



泰 达

天津泰达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 2014**

### **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 announcement, 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this announcement or any statement herein misleading.*

## FINANCIAL HIGHLIGHTS

### For the year ended 31 December

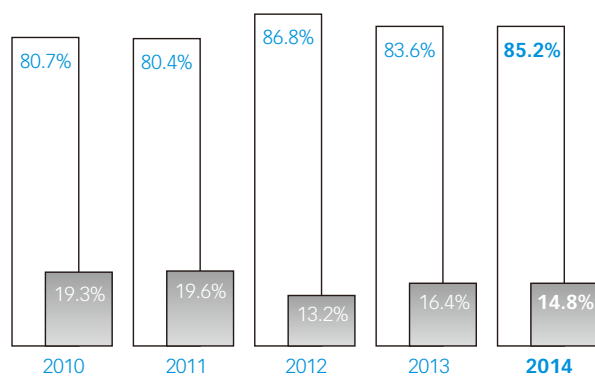
	2010	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Results</b>					
Turnover	429,057	511,151	677,640	583,112	<b>552,041</b>
Gross profit	85,760	99,268	136,336	130,585	<b>114,595</b>
Gross Margin	19.99%	19.42%	20.12%	22.39%	<b>20.76%</b>
Profit attributable to the shareholders	6,142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

### As at 31 December

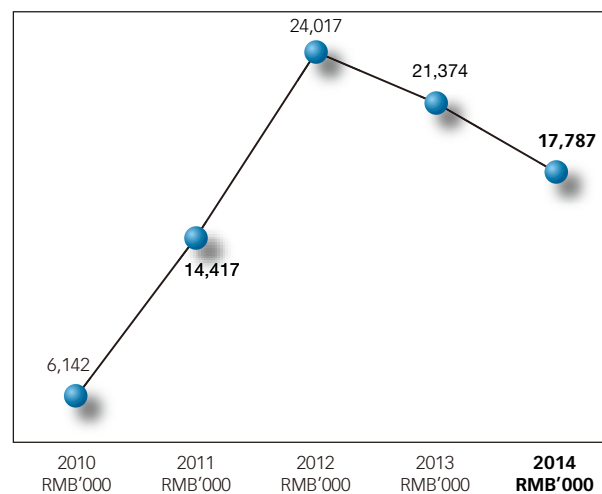
	2010	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Assets &amp; Liabilities</b>					
Total assets	309,073	324,299	421,976	412,864	<b>432,622</b>
Total liabilities	142,376	145,888	219,346	188,093	<b>188,924</b>
Equity attributable to the shareholders	141,061	156,039	180,056	201,429	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

### Turnover growth and breakdown

- Biological fertilizer products
- Health care products



### Profit attributable to the shareholders



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 2014 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2014

	Notes	2014 RMB	2013 RMB
Turnover	2	<b>552,041,373</b>	583,111,851
Cost of sales		<b>(437,446,186)</b>	(452,527,189)
<hr/>			
Gross profit		<b>114,595,187</b>	130,584,662
Other income and net losses		<b>(207,590)</b>	(1,936,533)
Selling and distribution costs		<b>(39,596,183)</b>	(46,337,136)
Administrative expenses		<b>(28,804,720)</b>	(28,995,919)
Research and development expenses		<b>(11,068,388)</b>	(20,961,537)
Finance costs	4	<b>(8,133,057)</b>	(7,606,131)
<hr/>			
Profit before income tax expenses	4	<b>26,785,249</b>	24,747,406
Income tax expenses	5	<b>(7,826,196)</b>	(2,605,800)
<hr/>			
Profit and total comprehensive income for the year		<b>18,959,053</b>	22,141,606
<hr/>			
<b>Attributable to:</b>			
Owners of the Company		<b>17,787,428</b>	21,373,605
Non-controlling interests		<b>1,171,625</b>	768,001
<hr/>			
		<b>18,959,053</b>	22,141,606
<hr/>			
Earnings per share – Basic and diluted (RMB)	8	<b>1.25 cents</b>	1.51 cents

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2014

	Notes	2014 RMB	2013 RMB
<b>Non-current assets</b>			
Property, plant and equipment		96,371,284	76,647,961
Goodwill		3,133,932	3,133,932
Prepaid land lease payments	10	8,423,182	8,619,037
<b>Total non-current assets</b>		<b>107,928,398</b>	88,400,930
<b>Current assets</b>			
Inventories		138,376,713	109,138,521
Trade and bills receivables	9	103,319,636	111,878,457
Prepayments and other receivables	10	34,613,281	59,336,675
Restricted bank deposits		–	1,000,000
Bank balances and cash		48,383,977	43,108,953
<b>Total current assets</b>		<b>324,693,607</b>	324,462,606
<b>Total assets</b>		<b>432,622,005</b>	412,863,536
<b>Current liabilities</b>			
Trade and bills payables	11	39,926,921	55,406,552
Other payables and accruals		31,932,275	26,493,970
Financial liabilities		22,439,591	–
Tax payable		7,325,602	3,892,048
Bank borrowings	12	87,300,000	102,300,000
<b>Total current liabilities</b>		<b>188,924,389</b>	188,092,570
<b>Net current assets</b>		<b>135,769,218</b>	136,370,036
<b>Total assets less current liabilities</b>		<b>243,697,616</b>	224,770,966
<b>NET ASSETS</b>		<b>243,697,616</b>	224,770,966
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	13	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
<b>Non-controlling interests</b>		<b>45,676,631</b>	23,341,498
<b>TOTAL EQUITY</b>		<b>243,697,616</b>	224,770,966

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2014

	Share capital Note 13 RMB	Share premium Note 14(i) RMB	Surplus reserve Note 14(ii) RMB	Capital reserve Note 14(iii) RMB	Other reserve Note 14(v) RMB	Accumulated losses Note 14(iv) RMB	Attributable to owners of the Company RMB	Non- controlling interests 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	-	-	-	-	-	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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi Unless Stated Otherwise)

### 1. 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

The adoption of these amendments has no impact on Group’s financial statements.

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

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2018

## 2. 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:

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

## 3. 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.

### (a) Segment revenue and results

*For the year ended 31 December 2014*

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

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:

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

The unallocated assets represented the corporate assets of the Company.

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

	<b>Fertiliser products RMB</b>	<b>Health care products RMB</b>	<b>Total RMB</b>
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)

*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.

#### 4. 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		<b>8,133,057</b>	7,606,131
Auditor's remuneration		<b>1,288,315</b>	922,309
Research and development expenses		<b>11,068,388</b>	20,961,537
Cost of inventories recognised as expense		<b>437,446,186</b>	452,527,189
Depreciation on property, plant and equipment		<b>9,206,886</b>	8,832,048
Amortisation of prepaid land lease payments		<b>189,827</b>	423,672
Allowance for/(reversal of) impairment losses on (net):			
– Trade receivables	9(b)	<b>1,067,363</b>	50,828
– Other receivables	10(a)	<b>114,966</b>	(394,146)
Operating lease rentals:			
– land and buildings		<b>4,288,185</b>	3,216,909
– equipment		<b>600,000</b>	–
Staff costs (including emoluments of directors and supervisors):			
– Salaries and allowances		<b>36,685,287</b>	36,430,458
– Pension fund contribution		<b>5,967,929</b>	3,893,551
		<b>42,653,216</b>	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%).

## 5. INCOME TAX EXPENSES

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

	<b>2014</b>	2013
	<b>RMB</b>	RMB
Current tax – PRC		
– tax for the year	<b>8,042,637</b>	4,663,002
– over provision in respect of prior years	<b>(216,441)</b>	(2,057,202)
	<b>7,826,196</b>	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%).

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

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

## 6. 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).

## 7. DIVIDEND

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

## 8. 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.

## 9. TRADE AND BILLS RECEIVABLES

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

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:

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

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

	<b>2014</b>	2013
	<b>RMB</b>	RMB
At 1 January	<b>6,755,417</b>	7,684,746
Impairment loss recognised, net	<b>1,067,363</b>	50,828
Bad debt written off	<b>(747,677)</b>	(980,157)
	<hr/>	<hr/>
At 31 December	<b>7,075,103</b>	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.

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

	<b>2014</b>	2013
	<b>RMB</b>	RMB
Within 3 months	<b>17,170,958</b>	32,408,930
Between 3 to 6 months	<b>6,555,921</b>	13,468,575
Between 6 to 12 months	<b>8,862,761</b>	7,003,587
	<hr/>	<hr/>
	<b>32,589,640</b>	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.

## 10. PREPAYMENTS AND OTHER RECEIVABLES

	<b>2014</b>	2013
	<b>RMB</b>	RMB
Prepayments		
Prepaid promoting expenses	–	375,725
Advanced deposits to suppliers	<b>20,615,671</b>	40,792,514
Other prepayments	<b>635,893</b>	614,509
	<b>21,251,564</b>	41,782,748
Other receivables	<b>15,457,906</b>	19,535,150
Less: allowance for doubtful debts (Note a)	<b>(2,096,189)</b>	(1,981,223)
	<b>13,361,717</b>	17,553,927
	<b>34,613,281</b>	59,336,675

### (a) Allowance for doubtful debts

	<b>2014</b>	2013
	<b>RMB</b>	RMB
At 1 January	<b>1,981,223</b>	2,375,369
Allowance for impairment loss	<b>164,766</b>	–
Recovery on amounts written off	<b>(49,800)</b>	(394,146)
At 31 December	<b>2,096,189</b>	1,981,223

Other receivables are assessed to be impaired individually at each reporting date and impairment losses of the Group amounting to approximately RMB2.1 million (2013: RMB2.0 million) 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.

## 11. TRADE AND BILLS PAYABLES

	<b>2014</b>	2013
	<b>RMB</b>	RMB
Trade payables	<b>39,926,921</b>	54,406,552
Bills payables	–	1,000,000
	<b>39,926,921</b>	55,406,552

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

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

## 12. BANK BORROWINGS

	<b>2014</b>	2013
	<b>RMB</b>	RMB
Secured	<b>87,300,000</b>	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 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.



### 13. 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:				
<b>Domestic shares</b>				
At 1 January and 31 December	715	71	715	71
<b>H shares</b>				
At 1 January and 31 December	705	71	705	71
Total at 31 December	<b>1,420</b>	<b>142</b>	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).

## 14. RESERVES

(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 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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).

### **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 13 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 announcement. 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 of 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 3 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 intensify, 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 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.

## **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:

<b>Directors/Supervisors/ Executive Officers</b>	<b>Personal</b>	<b>Family</b>	<b>Corporate</b>	<b>Other</b>	<b>Total</b>	<b>Percentage of the issued share capital</b>
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:

<b>Names of shareholders</b>	<b>Capacity</b>	<b>Number of ordinary shares</b>	<b>Percentage of the issued share capital</b>
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.

## **PURCHASE, SALES 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**

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

## **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.

## **AUDIT COMMITTEE**

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules and by reference to the "Guidelines for The Establishment of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The audit committee provides an important link between the Board and the Company's auditor in matters coming within the scope of the Group's audit. The primary duties of the committee are to review and supervise the financial reporting process of the Group. It also reviews the effectiveness of the external audit, internal controls and risk evaluation. The audit committee of the Company comprises three independent non-executive directors, namely Mr. Guan Tong, Mr. Wu Chen and Mr. 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.

## **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.

## CORPORATE GOVERNANCE PRACTICES

The Company has endeavored to apply the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited to the internal operations of the Group. The Directors are of the view that, the Company had complied with the provision of the Code except Code provision A.2.1 of the Code during the period under review.

By order of the Board  
**Tianjin TEDA Biomedical Engineering Company Limited**  
**Wang Shuxin**  
Chairman

Tianjin, China, 25 March 2015

*As at the date of this announcement, the Board comprises three executive Directors, being Mr. Wang Shuxin, Mr. Hao Zihui and Mr. Chen Yingzhong; three non-executive Directors, being Mr. Feng Enqing, Mr. Xie Guangbei and Mr. Ou Linfeng and three independent non-executive Directors, being Mr. Guan Tong, Mr. Wu Chen and Mr. Peter K. S. Chan.*

*This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*The announcement will remain on the GEM website at <http://www.hkgem.com> at the "Latest Company Announcements" page for 7 days from the date of its publication. This announcement will also be published and remain on the website of the Company at [www.bioteda.com](http://www.bioteda.com).*