



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)

INTERIM REPORT FOR 2010

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

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This report, for which the directors of Tianjin TEDA Biomedical Engineering Company Limited 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 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

- Although the biological fertilizer products market remained sluggish as a result of factors such as the extreme climates for the six months ended 30 June 2010, the Group has swiftly adjusted its market operation strategy. Turnover of the Group amounted to RMB189,788,511, representing a decrease of 22.37% compared with corresponding period of last year, yet such decrease is significantly smaller as compared with the first quarter.
- The gross profit of the Company amounted to RMB35,755,709, representing a decrease of 20.06% compared with corresponding period of last year. And yet such decrease is smaller as compared with the first quarter. The consolidated gross profit margin has increased slightly to 18.84%.
- Profit attributable to owners of the Company was RMB2,065,599 for the six months ended 30 June 2010 (For the six months ended 30 June 2009: loss attributable to owners of the Company of RMB519,047) and the interim results resumed to profitability from loss-making, which was mainly attributable to our stringent management and control of all the costs and expenses.
- For the six months ended 30 June 2010, the earnings per share of our Company was RMB0.15 cents. (For the six months ended 30 June 2009: loss per share of RMB0.05 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 2010, together with the comparative figures of the corresponding period in 2009 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	
		2010	2009	2010	2009
		(Unaudited) RMB	(Unaudited) RMB	(Unaudited) RMB	(Unaudited) RMB
Turnover	2	189,788,511	244,486,918	95,596,775	103,001,213
Cost of sales		<u>(154,032,802)</u>	<u>(199,760,116)</u>	<u>(79,839,520)</u>	<u>(83,957,612)</u>
Gross profit		35,755,709	44,726,802	15,757,255	19,043,601
Other income less other expenses		3,698,182	(105,637)	3,044,365	131,519
Selling and distribution costs		<u>(19,627,382)</u>	<u>(20,458,312)</u>	<u>(9,160,581)</u>	<u>(10,010,654)</u>
R&D and administrative expenses		<u>(15,506,989)</u>	<u>(18,724,606)</u>	<u>(6,253,398)</u>	<u>(8,977,089)</u>
Finance costs	3	(2,579,113)	(3,600,519)	(1,421,822)	(1,594,740)
Profit/(loss) before taxation	4	1,740,407	1,837,728	1,965,819	(1,407,363)
Income tax	5	(454,315)	(993,966)	–	(120,175)
Profit/(loss) and comprehensive income for the period		<u>1,286,092</u>	<u>843,762</u>	<u>1,965,819</u>	<u>(1,527,538)</u>
Attributable to :					
Owners of the Company		2,065,599	(519,047)	2,031,416	(1,869,195)
Minority interests		<u>(779,507)</u>	<u>1,362,809</u>	<u>(65,597)</u>	<u>341,657</u>
		<u>1,286,092</u>	<u>843,762</u>	<u>1,965,819</u>	<u>(1,527,538)</u>
Earnings/(loss) per share	6				
– Basic (RMB)		<u>0.15 cents</u>	<u>(0.05) cents</u>	<u>0.14 cents</u>	<u>(0.20) cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2010	31 December 2009
		(Unaudited)	(Audited)
	<i>Notes</i>	<i>RMB</i>	<i>RMB</i>
Non-current assets			
Property, plant and equipment		105,797,965	108,010,484
Goodwill		3,133,932	3,133,932
Available-for-sale financial assets		3,000,000	3,000,000
Prepaid land lease payments		5,342,153	5,503,972
		<u>117,274,050</u>	<u>119,648,388</u>
Total non-current assets			
Current assets			
Inventories		56,827,145	60,094,582
Trade and bills receivables	8	65,181,305	53,405,113
Prepayment and other receivables		26,176,916	33,405,081
Amounts due from ultimate holding company		26,087	26,087
Restricted bank deposits		8,250,000	11,250,000
Bank balances and cash		17,124,589	31,306,768
		<u>173,586,042</u>	<u>189,487,631</u>
Total current assets			
Total assets			
		<u>290,860,092</u>	<u>309,136,019</u>
Current liabilities			
Trade and bills payables	9	53,939,962	46,440,698
Other payables and accruals	10	16,429,680	53,587,463
Government grants received in advance		–	1,903,500
Bank borrowings		60,500,000	48,500,000
		<u>130,869,642</u>	<u>150,431,661</u>
Total current liabilities			
Net current assets			
		<u>42,716,400</u>	<u>39,055,970</u>
Total assets less current liabilities carried forward			
		<u>159,990,450</u>	<u>158,704,358</u>

		30 June 2010	31 December 2009
		(Unaudited)	(Audited)
	<i>Notes</i>	<i>RMB</i>	<i>RMB</i>
Total Net Assets		<u>159,990,450</u>	<u>158,704,358</u>
Equity			
Capital and reserves attributable to owners of the Company			
Share capital	<i>11</i>	142,000,000	142,000,000
Reserves		<u>(5,015,872)</u>	<u>(7,081,471)</u>
Equity attributable to owners of the company		136,984,128	134,918,529
Minority interests		<u>23,006,322</u>	<u>23,785,829</u>
Total equity		<u>159,990,450</u>	<u>158,704,358</u>

CONDENSED CONSOLIDATED CASH STATEMENT

	For the six months ended 30 June	
	2010 Unaudited RMB	2009 Unaudited RMB
Cash flows from operating activities		
Cash used in operation	(18,245,991)	21,568,822
Interests received	134,852	174,933
Income tax paid	(510,508)	(724,957)
Interests paid	(2,639,674)	(3,684,092)
Net cash used in operating activities	<u>(21,261,321)</u>	<u>17,334,706</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(7,984,946)	(4,279,485)
Repayment to ex-shareholders of a subsidiary	–	(4,732,824)
Sales of property, plant and equipment	64,088	46,500
Net cash used in investing activities	<u>(7,920,858)</u>	<u>(8,965,809)</u>
CASH FLOWS FINANCING ACTIVITIES		
Proceeds from short-term/long-term bank borrowing	46,500,000	60,000,000
Repayment of short-term bank borrowings	(34,500,000)	(68,000,000)
Net cash used in financing activities	<u>12,000,000</u>	<u>(8,000,000)</u>
NET (DECREASE)/ INCREASE IN CASH AND BANK BALANCES	(17,182,179)	368,897
CASH AND BANK BALANCES AT THE BEGINNING OF THE PERIOD	<u>42,556,768</u>	<u>25,686,821</u>
CASH AND BANK BALANCES AT THE END OF THE PERIOD	<u>25,374,589</u>	<u>26,055,718</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 RMB84,369,852 as at 30 June 2010. 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 2010 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 2009.

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	
	2010	2009	2010	2009
	RMB	RMB	RMB	RMB
Turnover				
Fertilizer products	149,916,097	207,824,526	81,176,797	89,547,885
Medical & health products	39,872,414	36,662,392	14,419,978	13,453,328
	<u>189,788,511</u>	<u>245,812,664</u>	<u>95,596,775</u>	<u>125,170,022</u>

3. Finance Expense

	For the six months ended 30 June		For the three months ended 30 June	
	2010	2009	2010	2009
	RMB	RMB	RMB	RMB
Interest expense on bank loans and bank charges	2,579,113	3,600,519	1,421,822	1,594,740
	<u>2,579,113</u>	<u>3,600,519</u>	<u>1,421,822</u>	<u>1,594,740</u>

4. Profit/(Loss) Before Tax

Profit/(loss) before tax is arrived at after charging:

	For the six months ended 30 June	
	2010	2009
	RMB	RMB
Depreciation of property, plant and equipment	4,042,817	4,589,990
Amortization of intangible asset	161,819	152,443
Amortization of goodwill	-	-
	<u>-</u>	<u>-</u>

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 Fulilong Fertilizer Co. LTD. can continue to enjoy the preferential tax rates during the transitional period and are subject to EIT rate of 22% for the year (2009: 20%).

The Company has not provided for any EIT since it has no taxable income for the period of 2010 (2009: nil).

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% (2009: 15%) for the period from 8 June 2009 to 7 June 2012.

SD Fulilong has not provided for any EIT since it has no taxable income for the period (2009: 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% (2009: 15%) for the period from 8 June 2009 to 7 June 2012.

(b) Income tax expense

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Current Tax		
Hong Kong	Nil	Nil
Other Jurisdictions	454	994

The income tax charge in Hong Kong is Nil for the period ended 30 June 2010 (June 2009: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is 454,315 for the period ended 30 June 2010 (June 2009: 993,966).

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

	For the six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Profit/(loss) before tax	2,060	1,838
Tax calculated at the EIT rate of 25%	515	460
Tax rate differential	(426)	(502)
Effect of tax holiday exemption	-	-
Effect of the tax losses on consolidation	365	1,036
Tax effect of expenses that are not deductible in determining taxable profit	-	-
Tax expense for the period	454	994

6. Earnings/(Loss) Per Share

For the six months ended 30 June 2010, the calculation of earnings per share is based on the Group's profit attributable to equity holders of RMB2,065,599 (June 2009: loss of RMB519,047), divided by the total number of shares issued by the Company of 1,420,000,000 shares (June 2009: 950,000,000 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 RMB7,984,946 (2009: RMB4,279,485) 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 2010 (Unaudited) <i>RMB</i>	31 December 2009 (Audited) <i>RMB</i>
Trade receivable, current assets	70,808,280	58,712,088
Provision for doubtful accounts	<u>(5,626,975)</u>	<u>(5,306,975)</u>
Trade receivable, net	<u>65,181,305</u>	<u>53,405,113</u>

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

	30 June 2010 (Unaudited) <i>RMB</i>	31 December 2009 (Audited) <i>RMB</i>
Within 3 months	42,111,038	28,857,503
Over 3 months but within 6 months	15,381,767	15,827,777
Over 6 months	<u>13,315,475</u>	<u>14,026,808</u>
	<u>70,808,280</u>	<u>58,712,088</u>

9. Trade Payable

The aging analysis of trade payable is as follows:

	30 June 2010 (Unaudited) <i>RMB</i>	31 December 2009 (Audited) <i>RMB</i>
Within 3 months	41,686,717	29,986,108
Over 3 months but within 6 months	9,445,875	13,733,871
Over 6 months	<u>2,807,370</u>	<u>2,720,719</u>
	<u>53,939,962</u>	<u>46,440,698</u>

10. Other Payables and Accruals

	30 June 2010 (Unaudited) <i>RMB</i>	31 December 2009 (Audited) <i>RMB</i>
Other payables	5,602,434	25,542,491
Accruals	2,957,685	3,248,763
Receipt in advance	5,050,425	21,977,073
Payables to Social Security Fund	2,819,136	2,819,136
	<u>16,429,680</u>	<u>53,587,463</u>

11. Share Capital

	30 June 2010		31 December 2009	
	Number of shares	Nominal value <i>RMB'000</i>	Number of shares	Nominal value <i>RMB'000</i>
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	715,000,000	71,500	715,000,000	71,500
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>

12. Capital Commitments

As of 30 June 2010, the Group had no significant capital commitments which were not provided for in the condensed consolidated financial statements of the Group.

13. Contingent Liabilities

The Company guaranteed the banking facilities granted to certain of its subsidiaries amounting to RMB18.0 million (2009: RMB1.0 million).

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (June 2009: Nil).

MOVEMENT OF RESERVES

	Share Capital		Share premium		Accumulated Losses		Reserve		Total	
	2010 RMB	2009 RMB	2010 RMB	2009 RMB	2010 RMB	2009 RMB	2010 RMB	2009 RMB	2010 RMB	2009 RMB
Balance as at 1 January	142,000,000	95,000,000	75,816,410	74,869,185	(86,435,451)	(91,721,701)	3,537,570	3,675,041	134,918,529	81,822,525
Net profit/(loss) attributable to equity holders of the Company for the three months ended 31 March	-	-	-	-	34,183	1,350,148	-	-	34,183	1,350,148
Balance as at 31 March	<u>142,000,000</u>	<u>95,000,000</u>	<u>75,816,410</u>	<u>74,869,185</u>	<u>(86,401,268)</u>	<u>(90,371,553)</u>	<u>3,537,570</u>	<u>3,675,041</u>	<u>134,952,712</u>	<u>83,172,673</u>
Net profit/(loss) attributable to equity holders of the Company for the three months ended 30 June	-	-	-	-	2,031,416	(1,869,195)	-	-	2,031,416	(1,869,195)
Balance as at 30 June	<u>142,000,000</u>	<u>95,000,000</u>	<u>75,816,410</u>	<u>74,869,185</u>	<u>(84,369,852)</u>	<u>(92,240,748)</u>	<u>3,537,570</u>	<u>3,675,041</u>	<u>136,984,128</u>	<u>56,263,230</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2010, the Group was principally engaged in (1) biological fertilizer products, and (2) medical and health products, including series of diabetic health products and sugar-free products which are beneficial to the health of human body.

For the six months ended 30 June 2010, the consolidated turnover of the Group amounted to RMB189,788,511, representing a decrease of 22.37% compared with corresponding period last year, yet such decrease has been significantly narrowed down as compared with 33.43% as recorded in the first quarter of the year. For the three months ended 30 June 2010, the consolidated turnover of the Group was RMB 95,596,775, the decrease reduced to 7.19% as compared with corresponding period last year. The turnover of the medical and health products increased by 8.76% to RMB39,872,414. As the fertilizer market was sluggish in the first quarter together with other unfavorable factors such as extreme climate, the Group experienced a hard situation that the turnover of biological compound fertilizer products in the first quarter decreased by 41.88%. The Group took swift response and proactive measures to narrow the decrease of the turnover of biological compound fertilizer products to 27.86% as compared with the corresponding period last year through series of measures in market adjustments and other initiatives taken during the six months ended 30 June 2010.

For the six months ended 30 June 2010, the Group's consolidated gross profit margin increased from 18.29% to 18.84%. the Group's overall gross profit decreased by 20.06% to RMB35,755,709 over corresponding period in 2009 with the overall turnover decreased by 22.37%.

During the period under review, profit attributable to the holders of the Company was RMB2,065,599 (2009: loss attributable to RMB519,047), earning of per share of the Company was 0.15 cents (2009: loss per share of RMB0.05 cents). Interim results resumed to profitability from loss making, and this was mainly attributable to our stringent management and control over the costs and expenses.

For the six months ended 30 June 2010, approximately 79% 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.

Fertilizer products

During the six months ended 30 June 2010, the sales of our fertilizer products was RMB149,916,097.

During January to June in this year, extremity of climate conditions in our country was observed where incidents on extreme weather took place frequently. The severe drought in Southwestern China, the abnormal low temperature in Northeastern China and Northern China and rainstorms in Southern China have highlighted the suddenness and extremity of natural disasters in our country and such disasters had impact on extensive area with serious damages to farmland. Coupled with the impact of excessive production capacity and the continuous decline in the price of compound fertilizer raw materials, the fertilizer market remained sluggish. Besides, distributors and end-users have become more prudent and cautious, resulting further difficulties for the Group's expansion of its fertilizer products market. In face of such tough situation of the overall fertilizer market, the Group proactively adjusted its product structure and market policies, and aimed to achieve a growth in the overall profit after taking into consideration of the gross profit margin and the market demand. In the second quarter, the fertilizer business of the Group was gradually improved. For the three months ended 30 June 2010, the Group recorded a turnover of RMB81,176,797 for its fertilizer business, and the decline of which has reduced to 9.35% as compared with the corresponding period last year.

Medical and health products

For the six months ended 30 June 2010, the sales of the Group's medical and health products was RMB39,872,414, representing an increase of 8.76% as compared with the corresponding period last year. The increase in sales was attributable to an increase in the sales of sugar-reducing health foods and sugar-free foods under the "Alpha" brand, particularly our sugar-reducing and sugar-free biscuits and drinks. The gross profit margin of "Alpha" products for the six months ended 30 June 2010 was 44.67% (for the six months ended 30 June 2009: 47.33%). The gross profit margin was slightly decreased, which was mainly attributable to the increase in the price of domestic food raw materials.

Distribution and selling

For the six months ended 30 June 2010, the Group's distribution and selling expenses amounted to RMB19,627,382, representing a decrease of 4.06% as compared with the corresponding period last year (2009: RMB20,458,312). The Group took necessary marketing measures and reasonably controlled the relevant expenses under the sluggish fertilizer market.

Research and development and administration

For the six months ended 30 June 2010, R&D and administration expenses of the Group were approximately RMB15,506,989, representing a decrease of 17.18% as compared with the same period last year (2009: RMB18,724,606), and accounted for 8.17% of the sales of the period, as compared with 7.66% in the first half of last year.

The total number of the employee of the Group increased from 699 as at 31 December 2009 to 740 as at 30 June 2010.

Future Outlook

The Seventh Top Priority Central Government Document guiding the agriculture, rural areas and farmers in the 21st century was promulgated in late January 2010 which introduced a series of new strong and favorable agricultural policy and this will undoubtedly enhance the development of the fertilizer industry. The fertilizer industry has been initially recognized as the keystone of development of the Twelfth Five-Year Plan. The estimated fertilizer demand will be approximately 51 million tones and 53 million tones, respectively in 2015 and 2020. The new national standard of compound fertilizer GB15063-2009 Mixed Fertilizer (Compound Fertilizer) came into force on June 1, 2010, bringing new opportunities to the further development of the compound fertilizer market. The Environmental Safety Technology Guide on Use of Fertilizer (化肥使用環境安全技術導則) approved by the Ministry of Environmental Protection of the PRC as the national environmental protection standard came into force on May 1, 2010, which also sets the direction for the development of the fertilizer industry.

Amidst adverse market condition, the Group adopted several effective measures such as optimizing product structure, adjusting the network of distributors and building brand loyalty, and such measures have gradually taken effect. In the coming two quarters of the year, the Group is determined to increase the number of effective sales terminals and sales capacity of single store to quickly and efficiently strengthen its market competitiveness. As a result of our effort on R&D, the Group has formulated series of new products in slow controlled release fertilizer and soil conditioner and had introduced them into the market. The Group will develop new future sales growth point under the arena of new fertilizer technology and environmental protection.

According to the results of a diabetes epidemiologic study published in the New England Journal of Medicine, there are more than 92.4 million diabetics among Chinese adults aged 20 or above and another 148 million Chinese citizens are pre-diabetic, which puts China ahead of India in the number of diabetics and makes China a major country for the consumption of hypoglycemic and sugar-free products. With the stronger national strength of China and the higher awareness of healthcare among the public, health products have gradually become the necessities and China will surpass the US to become the largest consumer of health products. Following the issue of the Food Safety Law, the relevant authorities in the PRC have taken the initiative in the study of the development of health products industry. A number of important regulations, such as Supervision and Management Regulation on Health Products (保健食品監督管理條例), Regulations on Health Products Registration (保健食品註冊管理辦法) and Safety Standards of Health Products Raw Materials (保健食品原料安全標準) will be soon promulgated, which will play active and efficient roles in stabilizing corporate confidence, reshaping industry reputation and attracting investment. The Group is targeted to maintain the sales growth of health products by focusing on the satisfaction of the festival consumer demand through providing a variety of healthy products to diabetics.

In the coming quarters in 2010, the Group will maintain its profitability to meet the business expansion opportunities brought by the future buoyant market amidst adverse market condition.

Continuing Connected Transaction

The Company as the lessee entered into a new tenancy agreement with Tianjin TEDA International Incubator (“TTII”), a substantial shareholder of the Company, as the lessor on 2 June 2010 and the rental payment for the financial year ending 31 December 2010 will be RMB326,268.

Tianjin Alpha HealthCare Products Co., Ltd, a non-wholly owned subsidiary of the Company as the lessee entered into a new tenancy agreement with TTII as the lessor on 2 June 2010 and the annual rental payments for the financial year ending 31 December 2010 will be RMB1,789,344.

As TTII is a controlling shareholder of the Company, it is also a connected person of the Company within the meaning of the GEM Listing Rules. The tenancy agreements constitute continuing connected transactions for the Company under the GEM Listing Rules. Given that the relevant percentage ratios of the relevant transactions are all less than 2.5% on an annual basis, the tenancy agreements fall within the threshold for exempted continuing connected transaction under Rule 20.34 of the GEM Listing Rules and are subject to the reporting and announcement requirements under Rules 20.45 to 20.47 of the GEM Listing Rules and exempted from independent shareholders’ approval requirements.

COMPLETION OF THE ISSUE OF DOMESTIC SHARES

The Company issued the announcement of “Proposed Issue of Domestic Shares Proposed Specific Mandate and Proposed Amendment to the Articles of Association” on 15 June 2009, and issued a circular “Proposed Issue of Domestic Shares, Proposed Specific Mandate, Proposed Amendment to the Articles of Association and Notice of Extraordinary General Meeting” on 24 June 2009. The Company entered into a subscription agreement with three subscribers, namely Shenzhen Xiangyong Investment Company Limited (“Xiangyong Investment”), Shandong Zhinong Fertilizers Company Limited (“Zhinong Fertilizers”) and Dongguan Lvye Fertilizers Company Limited (“Lvye Fertilizers”) on 12 June 2009, pursuant to which, the Company agreed to allot and issue a total of 470,000,000 new domestic shares to the subscribers at RMB0.1023 (HK\$0.116) per subscription share. The completion of the aforementioned subscription agreement is conditional on: (a) the obtaining of the necessary approvals of the Shareholders at the Class Meetings for the Subscription Agreement, the issue of the Subscription Shares under a Specific Mandate and the transactions contemplated thereunder; (b) full compliance with disclosure requirements under GEM Listing Rules; and (c) the obtaining of all necessary consents and approvals of the relevant regulatory authorities in the PRC, including the approval by the relevant local Commission of Commerce if applicable. The Company also proposed to amend the Articles of Association of the Company to reflect and update the details of the shareholding structures of the Company upon the completion of the subscription. The Company was issued a new business license by the administration for industry and commerce on 9 February 2010. All the conditions for completion of the said subscription agreement were duly fulfilled and the issue of domestic shares was completed.

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

As at 30 June 2010, 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:

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	0.63%

Note: All represented domestic shares.

Save as disclosed in this paragraph, as at 30 June 2010, 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) to be notified to the Company and the Stock 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 2010, 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 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 ("TTII")	Beneficial owner	200,000,000 (Note 1)	14.08%
Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment")		180,000,000 (Note 2)	12.68%

Name of shareholders	Capacity	Number of ordinary shares	Percentage of the issued share capital
Shandong Zhinong Fertilizers Company Limited ("Zhinong Fertilizers")		170,000,000 (Note 3)	11.97%
Dongguan Lvye Fertilizers Company Limited ("Lvye Fertilizer")		120,000,000 (Note 4)	8.45%

Notes:

1, 2, 3, 4 All represented domestic shares.

Save as disclosed above, as at 30 June 2010, 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 of the Company carrying rights to vote in all circumstances at its general meetings.

FOREIGN CURRENCY RISK

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

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 2010, the cash and bank balance of the Group was approximately RMB25,374,589 (31 December 2009: RMB42,556,768) and short-term bank loans were RMB60,500,000 (31 December 2009: RMB48,500,000). The bank loans provided by various banks in China were denominated in RMB and at fixed interest rates between 5.3% and 6.4% (31 December 2009: between 5.3% and 9.8%). The majority of the bank loans amounting to RMB17,000,000 and RMB13,500,000 will be due on 30 November 2010 and 19 April 2011, respectively.

As at 30 June 2010, total asset of the Group amounted to approximately RMB290,860,092 (31 December 2009: RMB309,136,019), which was financed by current liabilities of approximately RMB130,869,642 (31 December 2009: RMB150,431,661), shareholders' equity of RMB136,984,128 (31 December 2009: RMB134,918,529) and minority interests of approximately RMB23,006,322 (31 December 2009: RMB23,785,829).

As at 30 June 2010, the gearing ratio of the Group (which is the ratio between the total amount of bank loan and total amount of assets) was 0.21 (31 December 2009: 0.16). The current ratio of the Group (which is the ratio between the current assets and current liabilities) was 1.33 (31 December 2009: 1.26).

THE GROUP'S PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2010, the Group charged the buildings, land use rights and inventories of its subsidiaries which amounted to RMB64,517,903 to secure bank loans granted by a licensed bank in China to its subsidiary.

The Company provided guarantees of RMB18,000,000 (2009: RMB1,000,000) in respect of bank loans granted to several subsidiaries.

TREASURY POLICY

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

COMPETING INTERESTS

During the six months ended 30 June 2010, 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 management and risk assessment. The audit committee of the Company consists of three independent non-executive directors, being Professor Xian Guoming, Mr. Guan Tong and Mr. Wu Chen.

The committee has reviewed the Group's interim results and interim report for the six months ended 30 June 2010.

SHARE OPTION SCHEME

During the six months ended 30 June 2010, 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 into or existed in the first half of 2010.

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 2010.

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 of directors and perfect internal control, as well as the transparency to all of the shareholders. For the six months ended 30 June 2010, the Company has adopted the principles of the Code on Corporate Governance Practices (“Code on Corporate Governance Practices”) as set out in Appendix 15 to the GEM Listing Rules and has complied with all the code provisions.

OTHER DISCLOSURE

Save as disclosed, there has been no material changes in the Group from the information disclosed in the latest annual report of the Company and all other changes are considered not significant to the Group’s operations, thus no additional disclosure has been made in this report.

By order of the Board
Wang Shuxin
Chairman

Tianjin, the PRC, 5 August 2010

As at the date of this report, the Board comprises three executive Directors, being Mr. Wang Shuxin, Mr. Xie Kehua and Mr. Hao Zhihui; 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.