



泰 达

天津泰達生物醫學工程股份有限公司

Tianjin TEDA Biomedical Engineering Company Limited

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

(Stock code: 8189)

ANNOUNCEMENT ON HALF-YEARLY RESULTS FOR 2011

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

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 the issuer. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- 1. the information contained in this announcement is accurate and complete in all material respects and not misleading;*
- 2. there are no matters the omission of which would make any statement in this document misleading; and*
- 3. all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

HIGHLIGHTS

- Turnover of the Group for the six months ended 30 June 2011 amounted to RMB253,989,337 (30 June 2010: RMB189,788,511), representing an year-on-year increase of 33.8% as compared to that of last year. The realised gross profit of the Group was RMB46,164,040 (30 June 2010: RMB35,755,709), representing an increase of 29.1% as compared to the corresponding period of last year. The consolidated gross profit margin of the Group slightly decreased to 18.2% year-on-year as compared to last year (30 June 2010: 18.8%).
- Profit attributable to the owners of the Company for the six months ended 30 June 2011 was RMB3,128,819 (30 June 2010: RMB2,065,599), representing an increase of 51.4%, as compared to the corresponding period of last year, and the earnings per share of the Company was RMB0.22 cents (30 June 2010: RMB0.15 cents).

HALF-YEARLY RESULTS (UNAUDITED)

The board of directors (the “Board”) of Tianjin TEDA Biomedical Engineering Company Limited (the “Company”) is pleased to announce the unaudited half-yearly results of the Company and its subsidiaries (hereafter collectively referred to as the “Group”) for the six months ended 30 June 2011, together with the comparative figures of the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	For the six months ended 30 June		For the three months ended 30 June	
		2011 (Unaudited) <i>RMB</i>	2010 (Unaudited) <i>RMB</i>	2011 (Unaudited) <i>RMB</i>	2010 (Unaudited) <i>RMB</i>
Turnover	2	253,989,337	189,788,511	138,206,230	95,596,775
Cost of sales		(207,825,297)	(154,032,802)	(116,103,064)	(79,839,520)
Gross profit		46,164,040	35,755,709	22,103,166	15,757,255
Other income less other expenses		726,916	3,698,182	503,360	3,044,365
Selling and distribution costs		(20,212,276)	(19,627,382)	(9,311,348)	(9,160,581)
R&D and administrative expenses		(17,428,858)	(15,506,989)	(7,626,601)	(6,253,398)
Finance costs	3	(3,495,156)	(2,579,113)	(1,935,892)	(1,421,822)
Profit before taxation		5,754,666	1,740,407	3,732,685	1,965,819
Income tax	5	(524,781)	(454,315)	(142,570)	–
Profit and comprehensive income for the period		5,229,885	1,286,092	3,590,115	1,965,819
Attributable to :					
Owners of the Company		3,128,819	2,065,599	2,330,898	2,031,416
Minority interests		2,101,066	(779,507)	1,259,217	(65,597)
		5,229,885	1,286,092	3,590,115	1,965,819
Earnings per share					
– Basic (RMB)		0.22 cents	0.15 cents	0.16 cents	0.14 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June	31 December
		2011	2010
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB	RMB
Non-current assets			
Property, plant and equipment		103,856,553	101,111,320
Goodwill		3,133,932	3,133,932
Available-for-sale financial assets		3,000,000	3,000,000
Prepaid land lease payments		11,555,419	11,778,436
		<hr/>	<hr/>
Total non-current assets		121,545,904	119,023,688
Current assets			
Inventories		63,386,473	69,984,901
Trade and bills receivables	8	79,116,411	50,186,307
Prepayment and other receivables	9	34,120,872	17,914,668
Amounts due from ultimate holding company		18,261	18,261
Restricted bank deposits		3,822,000	4,953,000
Bank balances and cash		10,415,080	46,992,433
		<hr/>	<hr/>
Total current assets		190,879,097	190,049,570
		<hr/>	<hr/>
Total assets		312,425,001	309,073,258
Current liabilities			
Trade and bills payables	10	36,489,665	35,804,644
Other payables and accruals	11	13,392,737	24,000,746
Government grants received in advance		–	–
Amounts due to ex-shareholders of a subsidiary		–	–
Tax payable		1,115,106	70,260
Bank borrowings		89,500,000	77,500,000
		<hr/>	<hr/>
Total current liabilities		140,497,508	137,375,650
		<hr/>	<hr/>
Net current assets		50,381,589	52,673,920
		<hr/>	<hr/>
Total assets less current liabilities carried forward		171,927,493	171,697,608
		<hr/>	<hr/>
Non-current liabilities			
Bank borrowings		–	5,000,000
		<hr/>	<hr/>
Total Net Assets		171,927,493	166,697,608
		<hr/>	<hr/>

		30 June	31 December
		2011	2010
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB	RMB
Equity			
Capital and reserves attributable to owners of the Company			
Share capital	<i>12</i>	142,000,000	142,000,000
Reserves		2,189,390	(939,429)
		<hr/>	<hr/>
Equity attributable to owners of the company		144,189,390	141,060,571
Minority interests		27,738,103	25,637,037
		<hr/>	<hr/>
Total equity		171,927,493	166,697,608
		<hr/>	<hr/>

CONDENSED CONSOLIDATED CASH STATEMENT

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB	RMB
Cash flows from operating activities		
Cash used in operation	(32,714,107)	(18,245,991)
Interests received	111,167	134,852
Income tax paid	(472,290)	(510,508)
Interests paid	(3,108,243)	(2,639,674)
	<u>(36,183,473)</u>	<u>(21,261,321)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Purchases of property, plant and equipment	(8,577,080)	(7,984,946)
Repayment to ex-shareholders of a subsidiary	–	–
Sales of property, plant and equipment	52,200	64,088
	<u>(8,524,880)</u>	<u>(7,920,858)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term/long-term bank borrowing	43,500,000	46,500,000
Repayment of short-term bank borrowings	(36,500,000)	(34,500,000)
Payment of guarantee fee on bank borrowings	–	–
Proceeds from placing of new H shares	–	–
	<u>7,000,000</u>	<u>12,000,000</u>
Net cash used in financing activities		
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES	(37,708,353)	(17,182,179)
CASH AND BANK BALANCES AT THE BEGINNING OF THE PERIOD	51,945,433	42,556,768
	<u>51,945,433</u>	<u>42,556,768</u>
CASH AND BANK BALANCES AT THE END OF THE PERIOD	14,237,080	25,374,589
	<u>14,237,080</u>	<u>25,374,589</u>

Notes:

1. Basis of presentation

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 of RMB77,683,424 as at 30 June 2011. The validity of the Group's ability to continue as a going concern depends on the success of the Group's future operations and the ability of the Group to renew or replace the banking facilities as they fall due. Consequently, the directors have prepared the unaudited half yearly results for the six months ended 30 June 2011 on the going concern basis.

The financial statements have been prepared under the historical cost convention and in accordance with Hong Kong Financial Reporting Standards, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). The principal accounting policies adopted are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

2. Turnover

The Group's turnover is derived principally from the sales of fertilizer products and medical and health products.

An analysis of the Group's turnover by segments is as follows:

	For the six months ended 30 June		For the three months ended 30 June	
	2011 RMB	2010 RMB	2011 RMB	2010 RMB
Turnover				
Fertilizer products	207,115,682	149,916,097	122,342,621	81,176,797
Medical & health products	46,873,655	39,872,414	15,863,609	14,419,978
	<u>253,989,337</u>	<u>189,788,511</u>	<u>138,206,230</u>	<u>95,596,775</u>

3. Finance expense

	For the six months ended 30 June		For the three months ended 30 June	
	2011 RMB	2010 RMB	2011 RMB	2010 RMB
Interest expense on bank loans and bank charges	3,495,156	2,579,113	1,935,892	1,421,822
	<u>3,495,156</u>	<u>2,579,113</u>	<u>1,935,892</u>	<u>1,421,822</u>

4. Loss before tax

	For the six months ended 30 June	
	2011	2010
	RMB	RMB
Depreciation of property, plant and equipment	4,982,070	4,042,817
Amortization of intangible asset	233,340	161,819
Amortization of goodwill	–	–
	—————	—————

5. Taxation

(a) Enterprise income tax (“EIT”)

In accordance with the new PRC Enterprise Income Tax Law which became effective from 1 January 2008, a unified enterprise income tax rate of 25% will be applied to both domestic-invested enterprises and foreign-invested enterprises. Enterprises established prior to 16 March 2007 eligible for preferential tax treatment in accordance with the currently prevailing tax laws and administrative regulations shall, under the regulations of the State Council, gradually be subject to the new tax rate over a five-year transitional period until 2012. Accordingly, the Company and Shandong Hidersun Fertilizer Co. LTD. (“SD Hidersun”) can continue to enjoy the preferential tax rates during the transitional period and are subject to EIT rate of 24% for the year (2010:22%).

The Company has not provided for any EIT (2010: nil) since it has no taxable income for the period.

On 8 June 2009, Tianjin Alpha HealthCare Products Co., Ltd (“Alpha”), was approved as a new and high technology enterprise and was therefore entitled to a preferential tax rate of 15% (2010:15%) for the period from 8 June 2009 to 7 June 2012.

SD Hidersun has not provided for any EIT since it has no taxable income for the period (2010: nil).

On 16 December 2008, Guangdong Fulilong Compound Fertilizers Co., Ltd. (“GD Fulilong”) was approved as a new and high technology enterprise and was therefore entitled to a preferential tax rate of 15 % (2010:15%) for the period from 8 June 2009 to 7 June 2012.

(b) Income tax expense

	For the six months ended 30 June	
	2011	2010
	RMB’000	RMB’000
Current Tax		
Hong Kong	Nil	Nil
Other Jurisdictions	525	454

The income tax charge in Hong Kong is Nil for the period ended 30 June 2011 (June 2010: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is RMB524,781 for the period ended 30 June 2011 (June 2010: RMB454,315).

The charge for the period can be reconciled to the profit per the income statement as follows:

	For the six months ended	
	30 June	
	2011	2010
	RMB'000	RMB'000
Profit before tax	5,755	2,060
Tax calculated at the EIT rate of 25%	1,439	515
Tax rate differential	(447)	(426)
Effect of tax holiday exemption	–	–
Effect of the tax losses on consolidation	(467)	365
Tax effect of expenses that are not deductible in determining taxable profit	–	–
	<u>–</u>	<u>–</u>
Tax expense for the period	525	454
	<u>525</u>	<u>454</u>

6. Profit per share

For the six months ended 30 June 2011, the calculation of profit per share is based on the Group's profit attributable to equity holders of RMB3,128,819 (June 2010: profit of RMB2,065,599), divided by the total number of shares issued by the Company of 1,420,000,000 shares (June 2010: 1,420,000,000 shares). Diluted profit per share is not presented as there are no dilutive potential shares during the period.

7. Additions to property, plant and equipment

During the period, the Group spent approximately RMB8,577,080 (2010: RMB 7,984,946) on the acquisition of property, plant and equipment. The increase of the spending of property, plant and equipment is due to fertilization project of an equity joint venture in Shandong.

8. Trade and bills receivables

The Group's trade receivable relates to sales of goods to third party customers. The Group performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral on trade receivable.

	30 June	31 December
	2011	2010
	(Unaudited)	(Audited)
	RMB	RMB
Trade and bills receivables	84,703,201	55,029,101
Provision for doubtful accounts	(5,586,790)	(4,842,794)
	<u>79,116,411</u>	<u>50,186,307</u>
Trade receivable, net	79,116,411	50,186,307

The aging analysis of trade and bills receivables is as follows:

	30 June 2011 (Unaudited) RMB	31 December 2010 (Audited) RMB
Within 3 months	48,715,373	31,431,209
Over 3 months but within 6 months	28,438,685	13,668,315
Over 6 months	7,549,143	9,929,577
	<u>84,703,201</u>	<u>55,029,101</u>

9. Prepayments and other receivables

	30 June 2011 (Unaudited) RMB	31 December 2010 (Audited) RMB
Other receivables	5,505,116	5,511,285
Less: allowance for doubtful debts	<u>(1,918,617)</u>	<u>(1,918,617)</u>
	3,586,499	3,592,668
Deposits and prepayments (<i>note a</i>)	<u>30,534,373</u>	<u>14,322,000</u>
	<u>34,120,872</u>	<u>17,914,668</u>

(a) Subsidiaries of the company increased prepayments mainly to increase prepayments for locking in prices of raw material which have been showing an upward trend.

10. Trade and bills payables

The aging analysis of trade and bills payables is as follows:

	30 June 2011 (Unaudited) RMB	31 December 2010 (Audited) RMB
Within 3 months	21,415,785	30,653,797
Over 3 months but within 6 months	5,390,221	1,459,917
Over 6 months	9,683,659	3,690,930
	<u>36,489,665</u>	<u>35,804,644</u>

11. Other payables and accruals

	30 June 2011 (Unaudited) RMB	31 December 2010 (Audited) RMB
Other payables	7,670,342	8,034,217
Accruals	1,774,078	1,298,766
Receipt in advance (<i>note a</i>)	3,948,317	11,953,336
Payables to Social Security Fund	–	2,714,427
	<u>13,392,737</u>	<u>24,000,746</u>

(a) The advanced payments that the company's subsidiaries received was reduced.

12. Share capital

	30 June 2011		31 December 2010	
	Number of shares	Nominal value RMB'000	Number of shares	Nominal value RMB'000
Registered	<u>1,420,000,000</u>	<u>142,000</u>	<u>1,420,000,000</u>	<u>142,000</u>
Issued and fully paid				
Domestic shares of RMB0.1 each	<u>715,000,000</u>	<u>71,500</u>	<u>715,000,000</u>	<u>71,500</u>
H shares of RMB0.1 each	<u>705,000,000</u>	<u>70,500</u>	<u>705,000,000</u>	<u>70,500</u>
	<u>1,420,000,000</u>	<u>142,000</u>	<u>1,420,000,000</u>	<u>142,000</u>

13. Capital commitments

As of 30 June 2011, the Group had no significant capital commitments which were not provided for in the condensed consolidated financial statements of the Group.

14. Contingent liabilities

The Company guaranteed the banking facilities granted to certain of its subsidiaries amounting to RMB34.0 million (2010: RMB18.0 million).

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (June 2010:Nil).

MOVEMENT OF RESERVES

	Share Capital		Share premium		Accumulated Losses		Reserve		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as at 1 January	142,000,000	142,000,000	75,816,410	75,816,410	(80,812,243)	(86,435,451)	4,056,404	3,537,570	141,060,571	134,918,529
Net profit attributable to equity holders of the Company for the three months ended 31 March	-	-	-	-	797,921	34,183	-	-	797,921	34,183
Balance as at 31 March	142,000,000	142,000,000	75,816,410	75,816,410	(80,014,322)	(86,401,268)	4,056,404	3,537,570	141,858,492	134,952,712
Net profit attributable to equity holders of the Company for the three months ended 30 June	-	-	-	-	2,330,898	2,031,416	-	-	2,330,898	2,031,416
Balance as at 30 June	142,000,000	142,000,000	75,816,410	75,816,410	(77,683,424)	(84,369,852)	4,056,404	3,537,570	144,189,390	136,984,128

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2011, the Group was principally engaged in biological compound fertilizer products and medical and health products, including series of diabetic health products and sugar-free products which are beneficial to the health of human body.

Since the beginning of 2011, global economic conditions have been complicating. Firstly there has been an upward trend of international food price extending since last year which has emerged another significant climb, followed by rises in price of various commodities including international crude oil and the subsequent repeating volatile movements; meanwhile, inflation pressure has increased further throughout the world under the continuous influence of quantitative easing monetary policies in developed countries including the United States of America and Japan. During the first half of 2011, PRC experienced unusually severe inflation and continuous shrink in liquidity of currency as a result of the austerity macro-economic controls by the central government which posed difficulties on the operation of the small-to-medium sized enterprises to a certain extent. Facing such unfavourable business environment, the Group actively overcame all difficulties. For the six months ended 30 June 2011, the turnover of the Group amounted to RMB253,989,337, up 33.8% as compared to the corresponding period last year (30 June 2010: RMB189,788,511), while the turnover of the Group for the three months ended 30 June 2011 was RMB138,206,230, up 44.6% as compared to the corresponding period last year. For the six months ended 30 June 2011, although the consolidated gross profit margin slightly decreased from 18.8% to 18.2%, the consolidated gross profit of the Group rose to RMB46,164,040 (30 June 2010: RMB35,755,709), representing a year-on-year increase of 29.1% as compared to 2010. During the period under review, profit attributable to the owners of the Company was RMB3,128,819 (30 June 2010: RMB2,065,599), representing a year-on-year increase of 51.4%. Earnings per share of the Company was 0.22 cents (30 June 2010: RMB0.15 cents).

For the six months ended 30 June 2011, approximately 81.55% of the total turnover was generated from the sales of biological compound fertilizer products while the sales of the medical and health products accounted for the rest.

The Board does not recommend any interim dividend (2010: Nil).

Fertilizer products

During the six months ended 30 June 2011, the sales of our biological compound fertilizer products was RMB207,115,682, up 38.15% as compared to the corresponding period last year.

Starting from the beginning of this year, extreme weather took place frequently. Rainfalls in most of the winter wheat regions in the north has been relatively low from March to mid May, resulting in light to moderate drought in the farmlands of some regions, while rainfalls in the middle and lower parts of Yangtze River has been lower than expected and the drought was severe. On the other hand, stronger rainfalls recorded in several regions in Jiangxi, Hunan, Guangdong and Guangxi since the late of May, causing flood damages to those regions. The

sudden turn from drought to floods in the middle and lower parts of Yangtze River had a great impact on farm production. In addition, the ongoing rises in the price of the raw materials of compound fertilizers since the second quarter kept adding pressure to the costs of enterprises producing compound fertilizers. In such tough situation of the chemical fertilizer market, the Group proactively adjusted its product structure and market strategies to improve its fertilizer business steadily. For the six months ended 30 June 2011, the gross profit margin of the fertilizer business increased slightly to 12.58% from 12.52%, while gross profit increased to RMB26,055,571, representing a year-on-year increase of 38.84% as compared to last year.

Medical and health products

For the six months ended 30 June 2011, the sales of the Group's medical and health products was RMB46,873,655, representing an increase of 17.5% as compared to the corresponding period last year. The increase was attributable to an increase in the sales of sugar-reducing health foods and sugar-free foods under the "Alpha" brand which are beneficial to the health of human body. The gross profit margin of "Alpha" products for the six months ended 30 June 2011 was 42.90% (30 June 2010: 44.67%), as the decrease was mainly due to an increase in the production costs resulting from a rise in price of raw materials.

Distribution and selling

For the six months ended 30 June 2011, the Group's distribution and selling expenses amounted to RMB20,212,276. In the backdrop that there was a significant increase of 33.8% in the consolidated turnover of the Group as compared to the corresponding period last year, the increase of 3% in distribution and selling expenses as compared to the corresponding period last year (30 June 2010: RMB19,627,382) was merely a rough increment. In view of the keen market competition in both industries this year, the Group took effective marketing measures to expand the markets actively while controlling the relevant costs reasonably.

Research and development and administration

For the six months ended 30 June 2011, R&D and administration expenses of the Group were approximately RMB17,428,858 (30 June 2010: RMB15,506,989), accounting for 6.8% of the turnover of the first half of this year, representing a slight decrease as compared to 8.1% for the first half of last year. When considering researches and development of new products or products improvement, the Group is basically market-oriented and maximizes the efficiency in the use of capital as far as possible yet placing reasonable control on the administration expenses at the same time.

The total number of the employees of the Group slightly decreased from 715 as at 31 December 2010 to 708 as at 30 June 2011, which was a normal employee turnover.

Future Outlook

As an essential agriculture related industry, there is no doubt that chemical fertilizer industry is greatly influenced by the international food prices and the PRC government's policies on agriculture, rural areas and farmers. Global food prices have been showing a surging upward trend since the second half of 2010. In light of the intense food supply worldwide, the primary

goal of the PRC's farming industry during the "Twelfth Five Year" period is to safeguard the food of the country, and in the coming five years, helping farmers in increasing their income continuously in a fast pace will remain the primary target of the PRC government. In No.1 Document 2011 issued by the PRC central government, the focus was still on the issue of agriculture, rural areas and farmers, pointing that investment in the construction of infrastructure facilities in the rural areas would substantially increase, hence, this certainly sets an important foundation for a stable chemical fertilizer market. In the "Development Guide of Petroleum and Chemical Industry during 'Twelfth Five Year' period" (《石油和化學行業「十二五」發展指南》) prepared by the China Petroleum and Chemical Industry Association (中國石油和化學工業聯合會), it was stated that the state would promote the development of new types of fertilizers such as complex fertilizers, specialty fertilizers and slow release chemical fertilizers, biological fertilizers, completely water-soluble fertilizers and liquid fertilizers. Though, currently, compound fertilizers industry possesses a larger room for development in the PRC, the market competition is very keen. With its own edges and bottoming on the characteristics of the changing market, the Group will adopt an active and efficient marketing strategy and keep expanding and consolidating the channels in the markets by leveraging on the new types of fertilizers developed, such as slow release chemical fertilizers and soil conditioner, to further enlarge its market share.

In recent two years, medical and health products have expanded in a faster pace due to the rapid development in the PRC's economy, increasing income of residents, changing living style of people and rising education level. As our country is suffering from diabetes the most, it is certain that the PRC will become the country consuming the largest amount of food products for controlling blood sugar level and sugar-free products. In particulars, the upward momentum of the sugar-free food products has been extremely obvious as a novice in the food industry. At present, the trend of consumption shows a development from the coast to inland, from the south to north, from economically developed regions to economically undeveloped region and from special groups of people to the public, and sugar-free food products will become a major driver for market growth in the food industry for quite a long period in the future. While the Group's medical and health products are providing healthy and abundant food to diabetes patients, we will capitalise on the influence of the Group's "Alpha" brand to progressively expand our market to sugar-free food products, and dedicate to keep the growing momentum in the sales of the medical and health products of the Group by constantly satisfying the consumption needs of the general public according to the trend of development of sugar-free food products.

2011 is a year full of challenges. With the priority of further enhancing the profitability, the Group will proactively respond to the complicating market environment in the second half this of this year so as to seize every opportunity to expand the business and will be committed to achieve fruitful operating results for the Group.

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

As at 30 June 2011, the interests of the directors, supervisors and chief executives 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 positions in ordinary shares of RMB0.1 each in the Company:

Directors/supervisors/ chief executives	Number of shares held and nature of interests				Total	Percentage of the issued share capital
	Personal	Family	Corporate	Other		
Mr. Zhang Chunsheng		2,415,000 <i>(note 1)</i>	180,000,000 <i>(note 2)</i>		182,415,000	12.85%
Mr. Xie Kehua	9,000,000 <i>(note 3)</i>	–	–	–	9,000,000	0.63%

Note 1: Mr. Zhang Chunsheng is deemed to be interested in 2,415,000 H shares due to his wife's, Jin Ling, personal interest in such H shares.

Note 2: Such shares are held by Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment"), and Mr. Chang Chunsheng is the beneficial owner of 100% interest in Xiangyong Investment. All the shares represent domestic shares.

Note 3: Mr. Xie Kehua is personally interested in 9,000,000 domestic shares. Mr. Xie Kehua has resigned as an executive Director on 10 June 2011.

Save as disclosed above, as at 30 June 2011, none of the directors, supervisors and chief executives of the Company had interest in any securities, 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 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) to be notified to the Company and the Exchange pursuant to the Model Code for Securities Transactions by directors relating to securities transactions by directors as set out in GEM Listing Rules 5.46 to 5.67.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

At no time during the period under review was the Company, its subsidiaries or its holding company a party to any arrangement that enables 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 acquiring shares in the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, 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 required to be 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 positions in ordinary shares of RMB0.1 each in the Company:

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

Note: All represented domestic shares.

Save as disclosed above, as at 30 June 2011, the directors of the Company were not aware of any other person (other than the directors and the supervisors of the Company) who had any 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.

MATERIAL ACQUISITION AND CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 17 June 2011, in which the Company entered into an acquisition agreement to acquire a 25% equity interest in Tianjin Alpha Healthcare Products Co., Ltd. (“Alpha”), a subsidiary of the Company, at the consideration of RMB4,600,000 (equivalent to approximately HK\$5,540,000). The consideration was determined by the vendor and the Company after arm’s length negotiation with reference to the asset valuation of RMB19,260,000 of Alpha.

The Group previously owned 75% equity interest in Alpha. As Alpha is at the stage of profit growth, the control of a 100% equity interest in Alpha will allow the Group to capture of all profits of Alpha. The directors (including all the independent non-executive Directors) considered that the terms of the acquisition agreement are fair and reasonable and in the interest of the Company and its shareholders as a whole.

RE-DESIGNATION OF DIRECTOR AND CHANGE OF VICE-CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

During the period under review, Mr. Hao Zhihui, an executive Director, has been appointed as the vice-chairman of the Board and resigned as the chief executive officer of the Company on 20 April 2011. The Board also announced that Mr. Zhang Chunsheng has been appointed as the chief executive officer of the Company on 20 April 2011.

CHANGE OF DIRECTORS AND SUPERVISOR

During the period under review, Mr. Xie Kehua, an executive Director, Mr. Wei Jingquan, a non-executive Director and Mr. Zhao Tingying, a supervisor resigned as an executive Director, a non-executive Director and a supervisor of the Company, respectively on 10 June 2011. On 8 August 2011, the Company has convened an extraordinary general meeting and approved the appointments of Mr. Zhang Chunsheng as an executive Director, Mr. Ou Linfeng as a non-executive Director and Ms. Liu Jinyu as a supervisor of the Company for a term expiring on 31 December 2013.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the period under review, the Group's main source of finance was banking facilities granted by various banks in China. As at 30 June 2011, the cash and bank balance of the Group was approximately RMB14,237,080 (31 December 2010: RMB51,945,433) and short-term bank borrowings were RMB89,500,000 (31 December 2010: RMB77,500,000). The bank borrowings provided by various banks in China were denominated in RMB and at fixed interest rates between 5.3% and 7.8% (31 December 2010: between 5.3% and 7.0%). The majority of the bank borrowings amounting to RMB15,000,000 and RMB18,000,000 will be due on 23 September 2011 and 17 December 2011 respectively.

As at 30 June 2011, total asset of the Group amounted to approximately RMB312,425,001 (31 December 2010: RMB309,073,258), which was financed by current liabilities of approximately RMB140,497,508 (31 December 2010: RMB137,375,650), shareholders' equity of RMB144,189,390 (31 December 2010: RMB141,060,571) and minority interests of approximately RMB27,738,103 (31 December 2010: RMB25,637,037).

As at 30 June 2011, the gearing ratio of the Group (which is the ratio between the total bank borrowings and total assets) was 0.29 (31 December 2010: 0.27). The current ratio of the Group (which is the ratio between the current assets and current liabilities) was 1.36 (31 December 2010: 1.38).

THE GROUP'S PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2011, the Group charged the buildings, land use rights and inventories of its subsidiaries which amounted to approximately RMB83,483,706 to secure loans granted by a licensed bank in China to its subsidiary.

The Company provided guarantees of RMB34,000,000 (2010: RMB18,000,000) in respect of bank loans granted to several subsidiaries.

FOREIGN CURRENCY RISK

As all the sales of the Group were domestic sales settled in RMB and most of the payables to suppliers were also settled in RMB, the Group was not exposed to substantial foreign currency risk.

TREASURY POLICY

Since the Group was not exposed to foreign currency risk, the bank borrowings were denominated in RMB and generally renewed yearly upon maturity. During the period, any cash balances were deposited in licensed banks in China.

COMPETING INTERESTS

During the six months ended 30 June 2011, none of the directors, the supervisors, or the management shareholders and their respective associates (as defined in the 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 that are required to be disclosed pursuant to the GEM Listing Rules.

AUDIT COMMITTEE

The rights and responsibilities of the audit committee of the Company were clearly set out in a written terms of reference, the provisions of which were prepared and adopted with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. The audit committee of the Company is the essential bridge between the Board and the auditors of the Company regarding matters relating to auditing. It also reviews the efficiency of the external and internal auditing as well as the internal control and risk assessment. The audit committee of the Company consists three independent non-executive Directors, being Mr. Guan Tong, Mr. Wu Chen and Mr. Cao Kai.

The committee has reviewed the Group's interim results and interim report for the six months ended 30 June 2011.

SHARE OPTION SCHEME

During the six months ended 30 June 2011, none of the directors, supervisors or employees of the Company or other participants of the share option scheme of the Company were granted with options to subscribe for the H shares of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the period under review for the first half of 2011.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period under review, the Company has not redeemed any of its shares. There was no purchase, sale or redemption of shares in the Company made by the Company or any of its subsidiaries during the period under review for the first half of 2011.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to establishing and maintaining good corporate governance practice code and procedures. The corporate governance principles with which the Company complies emphasize on an efficient Board and perfect internal control, as well as the transparency to all of the shareholders. For the six months ended 30 June 2011, the Company has adopted the principles of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules and has complied with all the code provisions.

By order of the Board
Wang Shuxin
Chairman

Tianjin, the PRC, 10 August 2011

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Wang Shuxin, Mr. Hao Zhihui and Mr. Zhang Chunsheng; 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. Cao Kai.

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.