



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 2012**

### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)**

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## **HIGHLIGHTS**

- Turnover of the Group for the six months ended 30 June 2012 amounted to RMB322,093,399, representing an increase of 26.81% as compared to the same period of last year (30 June 2011: RMB253,989,337).
- Consolidated gross profit of the Group for the six months ended 30 June 2012 amounted to RMB50,934,196, representing an increase of 10.33% as compared to the same period of last year (30 June 2011: RMB46,164,040).
- Profit attributable to the equity owners of the Company for the six months ended 30 June 2012 was RMB2,705,483 (30 June 2011: RMB3,128,819); the earnings per share of the Company was RMB0.19 cents (30 June 2011: RMB0.22 cents).
- The Board does not recommend the payment of dividend for the six months ended 30 June 2012.

## 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 2012, together with the comparative figures of the corresponding period in 2011 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	
		2012 (Unaudited) <i>RMB</i>	2011 (Unaudited) <i>RMB</i>	2012 (Unaudited) <i>RMB</i>	2011 (Unaudited) <i>RMB</i>
Turnover	2	<b>322,093,399</b>	253,989,337	<b>179,961,830</b>	138,206,230
Cost of sales		<b>(271,159,203)</b>	(207,825,297)	<b>(152,378,277)</b>	(116,103,064)
Gross profit		<b>50,934,196</b>	46,164,040	<b>27,583,553</b>	22,103,166
Other income and net gains		<b>485,548</b>	726,916	<b>438,647</b>	503,360
Selling and distribution costs		<b>(21,578,391)</b>	(20,212,276)	<b>(11,182,689)</b>	(9,311,348)
R&D and administrative expenses		<b>(23,615,943)</b>	(17,428,858)	<b>(13,654,729)</b>	(7,626,601)
Finance costs	3	<b>(3,505,754)</b>	(3,495,156)	<b>(1,675,814)</b>	(1,935,892)
Profit before taxation		<b>2,719,656</b>	5,754,666	<b>1,508,968</b>	3,732,685
Income tax	5	<b>(18,421)</b>	(524,781)	<b>(18,421)</b>	(142,570)
Profit and comprehensive income for the period		<b>2,701,235</b>	5,229,885	<b>1,490,547</b>	3,590,115
Attributable to:					
Owners of the Company		<b>2,705,483</b>	3,128,819	<b>1,605,286</b>	2,330,898
Non-controlling interests		<b>(4,248)</b>	2,101,066	<b>(114,739)</b>	1,259,217
		<b>2,701,235</b>	5,229,885	<b>1,490,547</b>	3,590,115
Earnings per share					
– Basic (RMB)		<b>0.19 cents</b>	0.22 cents	<b>0.11 cents</b>	0.16 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

		<b>30 June 2012 (Unaudited) RMB</b>	31 December 2011 (Audited) RMB
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		<b>77,731,525</b>	80,077,920
Goodwill		<b>3,133,932</b>	3,133,932
Available-for-sale financial assets		<b>3,000,000</b>	3,000,000
Prepaid land lease payments		<b>19,452,456</b>	17,183,824
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>103,317,913</b>	103,395,676
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		<b>81,797,077</b>	75,798,020
Trade and bills receivables	8	<b>94,561,392</b>	56,081,170
Prepayments and other receivables	9	<b>20,746,754</b>	56,687,196
Restricted bank deposits		<b>3,000,000</b>	–
Bank balances and cash		<b>17,042,239</b>	32,336,570
		<hr/>	<hr/>
<b>Total current assets</b>		<b>217,147,462</b>	220,902,956
		<hr/>	<hr/>
<b>Total assets</b>		<b>320,465,375</b>	324,298,632
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and bills payables	10	<b>56,039,201</b>	13,086,695
Other payables and accruals	11	<b>16,086,371</b>	37,157,536
Tax payable		<b>1,727,459</b>	2,143,292
Bank borrowings		<b>65,500,000</b>	93,500,000
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>139,353,031</b>	145,887,523
		<hr/>	<hr/>
<b>Net current assets</b>		<b>77,794,431</b>	75,015,433
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>181,112,344</b>	178,411,109
		<hr/>	<hr/>

		<b>30 June 2012 (Unaudited) RMB</b>	31 December 2011 (Audited) RMB
<b>Non-current liabilities</b>			
Bank borrowings		—	—
<b>Net Assets</b>		<b><u>181,112,344</u></b>	<b><u>178,411,109</u></b>
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	<i>12</i>	<b>142,000,000</b>	142,000,000
Reserves		<b><u>16,744,029</u></b>	<u>14,038,546</u>
Equity attributable to owners of the company		<b>158,744,029</b>	156,038,546
<b>Non-controlling interests</b>		<b><u>22,368,315</u></b>	<u>22,372,563</u>
<b>Total equity</b>		<b><u>181,112,344</u></b>	<b><u>178,411,109</u></b>

## CONDENSED CONSOLIDATED CASH STATEMENT

	<b>For the six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB</b>	<b>RMB</b>
<b>Cash flows from operating activities</b>		
Cash used in operation	7,440,955	(32,714,107)
Interests received	29,455	111,167
Income tax paid	(1,164,897)	(472,290)
Interests paid	(3,839,751)	(3,108,243)
	<u>2,465,762</u>	<u>(36,183,473)</u>
<b>Net cash used in operating activities</b>		
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(5,303,293)	(8,577,080)
Repayment to ex-shareholders of a subsidiary	–	–
Sales of property, plant and equipment	158,200	52,200
	<u>(5,145,093)</u>	<u>(8,524,880)</u>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Proceeds from short-term/long-term bank borrowing	32,500,000	43,500,000
Repayment of short-term bank borrowings	(42,000,000)	(36,500,000)
Payment of guarantee fee on bank borrowings	115,000	–
Proceeds from placing of new H shares	–	–
	<u>(9,615,000)</u>	<u>7,000,000</u>
<b>Net cash used in financing activities</b>		
<b>NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES</b>	<b>(12,294,331)</b>	<b>(37,708,353)</b>
<b>CASH AND BANK BALANCES AT THE BEGINNING OF THE PERIOD</b>	<b>32,336,570</b>	<b>51,945,433</b>
	<u>32,336,570</u>	<u>51,945,433</u>
<b>CASH AND BANK BALANCES AT THE END OF THE PERIOD</b>	<b>20,042,239</b>	<b>14,237,080</b>
	<u>20,042,239</u>	<u>14,237,080</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital		Share premium		Surplus reserve		Capital reserve		Accumulated Losses		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	RMB	RMB	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	2,385,483	1,515,000	2,541,404	2,541,404	(66,704,751)	(80,812,243)	156,038,546	141,060,571
Net profit attributable to equity holders of the Company for the three months ended 31 March	-	-	-	-	-	-	-	-	1,100,197	797,921	1,100,197	797,921
Balance as at 31 March	<u>142,000,000</u>	<u>142,000,000</u>	<u>75,816,410</u>	<u>75,816,410</u>	<u>2,385,483</u>	<u>1,515,000</u>	<u>2,541,404</u>	<u>2,541,404</u>	<u>(65,604,554)</u>	<u>(80,014,322)</u>	<u>157,138,743</u>	<u>141,858,492</u>
Net profit attributable to equity holders of the Company for the three months ended 30 June	-	-	-	-	-	-	-	-	1,605,286	2,330,898	1,605,286	2,330,898
Balance as at 30 June	<u>142,000,000</u>	<u>142,000,000</u>	<u>75,816,410</u>	<u>75,816,410</u>	<u>2,385,483</u>	<u>1,515,000</u>	<u>2,541,404</u>	<u>2,541,404</u>	<u>(63,999,268)</u>	<u>(77,683,424)</u>	<u>158,744,029</u>	<u>144,189,390</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 RMB63,999,268 as at 30 June 2012. 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 2012 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 2011.

### 2. Turnover

The Group's turnover is derived principally from the sales of fertilizer products and health care 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	
	2012 RMB	2011 RMB	2012 RMB	2011 RMB
Turnover				
Fertilizer products	<b>289,180,471</b>	207,115,682	<b>165,417,040</b>	122,342,621
Health care products	<b>32,912,928</b>	46,873,655	<b>14,544,790</b>	15,863,609
	<b><u>322,093,399</u></b>	<u>253,989,337</u>	<b><u>179,961,830</u></b>	<u>138,206,230</u>

### 3. Finance expense

	For the six months ended 30 June		For the three months ended 30 June	
	2012 RMB	2011 RMB	2012 RMB	2011 RMB
Interest expense on bank loans and bank charges	<b>3,505,754</b>	3,495,156	<b>1,675,814</b>	1,935,892
	<b><u>3,505,754</u></b>	<u>3,495,156</u>	<b><u>1,675,814</u></b>	<u>1,935,892</u>



#### 4. Loss before tax

	For the six months ended 30 June	
	2012 RMB	2011 RMB
Depreciation of property, plant and equipment	3,892,041	4,982,070
Amortization of intangible asset	248,795	233,340
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 25% for the year (2011:24%).

The Company has not provided for any EIT (2011: 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% (2011:15%) 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 (2011: 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%(2011:15%) for the period from 8 June 2009 to 7 June 2012.

##### (b) Income tax expense

	For the six months ended 30 June	
	2012 RMB’000	2011 RMB’000
Current Tax		
Hong Kong	Nil	Nil
Other Jurisdictions	18	525

The income tax charge in Hong Kong is Nil for the period ended 30 June 2012 (June 2011:Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is 18,421 for the period ended 30 June 2012 (June 2011: 524,781).

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

	<b>For the six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	<b>RMB'000</b>
Profit before tax	<b>2,720</b>	5,755
Tax calculated at the EIT rate of 25%	<b>680</b>	1,439
Tax rate differential	<b>(257)</b>	(447)
Effect of tax holiday exemption	–	–
Effect of the tax losses on consolidation	<b>(405)</b>	(467)
Tax effect of expenses that are not deductible in determining taxable profit	–	–
	<u>–</u>	<u>–</u>
Tax expense for the period	<b>18</b>	525
	<u>18</u>	<u>525</u>

#### 6. Profit per share

For the six months ended 30 June 2012, the calculation of profit per share is based on the Group's profit attributable to equity holders of RMB2,705,483 (June 2011: profit of RMB3,128,819), divided by the total number of shares issued by the Company of 1,420,000,000 shares (June 2011: 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 RMB5,303,293 (2011: RMB8,577,080) on the acquisition of property, plant and equipment. The increase of the spending of property, plant and equipment is primarily attributable to the Group's projects in compound fertilizer.

#### 8. Trade receivable, current assets

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.

	<b>30 June</b>	31 December
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Audited)
	<b>RMB</b>	<b>RMB</b>
Trade receivable, current assets	<b>99,900,410</b>	60,005,285
Provision for doubtful accounts	<b>(5,339,018)</b>	(3,924,115)
	<u>94,561,392</u>	<u>56,081,170</u>
Trade receivable, net	<b>94,561,392</b>	56,081,170

The aging analysis of trade receivable, current assets is as follows:

	<b>30 June 2012 (Unaudited) RMB</b>	31 December 2011 (Audited) RMB
Within 3 months	<b>85,086,926</b>	41,067,899
Over 3 months but within 6 months	<b>9,502,464</b>	11,845,354
Over 6 months	<b>5,311,020</b>	7,092,032
	<b><u>99,900,410</u></b>	<u>60,005,285</u>

**9. Prepayments and other receivables**

	<b>30 June 2012 (Unaudited) RMB</b>	31 December 2011 (Audited) RMB
Other receivables ( <i>note a</i> )	<b>5,914,871</b>	15,069,966
Less: allowance for doubtful debts	<b>(2,288,080)</b>	(2,288,080)
	<b><u>3,626,791</u></b>	<u>12,781,886</u>
Deposits and prepayments ( <i>note a</i> )	<b>17,119,963</b>	43,905,310
	<b><u>20,746,754</u></b>	<u>56,687,196</u>

(a) Subsidiaries of the company decreased prepayments.

**10. Trade and bills payables**

The aging analysis of trade payable is as follows:

	<b>30 June 2012 (Unaudited) RMB</b>	31 December 2011 (Audited) RMB
Within 3 months	<b>45,048,868</b>	8,318,545
Over 3 months but within 6 months	<b>4,032,254</b>	1,989,570
Over 6 months	<b>6,958,079</b>	2,778,580
	<b><u>56,039,201</u></b>	<u>13,086,695</u>

## 11. Other payables and accruals

	<b>30 June 2012 (Unaudited) RMB</b>	31 December 2011 (Audited) RMB
Other payables	<b>6,559,845</b>	17,982,319
Accruals	<b>2,221,784</b>	3,876,052
Receipt in advance ( <i>note a</i> )	<b>7,304,742</b>	12,638,830
Payables to Social Security Fund	–	2,660,335
	<b><u>16,086,371</u></b>	<b><u>37,157,536</u></b>

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

## 12. Share capital

	<b>30 June 2012</b>		31 December 2011	
	<b>Number of shares</b>	<b>Nominal value RMB'000</b>	Number of shares	Nominal value RMB'000
Registered	<b><u>1,420,000,000</u></b>	<b><u>142,000</u></b>	<u>1,420,000,000</u>	<u>142,000</u>
Issued and fully paid				
Domestic shares of RMB0.1 each	<b><u>715,000,000</u></b>	<b><u>71,500</u></b>	<u>715,000,000</u>	<u>71,500</u>
H shares of RMB0.1 each	<b><u>705,000,000</u></b>	<b><u>70,500</u></b>	<u>705,000,000</u>	<u>70,500</u>
	<b><u>1,420,000,000</u></b>	<b><u>142,000</u></b>	<b><u>1,420,000,000</u></b>	<b><u>142,000</u></b>

## 13. Capital commitments

As of 30 June 2012, 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 RMB35.0 million (2011:RMB34.0 million).

## **DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (June 2011:Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

The Group is mainly engaged in two sectors: biological compound fertilizer products, including series of biological compound fertilizer products under the brand of “Fulilong” used for the promotion of balanced growth of grains and fruit and vegetables, and health care products, including series of health care products under the brand of “Alpha”, covering diabetic health care products with the function of regulating the blood sugar level and sugar-free products beneficial to the health of human body. Given the increasingly complicated economic environment in the middle of the year, the two sectors that the Group is engaged in also confronted challenges.

#### *Fertilizer products*

Since the beginning of 2012, in order to promote the construction of modern agriculture, the financial department of the central government in the PRC has taken measures to implement the policies for supporting food production, assisting in the development of featured industries which enjoy edges, and supporting the promotion of agricultural technologies and the construction of the service system. Against the backdrop of such policy support on the agricultural development and the beginning of the spring plowing season, the domestic demand for agricultural chemical products, including compound fertilizers, was robust. Furthermore, as the facts that the National Development and Reform Commission raised the purchase price of grains and the government stepped up its subsidies towards agriculture are conducive to increasing the farmers’ income and arousing their enthusiasm for growing agricultural plants, the development of the compound fertilizer market had been positively promoted. However, there are still various problems in the fertilizer industry in the PRC, such as excessive over-capacity, malign market competition, significant fluctuation in the prices of raw materials and irregularity of the industrial regulations. In view of the adverse operating environment, the Group adjusted its strategic layout accordingly through the innovation in products and marketing techniques, which contributed to the gradual improvement in the operating results of the Group’s compound fertilizer business.

#### *Health care products*

There are over 10,000 types of health care products that have been approved to be launched into the market in recent years with approximately 1,700 manufacturers and annual sales of more than RMB200.0 billion. The health care product market in the PRC has become the fourth largest in the world, just behind the U.S., the European Union and Japan. With the continuously improved living standards and consumption capability of the domestic residents, the pursuit of high quality life and a scientific and reasonable health cultivation concept has been driving the consumers to opt for health care products. However, the health care product industry in the PRC also suffers from a series of problems, including the industrial

restructuring, the structural transformation of the market, the building of trust, the innovation in the means of marketing and the capability supporting the scientific development. In addition, as the relevant authorities of the government have imposed increasingly stringent supervision over food, especially the health care products, entrusted processing and manufacturing of food will be closely monitored. In addition to fully leveraging on the good reputation of the “Alpha” brand in the health care product market, the Group has also been constantly developing certain new types of health care products in response to the changing market and has taken all the necessary measures to strive to overcome the impact of insufficient production capacity on the market.

During the period under review, in view of various negative factors in our operating environment, the Group implemented innovative marketing strategies and product designs while actively expanding and consolidating its market share, so as to ensure the overall sustainable profitability of the Group.

## **Finance Review**

### *Turnover, gross profit and gross profit margin*

For the six months ended 30 June 2012, the Group achieved total turnover of RMB322,093,399, representing an increase of 26.81% as compared to the same period of last year (30 June 2011: RMB253,989,337), of which, the Group recorded turnover of RMB289,180,471 for compound fertilizer products, representing an increase of 39.62% as compared to the same period of last year (30 June 2011: RMB207,115,682); the Group recorded turnover of RMB32,912,928 for health care products, representing a decrease of 29.78% as compared to the same period of last year (30 June 2011: RMB46,873,655).

For the six months ended 30 June 2012, the overall gross profit of the Group was RMB50,934,196, representing an increase of 10.33% as compared to the same period of last year (30 June 2011: RMB46,164,040); the consolidated gross profit margin of the Group was 15.81%, representing a decrease as compared to the same period of last year (30 June 2011: the consolidated gross profit margin was 18.18%), mainly due to the significant increase in the purchase price of raw materials and the labor cost for production in the first half of this year.

### *Selling and distribution costs*

For the six months ended 30 June 2012, selling and distribution costs of the Group were RMB21,578,391, on the premise of a substantial increase of 26.81% in total turnover in the first half of the year, representing only an increase of 6.76% as compared to the same period of last year (30 June 2011: RMB20,212,276), which was mainly due to the significant increase in the sales resulted from the aggressive expansion of the market share of the Group’s biological compound fertilizer business as well as the Company’s profitability secured by the active adjustment of marketing strategies and the reasonable control over selling expenses.

### *Research and development and administrative expenses*

For the six months ended 30 June 2012, research and development and administrative expenses of the Group were RMB23,615,943 (30 June 2011: RMB17,428,858), accounting for 7.33% of the total turnover, slightly higher than the proportion of the research and development and administrative expenses to the total turnover for the same period of last year (30 June 2011: 6.86%). During the period under review, the increase in such expenses of the Group was mainly due to the continued increase in the labor cost and the increase in the expenses relating to the research and development of new products.

### *Finance costs*

For the six months ended 30 June 2012, finance costs of the Group were RMB3,505,754, representing a slight increase as compared to the same period of last year (30 June 2011: RMB3,495,156), the details of which are set out in Note 3 to the accompanying accounts.

### *Profit for the year*

For the six months ended 30 June 2012, the profit attributable to the equity owner of the Company was RMB2,705,483, representing a decrease of 13.53% as compared to the same period of last year (30 June 2011: RMB3,128,819); earnings per share of the Company were RMB0.19 cents (30 June 2011: RMB0.22 cents).

## **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 the PRC. As at 30 June 2012, the cash and bank balance of the Group was approximately RMB17,042,239 (31 December 2011: RMB32,336,570) and bank borrowings were RMB65,500,000 (31 December 2011: RMB93,500,000). The bank borrowings provided by various banks in the PRC were denominated in RMB and at fixed interest rates between 6.31% and 8.50% (31 December 2011: between 5.6% and 8.5%). Certain bank borrowings amounting to RMB33,000,000 and RMB32,500,000 in aggregate will be due in the second half of the year and in the first half of 2013, respectively.

As at 30 June 2012, total asset of the Group amounted to approximately RMB320,465,375 (31 December 2011: RMB324,298,632), with current liabilities of approximately RMB139,353,031 (31 December 2011: RMB145,887,523), shareholders' equity of RMB158,744,029 (31 December 2011: RMB156,038,546) and minority interests of approximately RMB22,368,315 (31 December 2011: RMB22,372,563).

As at 30 June 2012, the consolidated asset debt ratio of the Group, which is the ratio between the total liabilities and the total assets, was 0.43 (31 December 2011: 0.45). The gearing ratio of the Group, which is the ratio between the total bank borrowings and total assets, was 0.20 (31 December 2011: 0.29). The current ratio of the Group, which is the ratio between the current assets and the current liabilities, was 1.56 (31 December 2011: 1.51).

## **PLEDGE OF ASSETS AND CONTINGENT LIABILITIES**

As at 30 June 2012, the Company had contingent liabilities amounting to RMB35,000,000 (31 December 2011: RMB33,000,000) in connection with the guarantee provided by the Company to secure the bank loans granted to its 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.

## **FUTURE OUTLOOK**

At present, the Ministry of Agriculture has initiated the 2012 Pilot Project for the Promotion of Formula Fertilizers by the Cooperation of Farmers and Enterprises Nationwide with a view to pushing forward scientific fertilization, from which the enterprises engaged in the compound fertilizer sector will benefit the most. Compound fertilizer is in line with the development direction of balanced fertilization due to its convenient application, comprehensive nutrition, high utilization rate and relatively fast pace of promotion. In particular, a variety of new types of fertilizers, such as release chemical fertilizers, water soluble fertilizers and organic fertilizers, have been launched into the market in the past two years, which represents the future development direction of compound fertilizers and indicates a promising prospect for future development. Guangdong Fulilong Compound Fertilizers Company Limited, a subsidiary of the Group, has entered into an agreement with South China Agricultural University to fully cooperate with each other and jointly construct South China Agricultural University – Fulilong Active Fertilizers Engineering Technical Centre, which will mainly focus on the application and promotion of the activation technology of new fertilizer products. The Group believes that, the continuous development of new types of fertilizer products will bring greater economic and social efficiencies.

In addition, as for the health care products, the government included “the nutrient and health care food manufacturing industry” in the National Twelfth Five-Year Plan for the Food Industry as a prior industry for development in the PRC for the first time. By 2015, the value of the nutrient and health care food industry in the PRC will reach RMB1 trillion with an annual growth rate of 20%. Benefiting from various favorable governmental policies, the health care food industry will present great market vitality and a huge potential for development. Under the macro background where the consumption capabilities of the residents are constantly improving and the society is in face of the aging problem, the development of the health care product industry in the PRC will be further accelerated. In consideration of



the Group's operating strategy, Tianjin Alpha HealthCare Products Co., Ltd, a subsidiary of the Group, has cooperated with Tianjin University of Science and Technology to focus on the development of new types of health care products that meet the market demand, with a view to further consolidating the position of "Alpha" brand in the health care food market.

Looking into the future, due to the uncertainties in China's economic development in the second half of the year, the sectors that the Group is engaged in will also be subject to certain risks and challenges. In view of such risks and challenges, the Group will focus its efforts in drawing up contingency plans beforehand, accordingly, and further consolidating its market share and striving to promote its profitability in the second half of the year. The Board of the Group hopes that, with the concerted efforts of all the fellow members, the operating results of the Group will further improve in 2012.

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

As at 30 June 2012, the interests of the directors and the supervisors of the Company and their respective associates in the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) were as follows:

### **Long positions in ordinary shares of RMB0.1 each in the Company:**

Directors/Supervisors/ Key Executives	Personal	Family	Corporate	Other	Total	Percentage of the issued share capital
Mr. Zhang Chunsheng	–	2,415,000 <i>(Note 1)</i>	180,000,000 <i>(Note 2)</i>	–	182,415,000	12.85%

*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. Zhang Chunsheng is the beneficial owner of 100% interest in Xiangyong Investment. All the shares represent domestic shares.

Save as disclosed in this paragraph, as at 30 June 2012, none of the directors, the supervisors and other executive officers of the Company had interests in any securities and underlying shares and debentures of the Company or any of its associated corporations, which were 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 were 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 to be 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 period under review was the Company, any of its subsidiaries or its holding company a party to any arrangement to enable the directors and the supervisors of the Company or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares of the Company.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, 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 shareholder	Capacity	Number of ordinary shares	Percentage of the share capital
Tianjin TEDA International Incubator (“TTII”)	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 Fertilizer”)	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 shares represent domestic shares

Save as disclosed above, as at 30 June 2012, 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 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 and/or who was 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.

## THE PLACING

Reference is made to the announcement of the Company dated 17 February 2012 and the notice and circular of the extraordinary general meeting of the Company (the “EGM”) dated 24 May 2012 (the “Circular”) in relation to the proposed placing of New Placing H Shares, proposed granting of a specific mandate and proposed amendments of articles of association of the Company. According to the poll results of the EGM, the above resolutions had been duly passed. Please refer to the results announcement of the EGM and the class meetings of the Company dated 10 July 2012 for details. Accordingly, the placing agent (Guosen Securities (Hong Kong) Capital Co., Ltd) has conditionally agreed to place, on a best efforts basis, not more than 192,500,000 H Shares at the placing price.

**Investors should be aware that, apart from the Shareholders’ approvals at the EGM and the class meetings, the placing is still subject to the satisfaction of a number of conditions which are more particularly set out in the paragraph headed “Conditions of the Placing Agreement” in the Circular.**

## COMPETING INTERESTS

During the six months ended 30 June 2012, none of the directors, the supervisors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) competed or may compete with the business of the Group, or had or may have any other conflicts of interest with the Group required to be disclosed pursuant to the GEM Listing Rules.

## AUDIT COMMITTEE

The Company has prepared and adopted written terms of reference for the Audit Committee with reference to “A Guide for the Formation of an Audit Committee” published by the Hong Kong Institute of Certified Public Accountants, which set out the authorities and duties of the Audit Committee. The Audit Committee of the Company provides an important link between the Board and the Company’s auditors for the audit matters of the Group. It also reviews the effectiveness of both external and internal 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 Professor Cao Kai, 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 has reviewed the interim results and the interim report of the Group for the six months ended 30 June 2012.

## SHARE OPTION SCHEME

Pursuant to the Company’s share option scheme (the “Scheme”) conditionally approved by a resolution of the shareholders of the Company dated 25 May 2002, the Company may grant options to the key full-time employees of the Group to subscribe H Shares in the Company subject to the terms and conditions stipulated therein. The Scheme remained in force for ten years until 24 May 2012.

During the six months ended 30 June 2012, none of the directors or supervisors or employees of the Company or other participants of the share option scheme of the Company were granted any option to subscribe for the H shares of the Company in the remaining period of validity of the scheme.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered or exited during the first half of 2012 under review.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

The Company did not redeem any of its shares during the period under review. Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares during the first half of 2012 under review.

## **CORPORATE GOVERNANCE PRACTICES**

The Board and the management of the Company are committed to establishing and maintaining good corporate governance practice code and procedure. The corporate governance principles which the Company complies emphasize on an efficient board of directors and sound internal control, as well as the transparency presented to all of the shareholders. For the six months ended 30 June 2012, the Company has adopted the principles as set out in the Code on Corporate Governance Practices of 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, 8 August 2012

*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.*

*This announcement will remain on the "Latest Company Announcements" page of the Growth Enterprise Market website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the day of its posting and on the Company's website at [www.bioteda.com](http://www.bioteda.com).*