diabetics to a professional brand that provides suitable health food for mid-aged groups and senior citizens and even youngsters. To achieve the strategy of diversifying the targeted customer group with extended product mix, the first step is to gain a presence in the consumption market of sugar-free food of middle-age group of senior citizens. According to the China

National Commission on Aging under the State Council, the value for the annual market demand for the aging population in the PRC amounted to RMB600 billion and will reach RMB1,000 billion in 2010, while the value of elderly products in the present market amounted to only RMB100 billion, and this gives rise to huge market opportunities. As the population of senior citizens increases and the market of professional products develops with the demand from the elderly expanded and their higher requirements for quality products, it is expected that the market shares of the elderly industry among different segments of the economy will rise persistently and the elderly industry will become a new drive for economic growth. In the long-term, elderly products will occupy more important share in the market of the PRC aging population and with the new development opportunities arise in the elderly consumer market, professional enterprises with clear market position shall enjoy huge room for growth. In addition to a variety of quality sugar-free products to the target consumer groups, a professional brand of sugar-free foods shall also commit to satisfy the multidimensional requirements on quality foods of consumers and to offer inspiration to consumers with the proper and scientific healthcare information with the target to establish a sustainable friendly sugar-free foods market.

With the solid market foundation that has been built, the Group will accelerate its pace of market development of its medical and healthcare products.

Segment information

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

The results of the Group by segments for the year ended 31 December 2007 and the year ended 31 December 2006 are disclosed in Note 2 to the accompanying accounts.

Liquidity, financial resources and gearing ratio

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

As at 31 December 2007, the Group's consolidated total equity, current assets and net current liabilities were about RMB59.0 million (2006: RMB70.7 million), RMB180.4 million (2006: RMB141.4 million) and RMB86.2 million (2006: RMB65.4 million) respectively. The Group's current assets as at 31 December 2007 comprised mainly cash and bank balances of RMB45.4 million (31 December 2006: RMB19.83 million), trade receivables of RMB55.3 million (31 December 2006: RMB56.6 million) and inventories of RMB51.3 million (31 December 2006: RMB37.8 million).

As at 31 December 2007, the total bank borrowings of the Group amounted to RMB96.7 million (31 December 2006: RMB104.4 million). The bank borrowings are denominated in Renminbi and provided by various licensed banks in China with fixed interest rates from 6.1% to 8.9% (31 December 2006: 5.6% to 7.6%) per annum. Of the bank borrowings, a total amount of RMB31.0 million, RMB28.7 million, RMB36.5 million, RMB0.5 million will mature in January 2008, March 2008, April 2008 and August 2008 respectively.

As at 31 December 2007, the Group's gearing ratio, defined as the ratio of total bank borrowings to total assets, was 0.297 (31 December 2006: 0.374). The liquidity ratio of the Group, represented by the ratio of current assets over current liabilities, was 0.677 (31 December 2006: 0.684).

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

As at 31 December 2007, the interests of the directors and the supervisors of the Company and their respective associates in the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) were as follows:

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

Directors	Number of shares held and nature of interests					Percentage of the issued share capital
	Personal (Note)	**Family**	**Corporate**	**Other**	**Total**	
Mr. Xie Kehua	9,000,000	–	–	–	9,000,000	1.48%

Note: All represented domestic shares

Save as disclosed in this paragraph, as at 31 December 2007, none of the directors and the supervisors of the Company had interest in any securities and underlying shares and debentures of the Company or any of its associated corporations, which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

Directors' and Supervisors' Rights to Acquire Shares

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

Substantial Shareholders

As at 31 December 2007, the following persons (other than the directors and the supervisors of the Company) had interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

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

Name of shareholders	Capacity	Number of ordinary shares	Percentage of the issued share capital
Tianjin TEDA International Incubator	Beneficial owner	234,000,000 (Note 1)	38.36%
Dai Shi Hua	Beneficial owner	32,180,000 (Note 2)	5.28%

Notes:

1. All represented domestic shares.

2. All represented H shares.

Save as disclosed above, as at 31 December 2007, 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.

Placing

As mentioned in the announcement and circular made by the Company on 5 September 2006 and 4 September 2006 respectively, a Preliminary Placing Agreement was entered into between the Company and China Merchants Securities (HK) Co., Ltd., its financial advisor and placing agent ("Placing Agent") on 4 September 2006, pursuant to which the Placing Agent on a best effort basis has agreed to place an aggregate of not more than 374 million H Shares at the Placing Price. The New Placing H Shares should be issued pursuant to a specific mandate from the Shareholders. In an extraordinary general meeting, a class meeting of the holders of the Domestic Shares and a class meeting of the holders of the H Shares all held on 20 November 2006, the Shareholders, the holders of the Domestic Shares and the holders of the H Shares respectively resolved to grant to the Board a specific mandate to issue not more than 374 million New Placing H Shares for the period from 20 November 2006 to 19 November 2007.

The Company issued an announcement and a circular "(1) Proposed Granting of the New Specific Mandate; and (II) Proposed Appointment and Re-election of Directors and Supervisors" on 1 November 2007 and 8 November 2007 respectively. The Company was seeking the approval of the issue of the New Placing H Shares from the CSRC at that time and in view of additional time was required to obtain the approval from the CSRC, the Directors proposed for the granting of the New Specific Mandate. The major terms of the New Specific Mandate are as follows:

- To issue not more than 374 million New Placing H Shares;
- The Placing Price will not be at a discount of more than 10% to the average of the closing price of the H Shares for the 5 consecutive trading days before the date of execution of the Definitive Placing Agreement nor less than the net asset value per H Share; and
- The New Specific Mandate is for the New Relevant Period, that is, for the period from the passing of the relevant resolutions at the Further EGM and the Further Class Meetings up to the earliest of: (i) expiration of the 12-month period following the passing of relevant resolutions at the Further EGM and Further Class Meetings; or (ii) the revocation or amendment of the authority given under the relevant resolutions at the Further EGM and the Further Class Meetings by a special resolution of the Shareholders in a general meeting.

The resolutions of (1) Proposed Granting of the New Specific Mandate; and (II) Proposed Appointment and Re-election of Directors and Supervisors were approved at the EGM and Class Meetings held on 24 December 2007. In addition, the Company has received from CSRC "Approval on addition issuance of overseas listed foreign shares of Tianjin TEDA Biomedical Engineering Company Limited" dated 12 December 2007, which duly approved the application by the Company for the above proposed placing of new H Shares.

Management Contracts

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

Competing Interests

During the year ended 31 December 2007, none of the directors, the supervisors, or the management shareholders and their respective associates (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules") of the Company competes or may compete with the business of the Group or has or may have any other conflicts of interest with the Group required to be disclosed pursuant to the GEM Listing Rules.

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.

Share Option Scheme

During the year ended 31 December 2007, none of the directors or the supervisors or employees of the Company or other participants of the Scheme was granted with Options to subscribe for the H Shares of the Company.

Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee of the Company were prepared and adopted with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The Audit Committee of the Company provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of both the external and internal audit and the internal controls and risk evaluation. The Audit Committee of the Company comprises three non-executive independent Directors, namely Professor Xian Guoming, Mr. Wu Chen and Mr. Guan Tong. Four meetings were held during the current financial year, including the meeting held for the review of the financial statements for the year ended 31 December 2007.

Corporate Governance Practices

The Company understands that corporate governance is of great importance to the Company and has endeavored to apply the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules of The Stock Exchange of Hong Kong Limited to the internal operations of the Company, including all its subsidiaries. Except for the deviations as disclosed on this report, in the opinion of the Board, the Company has complied with all the code provisions by establishing formal and transparent procedures to protect the interests of shareholders during the period under review.

On behalf of the Board
Wang Shuxin
Chairman

Tianjin, the PRC, 27 March 2008

As at the date of this announcement, the Board comprises three executive directors, being Mr. Wang Shuxin, Mr. Xie Kehua and Mr. Zhang Songhong; three non-executive directors, being Mr. Feng Enqing, Mr. Xie Guangbei and Mr. Wang Xiaofa; and three independent non-executive directors, being Professor Xian Guoming, Mr. Wu Chen and Mr. Guan Tong.

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the day of its posting.