



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 2009

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

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This announcement, 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 announcement 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 document misleading; and*
- 3. all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

HIGHLIGHTS

- Although there was a decrease in the prices of raw materials and biological compound fertilizer products in the second quarter brought by the financial crisis, which created a strong wait-and-see atmosphere in the compound fertilizers market, for the six months ended 30 June 2009, turnover remained largely stable as compared with the corresponding period last year and decreased slightly by 0.54% to RMB244,486,918.
- Gross profit increased by 20.23% from the corresponding period last year to RMB44,726,802.
- For the six months ended 30 June 2009, the consolidated gross profit margin of the Group increased to 18.29%, which was higher than 15.13% recorded in the corresponding period last year. This was mainly attributable to a substantial increase in the gross profit margin of the biological compound fertilizer products produced by the Group's production base in Shandong.
- Loss attributable to the equity holders amounted to approximately RMB519,047, representing a decrease of 32.35% from the loss in the corresponding period in 2008.

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 2009, together with the comparative figures of the corresponding period in 2008 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	
		2009 (Unaudited) RMB	2008 (Unaudited) RMB	2009 (Unaudited) RMB	2008 (Unaudited) RMB
Turnover	2	244,486,918	245,812,664	103,001,213	125,170,022
<i>Less: sales tax</i>		–	–	–	–
Cost of sales		(199,760,116)	(208,611,587)	(83,957,612)	(107,588,350)
Gross profit		44,726,802	37,201,077	19,043,601	17,581,672
Other (expenditure)/revenue		(105,637)	(456,685)	131,519	(47,685)
Distribution and selling expense		(20,458,312)	(16,132,135)	(10,010,654)	(7,861,639)
R&D and administrative expenses		(18,724,606)	(14,149,862)	(8,977,089)	(6,721,422)
Operating profit		5,438,247	6,462,395	187,377	2,950,926
Finance costs	3	(3,600,519)	(5,792,136)	(1,594,740)	(2,724,011)
Amortization of goodwill on consolidation		–	–	–	–
Profit/(loss) before taxation		1,837,728	670,259	(1,407,363)	226,915
Taxation	5	(993,966)	(621,649)	(120,175)	–
Profit/(loss) for the period		843,762	48,610	(1,527,538)	226,915
Attributable to:					
Equity holders of the Company		(519,047)	(767,283)	(1,869,195)	(227,270)
Minority interests		1,362,809	815,893	341,657	454,185
		843,762	48,610	(1,527,538)	226,915
Loss per share	6	(0.05) cents	(0.13) cents	(0.20) cents	(0.04) cents

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2009	31 December 2008
		(Unaudited)	(Audited)
	<i>Notes</i>	<i>RMB</i>	<i>RMB</i>
Non-current assets			
Property, plant and equipment, net		107,930,820	110,241,188
Goodwill		3,133,932	3,133,932
Available-for-sale financial assets		3,000,000	3,000,000
Prepaid land lease payments		5,664,190	5,816,633
		<u>119,728,942</u>	<u>122,191,753</u>
Current assets			
Inventories		64,694,037	78,974,912
Trade receivables	8	64,188,476	53,778,927
Prepayment and other receivables		27,868,876	28,256,510
Amounts due from ultimate holding company		662,547	662,547
Restricted bank deposits		5,160,000	7,800,000
Cash and bank balances		20,895,718	17,886,821
		<u>183,469,654</u>	<u>187,359,717</u>
Current liabilities			
Trade and bills payables	9	45,507,739	40,096,651
Other payables and accruals	10	80,812,159	36,160,916
Government grants received in advance		3,479,800	3,429,800
Amounts due to ex-shareholders of a subsidiary		–	4,732,823
Amounts due to a related company		–	44,576,144
Bank borrowings		80,000,000	88,000,000
		<u>209,799,698</u>	<u>216,996,334</u>
Net current assets		<u>(26,330,044)</u>	<u>(29,636,617)</u>
Total assets less current liabilities carried forward		<u>93,398,898</u>	<u>92,555,136</u>
Non-current liabilities			
Bank borrowings		8,000,000	8,000,000
Net assets		<u>85,398,898</u>	<u>84,555,136</u>
Equity			
Capital and reserves			
Share capital		95,000,000	95,000,000
Reserve		(13,696,522)	(13,177,475)
Equity attributable to equity shareholders		81,303,478	81,822,525
Minority interests		4,095,420	2,732,611
Total equity		<u>85,398,898</u>	<u>84,555,136</u>

CONDENSED CONSOLIDATED CASH STATEMENT

	For the six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	<i>RMB</i>	<i>RMB</i>
Cash flows from operating activities		
Cash used in operation	21,568,822	23,043,328
Interests received	174,933	203,387
Income tax paid	(724,957)	(724,957)
Interests paid	(3,684,092)	(4,830,572)
	<u>17,334,706</u>	<u>17,691,186</u>
Net cash used in operating activities		
Cash flows from investing activities		
Purchases of property, plant and equipment	(4,279,485)	(9,796,193)
Repayment to ex-shareholders of a subsidiary	(4,732,824)	–
Sales of property, plant and equipment	46,500	55,000
	<u>(8,965,809)</u>	<u>(9,741,193)</u>
Net cash used in investing activities		
CASH FLOWS FINANCING ACTIVITIES		
Proceeds from short-term/long-term bank borrowing	60,000,000	142,500,000
Repayment of short-term bank borrowings	(68,000,000)	(168,200,000)
Payment of guarantee fee on bank borrowings	–	–
Proceeds from placing of new H shares	–	–
	<u>(8,000,000)</u>	<u>(25,700,000)</u>
Net cash used in financing activities		
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES	368,897	(17,750,007)
CASH AND BANK BALANCES AT THE BEGINNING OF THE PERIOD	<u>25,686,821</u>	<u>45,382,127</u>
CASH AND BANK BALANCES AT THE END OF THE PERIOD	<u>26,055,718</u>	<u>27,632,120</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 RMB92,240,748 as at 30 June 2009. 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 RMB200 million to the Company. Renewal of 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 2009 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 2008.

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	
	2009 RMB	2008 RMB	2009 RMB	2008 RMB
Turnover				
Fertilizer products	207,824,526	218,806,860	89,547,885	115,429,778
Medical & health products	36,662,392	27,005,804	13,453,328	9,740,244
	<u>244,486,918</u>	<u>245,812,664</u>	<u>103,001,213</u>	<u>125,170,022</u>

3. Finance expense

	For the six months ended 30 June		For the three months ended 30 June	
	2009 RMB	2008 RMB	2009 RMB	2008 RMB
Interest expense on bank loans and bank charges	3,600,519	5,792,136	1,594,740	2,724,011
	<u>3,600,519</u>	<u>5,792,136</u>	<u>1,594,740</u>	<u>2,724,011</u>

4. Loss before tax

	For the six months ended 30 June	
	2009	2008
	RMB	RMB
Depreciation of property, plant and equipment	4,589,990	2,630,141
Amortization of intangible asset	152,443	148,556
Amortization of goodwill	–	–

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 20 %. The Company has not provided for any EIT (2008: 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. EIT has been provided at 20%(2008:18%) of taxable income for the period.

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 concessionary EIT rate 24%. SD Fulilong has not provided for any EIT since it has no taxable income for the period (2008: 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	
	2009	2008
	RMB’000	RMB’000
Current Tax		
Hong Kong	Nil	Nil
Other Jurisdictions	994	622

The income tax charge in Hong Kong is Nil for the period ended 30 June 2009 (June 2008: Nil) as the Company did not carry on any business in Hong Kong during the period .The income tax charge in the PRC is 993,966 for the period ended 30 June 2009 (June 2008: 621,649).

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

	For the six months ended 30 June	
	2009	2008
	<i>RMB</i>	<i>RMB</i>
Profit before tax	1,838	670
Tax calculated at the EIT rate of 25%	460	168
Tax rate differential	(502)	(597)
Effect of tax holiday exemption	–	–
Effect of the tax losses on consolidation	1,036	1,051
Tax effect of expenses that are not deductible in determining taxable profit	–	–
	<hr/>	<hr/>
Tax expense for the period	<u>994</u>	<u>622</u>

6. Loss per share

For the six months ended 30 June 2009, the calculation of loss per share is based on the Group's loss attributable to equity holders of RMB519,047 (June 2008: loss of RMB767,283), divided by the total number of shares issued by the Company of 950,000,000 shares (June 2008: 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 RMB4,279,485 (2008: RMB9,796,193) on the acquisition of property, plant and equipment. The spending of property, plant and equipment is mainly due to the further investment in Shandong Fulilong Fertilizer Industry Co., Ltd. which is one of the subsidiaries of the Company.

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	31 December
	2009	2008
	(Unaudited)	(Audited)
	<i>RMB</i>	<i>RMB</i>
Trade receivable, current assets	73,032,719	60,717,997
Provision for doubtful accounts	(8,844,243)	(6,939,070)
	<hr/>	<hr/>
Trade receivable, net	<u>64,188,476</u>	<u>53,778,927</u>

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

	30 June 2009 (Unaudited) RMB	31 December 2008 (Audited) RMB
Within 3 months	44,514,643	28,386,329
Over 3 months but within 6 months	16,607,261	17,553,897
Over 6 months	11,910,815	14,777,771
	<u>73,032,719</u>	<u>60,717,997</u>

9. Trade payable

The aging analysis of trade payable is as follows:

	30 June 2009 (Unaudited) RMB	31 December 2008 (Audited) RMB
Within 3 months	20,985,105	32,434,904
Over 3 months but within 6 months	6,629,556	4,576,156
Over 6 months	17,893,078	3,085,591
	<u>45,507,739</u>	<u>40,096,651</u>

10. Other payables and accruals

	30 June 2009 (Unaudited) RMB	31 December 2008 (Audited) RMB
Other payables (<i>note</i>)	68,032,057	13,994,517
Accruals	4,699,871	5,192,459
Receipt in advance	5,248,724	10,703,897
Payables to Social Security Fund	2,831,507	6,270,043
	<u>80,812,159</u>	<u>36,160,916</u>

Note: The balance of other payables and accruals as at 30 June 2009 increased by 1.23 times as compared with the balance as at 31 December 2008, which was mainly comprised of an increase of RMB14.7 million in the amount payable to 深圳市翔永投資有限公司 (Shenzhen Xiangyong Investment Company Limited) and an increase of RMB36 million in the amount payable to 廣東綠洲肥業有限公司 (Guangdong Lvzhou Fertilizer Industry Company Limited). Such payables were resulted from the short-term funding transactions between such companies and the Group's subsidiaries in the normal course of business. 深圳市翔永投資有限公司 (Shenzhen Xiangyong Investment Company Limited) entered into a new domestic shares subscription agreement (which is subject to shareholders' approvals on the special general meeting and class meetings to be held on 10 August 2009) with the Company in June 2009, details of which are set out in "Proposed Issue of Domestic Shares, Proposed Specific Mandate and Proposed Amendments to the Articles of Association" on page 14.

11. Share capital

	30 June 2009		31 December 2008	
	Number of shares	Nominal value RMB'000	Number of shares	Nominal value RMB'000
Registered	950,000,000	95,000	950,000,000	95,000
Issued and fully paid				
Domestic shares of RMB0.1 each	245,000,000	24,500	245,000,000	24,500
H shares of RMB0.1 each	705,000,000	70,500	705,000,000	70,500
	<u>950,000,000</u>	<u>95,000</u>	<u>950,000,000</u>	<u>95,000</u>

12. Capital commitments

As of 30 June 2009, 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 RMB1.0 million (2008: RMB1.0 million)

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (June 2008: Nil).

MOVEMENT OF RESERVES

	Share Capital		Share premium		Accumulated Losses		Reserve		Total	
	2009 RMB	2008 RMB	2009 RMB	2008 RMB	2009 RMB	2008 RMB	2009 RMB	2008 RMB	2009 RMB	2008 RMB
Balance as at 1 January	95,000,000	61,000,000	74,869,185	75,089,571	(91,721,701)	(82,388,734)	3,675,041	3,329,676	81,822,525	57,030,513
Net profit/(loss) attributable to equity holders of the Company for the three months ended 31 March	-	-	-	-	1,350,148	(540,013)	-	-	1,350,148	(540,013)
Balance as at 31 March	<u>95,000,000</u>	<u>61,000,000</u>	<u>74,869,185</u>	<u>75,089,571</u>	<u>(90,371,553)</u>	<u>(82,928,747)</u>	<u>3,675,041</u>	<u>3,329,676</u>	<u>83,172,673</u>	<u>56,490,500</u>
Net profit/(loss) attributable to equity holders of the Company for the three months ended 30 June	-	-	-	-	(1,869,195)	(227,270)	-	-	(1,869,195)	(227,270)
Balance as at 30 June	<u>95,000,000</u>	<u>61,000,000</u>	<u>74,869,185</u>	<u>75,089,571</u>	<u>(92,240,748)</u>	<u>(83,156,017)</u>	<u>3,675,041</u>	<u>3,329,676</u>	<u>81,303,478</u>	<u>56,263,230</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2009, the Group carried on with its principal businesses of (1) biological compound fertilizer products, including a series of biological compound fertilizer products under the brands of “Fulilong” and “Lvzhou”; and (2) medical and health products, which included a series of health products for diabetics, such as sugar reducing health foods developed in various forms ranging from nutritious noodles, flour to biscuits, as well as a series of products beneficial to the health of the human body, such as sugar-free drinks and sugar-free biscuits.

For the six months ended 30 June 2009, turnover of our medical and health products increased by 37.87% to RMB36,662,392, while the turnover of our biological compound fertilizer products decreased by 5.02%.

The consolidated gross profit margin of the Group increased from 15.13% to 18.29%. Due to an overall increase across the gross profit margins of the Group’s products, the aggregate gross profit of the Group jumped to RMB44,726,802, representing an increase of 20.23% as compared with the corresponding period in 2008.

During the period under review, loss attributable to the shareholders of the Company decreased from RMB767,257 in the corresponding period last year to RMB519,047.

For the six months ended 30 June 2009, approximately 85% of the total turnover was contributed by the sales of biological compound fertilizers, while the remaining was derived from the medical and health products.

Fertilizer products

The adverse impacts of the continuously spreading financial crisis on the agricultural industry and the economy of the rural areas in the PRC have gradually emerged. Since the arrival of spring, the compound fertilizers market has been facing pressures both from the fluctuation in the upstream raw materials market and from the downstream sectors, which were ravaged by a lack of confidence and decrease in demand. 2009 is a year shrouded in uncertainties with respect to the domestic compound fertilizers market. Users’ demand dropped as the consumption of fertilizers for crops in some regions was affected by various natural disasters such as drought and flooding, while the unstable raw material prices have resulted in the fluctuation and fall in the prices of compound fertilizer products. This made the distributors and end-users become more cautious in the purchase of fertilizers and in turn limited the Group’s expansion in the fertilizer products market. Due to a lack of confidence in the market’s prospect, many producers in the PRC started to reduce or simply stopped production. Notwithstanding such market turmoil, the Group adhered to its established strategies and shifted its focus to upholding its position in the existing markets and enhancing sales profit margins.

For the six months ended 30 June 2009, sales of the Group’s fertilizer products amounted to RMB207,824,526. During the six months ended 30 June 2009, the gross profit from the sales of fertilizer products reached RMB27,374,480 (sales gross profit for the six months ended 30 June 2008: RMB24,975,028).

Medical and health products

For the six months ended 30 June 2009, the sales of the Group's medical and health products was RMB36,662,392, representing an increase of approximately 37.87% 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. The gross profit margin of "Alpha" products for the six months ended 30 June 2009 was 47.33% (for the six months ended 30 June 2008: 47.12%).

For the first half of 2009, the major source of our sales growth was the increase in the sales of our sugar-reducing and sugar-free biscuits and drinks, while the principle driving force behind our growth in the second half of the year will be the sales performance of sugar-free mooncakes and drinks. At the end of the second quarter, the Group has taken various initiatives spanning from modification of production equipment, purchasing and storage, financing and marketing to staff training in order to prepare itself for the smooth launch of its major products to the market in the second half of the year.

Distribution and selling

For the six months ended 30 June 2009, the Group's distribution and selling expenses amounted to approximately RMB20,458,312, representing an increase of approximately 26.82% as compared with the corresponding period last year (2008: RMB16,132,133). The increase was mainly due to an increase in distribution and selling expenses of medical and health products as well as the fertilizer products produced by our Shandong production base. During the first half of this year, distribution and selling expenses accounted for 8.37% of the sales of the period, up from 6.56% in the first half of last year.

Research and development and administration

For the six months ended 30 June 2009, the Group's research and development and administrative expenses amounted to approximately RMB18,724,606 (2008: RMB14,149,862), representing an increase of 32.33% as compared with the corresponding period last year; and accounted for 7.66% of the sales of the period, up from 5.76% in the first half of last year.

The total number of employees of the Group increased from 733 as at 30 June 2008 to 751 as at 30 June 2009, and our workforce on the whole remained stable. For the six months ended 30 June 2009, the cost of emolument of the Group was approximately RMB11,385,000 (2008: RMB8,451,000).

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 2009, the cash and bank balance of the Group was approximately RMB26,055,718 (31 December 2008: RMB25,686,821) and short-term bank loans were RMB80,000,000 (31 December 2008: RMB88,000,000). The bank loans provided by various banks in China were denominated in RMB and at fixed interest rates between 6.4% and 9.8% (31 December 2008: between 7.8% and 9.8%). The majority of the bank loans amounting to RMB24,000,000 and RMB32,000,000 will be due on 18 January 2010 and 11 June 2010, respectively.

As at 30 June 2009, total asset of the Group amounted to approximately RMB303,198,596 (31 December 2008: RMB309,551,470), which was financed by current liabilities of approximately RMB209,799,698 (31 December 2008: RMB216,996,334), non-current liabilities of approximately RMB8,000,000 (31 December 2008: RMB8,000,000), shareholders' equity of RMB81,303,478 (31 December 2008: RMB81,822,525) and minority interests of approximately RMB4,095,420 (31 December 2008: RMB2,732,611).

As at 30 June 2009, the gearing ratio of the Group (which is the ratio between the total amount of bank loan and total amount of assets) was 0.29 (31 December 2008: 0.31). The current ratio of the Group (which is the ratio between the current assets and current liabilities) was 0.87 (31 December 2008: 0.86).

Future Outlook

The importance of the issues of agriculture, farmers and rural areas as weighted by the central government was demonstrated by the issue of the Opinions of the Central Committee and the State Council on Promoting Steady Growth of Agriculture and Continued Increase in Farmers' Incomes in 2009 (《中共中央國務院關於2009年促進農業穩定發展農民續增收的若干意見》), which is the eleventh No. 1 Document of the Central Committee with a theme on the issues of agriculture, farmers and rural areas since the market reforms and opening of the PRC and marks the first time that No. 1 Documents concerning the issues of agriculture, farmers and rural areas were issued in six consecutive years. On 10 May, the State Council further issued the Opinions of the State Council on Maintaining the Agricultural Development and Promoting Farmers' Income Increase (《關於當前穩定農業發展促進農民增收的意見》), which emphasized the state's ever increasing efforts in implementing favorable policies for the farmers to promote their well-being and expanding investments in the rural areas so as to secure a sustainable and prosperous agricultural industry and a more rapid increase in farmers' income. Being the primary industry of the nation, agriculture is related to food supply security and food safety issues in the PRC. Furthermore, increase in farmers' income is one of the crucial elements in the agriculture, farmers and rural areas policies. The fact that fertilizers have long been accounting for about one-third of the total input of agricultural production highlighted the importance of and contributions by fertilizer products.

After the surge in the first quarter, the compound fertilizers market in the PRC slumped with the fall in raw material prices. However, sales of controlled release fertilizers, which have become a new focus in the market, recorded impressive sales despite of the sluggish market situation, and professional controlled release fertilizer producers were running at a higher utilization rate and have increased their capacity. The Group believes that it is critical to improve and develop new product technologies in times of stagnant market so as to achieve growth during adverse time. Driven by the biological technology-oriented "environmental revolution," the organic growth of the agricultural industry has gone beyond chemical agriculture and entered into the stage of biological agriculture. This means that producers of biological compound fertilizers have to adjust their in-house product research and development approach to suit biological agriculture. As domestic professional providers of biological compound fertilizers, scientific fertilizer solutions and services, the subsidiaries of the Group engaging in the biological fertilizers business have always sought to explore and identify key technologies in using fertilizer efficiently, promote their viable efficient applications and introduce our latest technologies and products to the end-users as soon as possible. It is our mission to help users to apply fertilizer more scientifically and efficiently when we sell our products and provide services to them.

In view of the coming implementation of the national standard on controlled release fertilizers, i.e. GB/T23348-2009, on 1 September 2009, the Group will make more efforts in the technological development of future new products and expand investment in and accelerate the research and development of new products, such as new controlled release compound fertilizers, with a view to achieving synergies between our technological edge and brands, and expanding to the high-end market by unremittingly introducing and perfecting new technologies and enhancing the performance of our products.

The early development of sugar-free foods in the PRC was signified by an aim to satisfy the appetite of the diabetes, and the food types were mostly limited to sugar-free biscuits and buckwheat noodles. Driven by economic development and improvement in living quality, people's concept in consuming food has changed significantly and focus has gradually turned to the health impact of foods and drinks, and consumption has shifted from good looking, savoury and tasty foods to functional foods with reasonable nutritional and health benefits. As a result, the variety of sugar-free foods has also developed from sugar-free biscuits at the very beginning to sugar-free mooncakes, drinks, pastries, candies, cereals products, etc. and has gained support from more and more non-diabetics consumers who seek better health. The domestic market for sugar-free foods is expanding rapidly and the market share of sugar-free foods has been growing at double digit per annum. In the second half of the year, the Group will continue to concentrate on meeting the consumption demand during festivals, such as the mid-autumn festival and national day, and maintaining sales growth.

In the coming quarters in 2009, the Group will strive to improve its results of operation and create value for its shareholders amidst adverse market condition.

Continuing Connected Transaction

On 31 March 2009, the Company issued an announcement entitled "Continuing Connected Transaction". The Company as the lessee entered into a tenancy agreement with Tianjin TEDA International Incubator ("TTII"), a substantial shareholder of the Company, as the lessor on 23 April 2008 and 12 February 2009 respectively in respect of a premise and the annual rental payment for the financial year ended 31 December 2008 was RMB219,177 and the rental payment for the financial year ending 31 December 2009 is RMB326,268. Tianjin Alpha HealthCare Products Co., Ltd, a non-wholly owned subsidiary of the Company as the lessee entered into a tenancy agreement with TTII as the lessor on 28 July 2008 for a term of two years and the annual rental payments for the year ended 31 December 2008 and the year ending 31 December 2009 are both RMB1,491,120.

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 aggregated 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.

PROPOSED ISSUE OF DOMESTIC SHARES, PROPOSED SPECIFIC MANDATE AND PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On 12 June 2009, the Company entered into a subscription agreement with several subscribers, pursuant to which the Company agreed to allot and issue a total of 470,000,000 domestic shares to the subscribers at RMB0.1023 (HK\$0.116) per share, including (i) 180,000,000 new domestic shares to 深圳市翔永投資有限公司 (Shenzhen Xiangyong Investment Company Limited) at the consideration of RMB18,405,720 (HK\$20,880,000); (ii) 170,000,000 new domestic shares to 山東知農化肥有限公司 (Shandong Zhinong Fertilizers Company Limited) at the consideration of RMB17,383,180 (HK\$19,720,000); and (iii) 120,000,000 new domestic shares to 東莞市綠野化肥有限公司 (Dongguan Lvye Fertilizers Company Limited) at the consideration of RMB12,270,480 (HK\$13,920,000).

For further details, please refer to the announcement and the circular of the Company dated 12 June 2009 and 23 June 2009 respectively. Completion of the subscription agreement depends on the satisfaction of certain conditions precedent including shareholders' approval to be obtained at an extraordinary general meeting.

APPOINTMENT OF A NEW DIRECTOR

Mr. Hao Zhihui was duly elected as an executive director of the Company at the annual general meeting held on 19 May 2009. Mr. Hao's appointment is for a term to be ended on 31 December 2010 and his remuneration is in line with the remunerations of other existing executive directors and was determined on the basis of prevailing market rate and the recommendation of the remuneration committee of the Company.

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

As at 30 June 2009, 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	0.95%	

Note: All represented domestic shares.

Save as disclosed in this paragraph, as at 30 June 2009, none of the directors and the supervisors of the Company had any 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 requirements set out in GEM Listing Rules 5.46 to 5.67 relating to securities transactions by directors required 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, 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 2009, 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	Beneficial owner	200,000,000 (Note 1)	21.05%

Note:

1. All represented domestic shares.

Save as disclosed above, as at 30 June 2009, 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.

THE GROUP'S PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2009, the Group charged some buildings and land use rights which amounted to RMB25,820,196 to secure bank loans granted by a licensed bank in China to its subsidiary.

The Company provided guarantees of RMB1,000,000 (2008: 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 2009, 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 results for the six months ended 30 June 2009 and report for the first half of the year.

SHARE OPTION SCHEME

During the six months ended 30 June 2009, 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 2009.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption of shares in the Company made by the Company or any of its subsidiaries during the six months ended 30 June 2009.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 June 2009.

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 2009, the Company has adopted the principles of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules and has complied with all the code provisions.

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 Announcement.

By order of the Board
Wang Shuxin
Chairman

Tianjin, the PRC, 10 August 2009

As at the date of this announcement, 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.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for 7 days from the date of its publication.