



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)

INTERIM REPORT 2008

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

HIGHLIGHTS

- For the six months ended 30 June 2008, turnover was increased by 53.88% from that of recorded in the corresponding period of last year and amounted to approximately RMB245,812,664.
- Gross profit increased by 88.69% from the corresponding period of last year to RMB37,201,077.
- For the six months ended 30 June 2008, the consolidated gross profit margin of the Group increased to 15.13% which is higher than that of 12.34% recorded in the corresponding period of last year. This was mainly due to the significant increase of gross profit margin of the Group's biological compound fertilizer products.
- Loss attributable to equity holders amounted to approximately RMB767,283, representing a decrease of 87.24% from that of recorded in the corresponding period of 2007.

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 2008, together with the comparative figures of the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the six months ended 30 June		For the three months ended 30 June	
		2008 (Unaudited) RMB	2007 (Unaudited) RMB	2008 (Unaudited) RMB	2007 (Unaudited) RMB
Turnover	2	245,812,664	159,740,678	125,170,022	72,239,970
Less: sales tax		—	—	—	—
Cost of sales		<u>(208,611,587)</u>	<u>(140,024,924)</u>	<u>(107,588,350)</u>	<u>(63,365,095)</u>
Gross profit		37,201,077	19,715,754	17,581,672	8,874,875
Other(expenditure)/revenue		(456,685)	(16,218)	(47,685)	56,275
Distribution and selling expense		(16,132,135)	(12,899,658)	(7,861,639)	(5,804,204)
R&D and administrative expenses		<u>(14,149,862)</u>	<u>(8,698,050)</u>	<u>(6,721,422)</u>	<u>(4,451,431)</u>
Operating profit/(loss)		6,462,395	(1,898,172)	2,950,926	(1,324,485)
Finance costs	3	(5,792,136)	(4,357,869)	(2,724,011)	(2,398,861)
Amortization of goodwill on consolidation		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit/(loss) before taxation		670,259	(6,256,041)	226,915	(3,723,346)
Taxation	5	<u>(621,649)</u>	<u>(146,585)</u>	<u>—</u>	<u>—</u>
Profit/(loss) for the period		<u>48,610</u>	<u>(6,402,626)</u>	<u>226,915</u>	<u>(3,723,346)</u>
Attributable to:					
Equity holders of the Company		(767,283)	(6,015,119)	(227,270)	(3,368,942)
Minority interests		<u>815,893</u>	<u>(387,507)</u>	<u>454,185</u>	<u>(354,404)</u>
		<u>48,610</u>	<u>(6,402,626)</u>	<u>226,915</u>	<u>(3,723,346)</u>
Loss per share		<u>(0.13) cents</u>	<u>(0.99) cents</u>	<u>(0.04) cents</u>	<u>(0.55) cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2008 (Unaudited)	31 December 2007 (Audited)
	<i>Notes</i>	<i>RMB</i>	<i>RMB</i>
Non-current assets			
Property, plant and equipment, net		107,592,206	106,004,768
Available-for-sale investment		3,000,000	3,000,000
Goodwill on consolidation		3,133,932	3,133,932
Investment in an associate		18,980,641	18,980,641
Trade receivable		1,815,818	1,815,818
Other receivable		6,119,116	6,119,116
Lease prepayments		5,963,959	6,112,515
		<u>146,605,672</u>	<u>145,166,790</u>
Current assets			
Inventories		64,468,228	51,278,714
Trade receivables	8	55,498,498	55,261,383
Prepayment and other receivables		22,503,986	25,747,242
Amounts due from related parties		2,764,988	2,764,988
Restricted bank deposits		17,150,000	27,800,000
Cash and bank balances		10,482,120	17,582,127
		<u>172,867,820</u>	<u>180,434,454</u>
Current liabilities			
Short-term bank borrowings		82,000,000	96,700,000
Trade and bills payables	9	78,972,031	105,902,418
Government grants received in advance		5,529,800	2,000,000
Other payables and accruals		45,535,394	25,684,842
Amounts due to related parties		–	1,000,000
Amounts due to an associate		2,660,832	3,587,159
Amounts due to ex-shareholders of a subsidiary		31,732,823	31,732,823
		<u>246,430,880</u>	<u>266,607,242</u>
Net current liabilities		<u>(73,563,060)</u>	<u>(86,172,788)</u>
Total assets less current liabilities carried forward		<u>73,042,612</u>	<u>58,994,002</u>
Non-current liabilities			
Long-term bank borrowings		14,000,000	–
Net assets		<u>59,042,612</u>	<u>58,994,002</u>
Equity			
Capital and reserves			
Share capital	10	61,000,000	61,000,000
Reserve		(4,736,770)	(3,969,487)
Equity attributable to equity shareholders		<u>56,263,230</u>	<u>57,030,513</u>
Minority interests		2,779,382	1,963,489
Total equity		<u>59,042,612</u>	<u>58,994,002</u>

CONDENSED CONSOLIDATED CASH STATEMENT

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	<i>RMB</i>	<i>RMB</i>
Cash flows from operating activities		
Cash used in operation	23,043,328	6,408,584
Interests received	203,387	68,549
Income tax paid	(724,957)	(478,862)
Interests paid	(4,830,572)	(3,463,107)
	<u>17,691,186</u>	<u>2,535,164</u>
Net cash used in operating activities		
Cash flows from investing activities		
Purchases of property, plant and equipment	(9,796,193)	(17,458,612)
Disposal of subsidiaries	–	3,000,000
Sales of property, plant and equipment	55,000	–
	<u>(9,741,193)</u>	<u>(14,458,612)</u>
Net cash used in investing activities		
CASH FLOWS FINANCING ACTIVITIES		
Proceeds from short-term/long-term bank borrowing	142,500,000	117,500,000
Repayment of short-term bank borrowings	(168,200,000)	(103,500,000)
Payment of guarantee fee on bank borrowings	–	(1,180,000)
	<u>(25,700,000)</u>	<u>12,820,000</u>
Net cash used in financing activities		
NET (DECREASE)/INCREASE IN CASH AND BANK BALANCES	(17,750,007)	896,552
CASH AND BANK BALANCES AT THE BEGINNING OF THE PERIOD	<u>45,382,127</u>	<u>19,827,587</u>
CASH AND BANK BALANCES AT THE END OF THE PERIOD	<u>27,632,120</u>	<u>20,724,139</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 RMB83,156,017 as at 30 June 2008. 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. The Group's principal banker has confirmed its intention to extend and commit banking facility of up to RMB98 million to the Company. Drawdowns from this facility will be subject to the bank's normal approval procedures. Consequently, the directors have prepared the unaudited half yearly results for the six months ended 30 June 2008 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 2007.

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	
	2008	2007	2008	2007
	RMB	RMB	RMB	RMB
Turnover				
Fertilizer products	218,806,860	137,892,202	115,429,778	64,648,627
Medical & health products	27,005,804	21,848,476	9,740,244	7,591,343
	<u>245,812,664</u>	<u>159,740,678</u>	<u>125,170,022</u>	<u>72,239,970</u>

3. Finance expense

	For the six months ended 30 June		For the three months ended 30 June	
	2008	2007	2008	2007
	RMB	RMB	RMB	RMB
Interest expense on bank loans and bank changes	5,792,136	4,357,869	2,724,011	2,398,861
	<u>5,792,136</u>	<u>4,357,869</u>	<u>2,724,011</u>	<u>2,398,861</u>

4. Loss before tax

	For the six months ended 30 June	
	2008	2007
	RMB	RMB
Depreciation of property, plant and equipment	2,630,141	2,729,179
Amortization of intangible asset	148,556	137,560

5. Taxation

(a) *Enterprise income tax ("EIT")*

In 2003, the Company changed its tax status to that of a Foreign Investment Enterprises ("FIE"). In accordance with the relevant tax regulations, as a production FIE located in Tianjin Economic and Technological Development Area ("TEDA"), the Company is eligible to enjoy the concessionary EIT of 18%. It is further entitled to exemption from EIT for two years commencing from the first profit-making year after offsetting prior years' losses, followed by a 50% reduction for the next three years thereafter. The Company has not provided for any EIT (2007: nil) since it has no taxable income for the period.

Tianjin Alpha HealthCare Products Co., Ltd ("Alpha"), being a production FIE located in TEDA, is also eligible for all the benefits enjoyed by the Company as described above. Year 2008 is Alpha's seventh profit making year, consequently EIT has been provided at 18% (2007: 15%) of taxable income for the period.

Tianjin Wan Tai Bio-Development Co., Ltd. ("Wantai"), being a limited liability company incorporated in the PRC, is subject to the statutory 25% EIT. Wantai has not provided for any EIT since it has no taxable income for the period (2007: nil).

Shandong Fulilong Fertilizer Industry Co., Ltd. ("SD Fulilong"), being a FIE incorporated in PRC located in a new and high technology zone, is subject to the statutory 25% EIT. It is further entitled to exemption from EIT for two years commencing from the first profit-making year after offsetting prior years' losses, followed by a 50% reduction for the next three years thereafter. SD Fulilong has not provided for any EIT since it has no taxable income for the period (2007: nil).

Guangdong Fulilong Compound Fertilizers Co., Ltd. ("GD Fulilong"), has been approved as a new and high technology enterprise and is therefore subject to the statutory 15% EIT and exemption from local income tax.

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

(b) *Income tax expense*

	For the six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Current Tax		
Hong Kong	Nil	Nil
Other Jurisdictions	622	147
	<hr/>	<hr/>

The income tax charge in Hong Kong is Nil for the period ended 30 June 2008 (June 2007: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is 621,649 for the period ended 30 June 2008 (June 2007: 146,585).

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

	For the six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) before tax	670	(6,256)
Tax calculated at the EIT rate of 25%	168	(2,064)
Tax rate differential	(597)	(36)
Effect of tax holiday exemption	–	–
Effect of the tax losses on consolidation	1,051	2,247
Tax effect of expenses that are not deductible in determining taxable profit	–	–
	<hr/>	<hr/>
Tax expense for the period	622	147

6. Loss per share

For the six months ended 30 June 2008, the calculation of loss per share is based on the Group's loss attributable to equity holders of RMB767,283 (June 2007: loss of RMB6,015,119), divided by the total number of shares issued by the Company of 610,000,000 shares (June 2007: 610,000,000 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 RMB9,796,193 (2007: RMB17,458,612) 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 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.

	30 June 2008 (Unaudited) <i>RMB</i>	31 December 2007 (Audited) <i>RMB</i>
Trade receivable, current assets	65,428,497	61,841,472
Provision for doubtful accounts	(9,929,999)	(6,580,089)
Trade receivable, net	<u>55,498,498</u>	<u>55,261,383</u>

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

	30 June 2008 (Unaudited) <i>RMB</i>	31 December 2007 (Audited) <i>RMB</i>
Within 3 months	40,070,135	31,648,804
Over 3 months but within 6 months	11,737,681	12,978,594
Over 6 months	13,620,681	17,214,074
	<u>65,428,497</u>	<u>61,841,472</u>

9. Trade payable

The aging analysis of trade payable is as follows:

	30 June 2008 (Unaudited) <i>RMB</i>	31 December 2007 (Audited) <i>RMB</i>
Within 3 months	34,396,719	86,860,089
Over 3 months but within 6 months	26,944,556	2,594,970
Over 6 months	17,630,756	16,447,359
	<u>78,972,031</u>	<u>105,902,418</u>

10. Share capital

	30 June 2008		31 December 2007	
	Number of shares	Nominal value RMB'000	Number of shares	Nominal value RMB'000
Registered	610,000,000	61,000	610,000,000	61,000
<i>Issued and fully paid</i>				
Domestic shares of RMB0.1 each	279,000,000	27,900	279,000,000	27,900
H shares of RMB0.1 each	331,000,000	33,100	331,000,000	33,100
	610,000,000	61,000	610,000,000	61,000

11. Capital commitments

As of 30 June 2008, the Group had no significant capital commitments which were not provided for in the condensed consolidated financial statements of the Group.

12. Contingent liabilities

The Company guaranteed the banking facilities granted to certain of its subsidiaries amounting to RMB1.0 million (2007: RMB0.8 million).

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (June 2007: Nil).

MOVEMENT OF RESERVES

	Share Capital		Share premium		Accumulated Losses		Reserve		Total	
	2008 RMB	2007 RMB	2008 RMB	2007 RMB	2008 RMB	2007 RMB	2008 RMB	2007 RMB	2008 RMB	2007 RMB
Balance as at 1 January	61,000,000	61,000,000	75,089,571	75,089,571	(82,388,734)	(70,223,053)	3,329,676	2,541,404	57,030,513	68,407,922
Net Loss attributable to equity holders of the Company for the three months ended 31 March	-	-	-	-	(540,013)	(2,646,177)	-	-	(540,013)	(2,646,177)
Balance as at 31 March	61,000,000	61,000,000	75,089,571	75,089,571	(82,928,747)	(72,869,230)	3,329,676	2,541,404	56,490,500	65,761,745
Net Loss attributable to equity holders of the Company for the three months ended 30 June	-	-	-	-	(227,270)	(3,368,942)	-	-	(227,270)	(3,368,942)
Balance as at 30 June	61,000,000	61,000,000	75,089,571	75,089,571	(83,156,017)	(76,238,172)	3,329,676	2,541,404	56,263,230	62,392,803

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2008, the Group is still principally engaged in (1) biological compound fertilizer products, including a series of biological compound fertilizer products under the brands of “Fulilong” and “Lvzhou”, which have been granted “exemption from product quality inspection” by the General Administration of Quality Supervision, Inspection and Quarantine of PRC; and (2) medical and health products, including a series of health products for diabetics, such as sugar reducing health foods developed in various forms such as noodles, flour, biscuits, etc.; a series of products beneficial to the health of human body, such as sugar-free drinks and sugar-free biscuits, etc.; and medical device products, such as intraocular lens.

For the six months ended 30 June 2008, the turnover of various products achieved double-digit growth. Leverage on the expansion of the Group’s biological fertilizers production base in Weifang, Shandong Province, together with the introduction of new medical and health products, the turnover of the Group increased by 53.88% over the corresponding period in 2007 to RMB245,812,664. Meanwhile, the gross profit margin increased from 12.34% to 15.13%. Since the turnover and gross profit margin of different products produced by the Group have increased, at the same time the gross profit margin of biological compound fertilizer products, which represent a higher portion of the Group’s total turnover, has increased significantly, resulting the Group’s overall gross profit increased by 88.69% over the corresponding period in 2007 to RMB37,201,077.

During the period under review, loss attributable to the shareholders of the Company decreased from RMB6,015,119 in the corresponding period in last year to RMB767,283.

For the six months ended 30 June 2008, approximately 89.01% of the total turnover was generated from the sales of the compound fertilizer products. The remaining 10.99% was generated from the medical and health products.

Fertilizer Products

For the six months ended 30 June 2008, the sales of the Group's fertilizer products were RMB218,806,860, and the sales gross profit of fertilizer products was RMB24,975,028 (the sales gross profit for the six months ended 30 June 2007: RMB10,134,298). Impacted by the low temperature snowstorm in Southern China, the earthquake in Wenchuan and the flood in Southern China, the price of raw materials has increased continuously and hence the price of fertilizer products had also risen, making farmers be unwilling to buy those products. Though in face of such severe market conditions, the Group had overcome all the difficulties, and has timely adjusted the product portfolio and the marketing strategy. Instead of enlarging the market share, we shifted our focus to increase the gross profit of our products and had achieved good results. On the other hand, the Group continued to expand the scale of production and sales of the production base in Shandong. In the first half of 2008, the sales income of production base in Shandong amounted to RMB93,153,791.

Medical and Health Products

For the six months ended 30 June 2008, the sales of the Group's medical and health products was RMB27,005,804, representing an increase of 23.6% compared with the corresponding period in last year. The increase was mainly attributable to the growth of the sales of diabetic health food and sugar-free food under the brand name of "Alpha". The gross profit margin of "Alpha" products for the six months ended 30 June 2008 was 47.12% (for the six months ended 30 June 2007: 45.23%).

In the coming quarters of 2008, the growth of sales will mainly depend on the sales of sugar-free mooncakes, sugar-free almond juice and other newly explored and introduced products. In April 2008, "Alpha" began to work with 清真桂順齋糕點有限公司, which is a household name in China with more than 80 years history, and explored a new series of sugar-free products. We will fully manifest the edges in technology and brand names of both companies, and gradually introduce a new series of sugar-free food.

Distribution and selling

For the six months ended 30 June 2008, the Group's distribution and selling expenses amounted to approximately RMB16,132,135, representing an increase of approximately 25.06% as compared with that recorded in the corresponding period of last year(2007: RMB12,899,658). The increase was mainly due to the increased distribution and selling expenses of fertilizer products, which was mainly caused by the increase in sales expenses generated from the expansion of sales of the production base in Shandong. However, the proportion of distribution and selling expenses to sales had dropped from 8.08% in the first half of last year to 6.56% in the first half of this year.

Research and development and administration

During the six months ended 30 June 2008, the Group's research and development and administrative expenses amounted to approximately RMB14,149,862, representing an increase of 62.68% as compared with such expenses recorded in the corresponding period in last year (2007: RMB8,698,050). The proportion of such expenses to sales had increased from 5.45% in the first half of last year to 5.76% in the first half of this year. The Group will continue to adopt stringent cost control measures, and ensure necessary investment in research and development. It will strive to reasonably control the research and development and administrative expenses while continuously expanding the scale of sales.

The total number of employees of the Group increased from 629 in 30 June 2007 to 733 in 30 June 2008, which was mainly due to the expansion of the production scale of the fertilizer production size. For the six months ended 30 June 2008, the cost of emolument of the Group was approximately RMB8,451,000 (2007: RMB5,672,000).

Work together and fight against the earthquake

On 19 May 2008 at 14:28:04, all citizens in China paid a silent tribute for 3 minutes along with the whistles, to express their sorrow for the fellow citizens who suffered from the earthquake in Wenchuan, Sichuan in a week before. All staff in the headquarters of the Group and each of the subsidiaries had paid their silent tribute on their position. At the same time, our staff took the initiative in donating and raising funds for the people affected by the earthquake, and the collected fund had been delivered to the local Red Cross or the Civil Department. In addition, GD Fulilong had also promptly donated a large quantity of sanitary products to the local Red Cross for rescue while Alpha had initiated a charity program to help the children and senior citizen who lost the families in the affected areas.

Future Outlook

The inflation in China has become more severe since 2008 and the intermittent natural disasters have added stronger pressure on the macro-economic measures. This is reflected in the price inflation of raw materials in China on the up-stream side. For the down-stream side, the price of compound fertilizer products also increased under the effect of price inflation of raw materials. Farmers were not willing to buy fertilizer products, while the National Development and Reform Commission had strengthened the control over the price of fertilizers in the market. Facing such difficulties, enterprises have to persistently explore its internal potential, and enhance its efficiency of utilization of various resources instead of relying on the improvement of the external environment. For examples, enterprises may set up an instant response mechanism and adjust the marketing strategies promptly, as to strengthen the sales capacity of the existing network and expand the sales of existing markets; they may also continue to strengthen the management and control of purchasing channels in order to control the production cost of products effectively while adjusting and optimizing the structure of products based on the market changes for focusing on products that are highly demanded and with high gross profit and to take various measures to improve cash flow.

In the past few years, the fertilizer industry in China had grown rapidly. This highly raised the supply of chemical fertilizers in the country. The quality of products had widely recognized by consumers under the guaranteed supply. The price of imported chemical fertilizers was generally higher than that of domestic chemical fertilizers. Consumers have gradually tend to purchase domestic chemical fertilizers which are of similar quality to imported chemical fertilizers, particularly at times in which the price of chemical fertilizers has remained high. This provided a golden chance for domestic chemical fertilizers with stable quality and famous brand. The Group will continue to enhance the prestige its own brand-name, while making use of its edges in sales and technologies so as to capture the opportunities for steady and rapid development.

For medical and healthcare products, the Group will place a strong emphasis on the Mid-autumn Festival and 1 October Golden Week in the second half of the year. Products like sugar-free almond juice, Sugar-free mooncakes and biscuits will be the key products, and the Group will also introduce some new products. With Northern China being the focused area, the Company has formulated sale strategies on the basis of the products portfolio and consumption habits in different areas.

The Group will make efforts to improve its overall sales scale and profit level in 2008 significantly as compared with 2007.

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

As at 30 June 2008, the interests of the directors and the supervisors of the Company and their respective associates in the shares of 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:

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

Note: All represented domestic shares.

Save as disclosed in this paragraph, as at 30 June 2008, none of the directors and the supervisors 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 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) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies relating to securities transactions by directors to be notified to the Company and the Stock Exchange 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 to enable the directors and the supervisors of the Company or their respective spouses or children under 18 years of age, to acquire benefits by means of the acquisition of shares in the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, the following persons (other than the directors and the supervisors of the Company) had interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO:

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

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

Notes:

1. All represented domestic shares.
2. All represented H shares.

Save as disclosed above, as at 30 June 2008, 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.

FOREIGN CURRENCY RISK

As all the sales of the Group were domestic sales settled in RMB, most of the payables to product providers were also settled in RMB. Therefore, the Group did not expose to substantial foreign currency risk.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the period under review, the Group's main source of finance was bank finance granted by various banks in China. Up till 30 June 2008, the bank and cash balance of the Group was approximately RMB27,632,120 (31 December 2007: RMB45,382,127), and short-term bank loan was RMB82,000,000 (31 December 2007: RMB96,700,000). The bank loan was settled in RMB and provided by various banks in China based on fixed rate between 8.2% and 9.1% (31 December 2007: between 6.1% and 8.9%). The major components of the bank loan which amount to RMB27,000,000 and RMB20,000,000 will expire on 17 January 2009 and 27 June 2009 respectively. A sum of RMB20,000,000 will expire on 27 April 2009, and the remaining amount of the bank loan will expire on various dates between 23 August 2008 and 25 April 2009.

The long-term bank loan amounted to RMB14,000,000 (31 December 2007: Nil). The bank loan was settled in RMB and was provided by a bank in China based on a fixed annual rate of 9.8%, of which RMB3,000,000 and RMB3,000,000 will expire on 4 April 2009 and 14 April 2009 respectively, and RMB8,000,000 will expire on 1 February 2010.

Up till 30 June 2008, the total asset of the Group amounted to RMB319,473,492 (31 December 2007: RMB325,601,244), which was financed by current liability of approximately RMB246,430,880 (31 December 2007: RMB266,607,242), shareholders' equity of approximately RMB56,263,230 (31 December 2007: RMB57,030,513) and minority interests of approximately RMB2,779,382 (31 December 2007: RMB1,963,489).

Up till 30 June 2008, the gearing ratio of the Group (which is the ratio between the total amount of bank loan and total amount of assets) was 0.30 (31 December 2007: 0.30). The current ratio of the Group (which is the ratio between the current assets and current liability) was 0.70 (31 December 2007: 0.68).

THE GROUP'S PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2008, the Group secured the buildings and land use rights which amounted to RMB27,782,149 of its subsidiary, being the guarantee for its subsidiary to acquire loan granted by a licensed bank in China.

The Company provided guarantee for RMB1,000,000 (2007: RMB800,000) in respect of the bank loan granted to its certain subsidiaries

TREASURY POLICY

As the Group does not expose to foreign currency risk, the bank loan is settled in RMB and generally renewed yearly upon maturity. During this period, any remaining cash amount will be deposited into the licensed banks in China.

COMPETING INTERESTS

During the six months ended 30 June 2008, 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 required to be disclosed pursuant to the GEM Listing Rules.

AUDIT COMMITTEE

The Audit Committee of the Company clearly states its rights and responsibilities in a written document of which the terms are prepared and adopted with reference to “A Guide for the Formation of an Audit Committee” issued by Hong Kong Society of Accountants. The Audit Committee of the Company is the essential bridge between the board of directors and the auditors of the Company regarding matters relating to auditing. It also reviews the outer and inner effects of auditing as well as the inner monitoring and risk assessment. The Audit Committee of the Company consists of three independent non-executive directors, being Professor Xian Guoming, Mr. Wu Chen and Mr. Guan Tong.

The Committee has reviewed the Group’s results for the six months ended 30 June 2008 and report for the first half of the year.

SHARE OPTION SCHEME

During the six months ended 30 June 2008, none of the directors or supervisors or employees of the Company or other participants of the share option scheme of the Company was 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 or existed during the period under review in the first half of 2008.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed 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 period under review in the first half of 2008.

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 emphasizes on an efficient board of directors and perfect internal control, as well as the transparency presented to all of the shareholders. For the six months ended 30 June 2008, the Company has adopted the principles as set out in the Code on Corporate Governance Practices (“Code on CG Practices”) of Appendix 15 to the GEM Listing Rules and has complied all the code provisions.

By order of the Board
Wang Shuxin
Chairman

Tianjin, the PRC, 6 August 2008

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