



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)



2015 INTERIM REPORT

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

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The information set out in this report, for which the directors of Tianjin TEDA Biomedical Engineering Company Limited (“the Company”) collectively and individually accept full responsibility, is 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 Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this report or any statement herein misleading.

HIGHLIGHTS

- Consolidated turnover of the Group for the six months ended 30 June 2015 amounted to RMB273,936,694, representing a decrease of 1.09% as compared to the same period of last year (30 June 2014: RMB276,956,208).
- Consolidated gross profit of the Group for the six months ended 30 June 2015 amounted to RMB54,904,169, representing an increase of 5.88% as compared to the same period of last year (30 June 2014: RMB51,853,535).
- Profit attributable to the equity owners of the Company for the six months ended 30 June 2015 was RMB5,643,189 (30 June 2014: RMB9,545,517); the earnings per share of the Company was RMB0.35 cents (30 June 2014: RMB0.67 cents).
- The Board does not recommend the payment of dividend for the six months ended 30 June 2015.

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 2015, together with the comparative figures of the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the six months ended 30 June		For the three months ended 30 June	
		2015 (Unaudited) RMB	2014 (Unaudited) RMB	2015 (Unaudited) RMB	2014 (Unaudited) RMB
Turnover	2	273,936,694	276,956,208	143,755,207	140,050,205
Cost of sales		(219,032,525)	(225,102,673)	(114,848,545)	(111,264,643)
Gross profit		54,904,169	51,853,535	28,906,662	28,785,562
Other expenses and net losses/income and net gains		(16,226)	333,665	(28,641)	349,286
Selling and distribution costs		(20,936,800)	(18,434,963)	(8,720,800)	(10,595,082)
R&D and administrative expenses		(27,433,207)	(19,893,607)	(15,207,546)	(10,354,884)
Finance costs	3	(4,192,017)	(3,720,029)	(2,546,562)	(2,194,668)
Profit before taxation		2,325,919	10,138,601	2,403,113	5,990,214
Income tax expenses	5	(727,793)	(554,489)	(427,793)	(254,489)
Profit and comprehensive income for the period		1,598,126	9,584,112	1,975,320	5,735,725
Attributable to:					
Owners of the Company		5,643,189	9,545,517	2,991,710	5,388,355
Non-controlling interests		(4,045,063)	38,595	(1,016,390)	347,370
		1,598,126	9,584,112	1,975,320	5,735,725
Earnings per share					
— Basic (RMB)		0.35 cents	0.67 cents	0.19 cents	0.38 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2015 (Unaudited) RMB	31 December 2014 (Audited) RMB
Non-current assets			
Property, plant and equipment		94,099,597	96,371,284
Goodwill		3,133,932	3,133,932
Prepaid land lease payments		8,396,420	8,423,182
Prepayment and other receivables		–	–
Total non-current assets		105,629,949	107,928,398
Current assets			
Inventories		126,476,555	138,376,713
Trade and bills receivables	8	175,570,254	103,319,636
Prepayments and other receivables	9	31,476,117	34,613,281
Restricted bank deposits		–	–
Bank balances and cash		104,774,443	48,383,977
		438,297,369	324,693,607
Total current assets		438,297,369	324,693,607
Total assets		543,927,318	432,622,005
Current liabilities			
Trade and bills payables	10	62,247,615	39,926,921
Other payables and accruals	11	12,017,571	31,932,275
Financial liabilities		23,240,391	22,439,591
Tax payable		1,474,538	7,325,602
Bank borrowings		89,300,000	87,300,000
Total current liabilities		188,280,115	188,924,389
Net current assets		250,017,254	135,769,218
Total assets less current liabilities		355,647,203	243,697,616

		30 June 2015 (Unaudited) RMB	31 December 2014 (Audited) RMB
Non-current liabilities			
Bank borrowings		–	–
Net Assets		355,647,203	243,697,616
Capital and reserves attributable to owners of the Company			
Share capital	12	159,500,000	142,000,000
Reserves		140,515,635	56,020,985
Equity attributable to owners of the company		300,015,635	198,020,985
Non-controlling interests		55,631,568	45,676,631
Total equity		355,647,203	243,697,616

CONDENSED CONSOLIDATED CASH STATEMENT

	For the six months ended 30 June	
	2015 (Unaudited) RMB	2014 (Unaudited) RMB
Cash flows from operating activities		
Cash used in operation	(50,833,734)	(17,942,465)
Interests received	24,075	34,607
Income tax paid	(7,086,905)	(4,002,232)
Interests paid	(3,292,978)	(3,588,435)
Net cash used in operating activities	(61,189,542)	(25,498,525)
Cash flows from investing activities		
Purchases of property, plant and equipment	(4,791,336)	(7,159,476)
Disposal of subsidiaries	–	50,000
Sales of property, plant and equipment	191,663	12,000
Decrease in restricted bank deposits	–	1,000,000
Interest received	24,075	34,607
Net cash used in investing activities	(4,575,598)	(6,062,869)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares	106,155,606	–
Capital injection from a minority shareholder	14,000,000	–
Proceeds from short-term/long-term bank borrowing	54,000,000	60,000,000
Repayment of short-term bank borrowings	52,000,000	(51,500,000)
Net cash used in financing activities	122,155,606	8,500,000
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES	56,390,466	(23,061,394)
CASH AND BANK BALANCES AT THE BEGINNING OF THE PERIOD	48,383,977	43,108,953
CASH AND BANK BALANCES AT THE END OF THE PERIOD	104,774,443	20,047,559

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 RMB1,492,282 as at 30 June 2015. 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 2015 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 2014.

2. TURNOVER

The Group's turnover is derived principally from the sales of fertilizer products 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	
	2015	2014	2015	2014
	RMB	RMB	RMB	RMB
Turnover				
Fertilizer products	241,247,100	239,744,740	132,574,676	122,022,352
Health care products	32,689,594	37,211,468	11,180,531	18,027,853
	273,936,694	276,956,208	143,755,207	140,050,205

3. FINANCE EXPENSE

	For the six months ended 30 June		For the three months ended 30 June	
	2015	2014	2015	2014
	RMB	RMB	RMB	RMB
Interest expense on bank loans and bank charges	4,192,017	3,720,029	2,546,562	2,194,668
	4,192,017	3,720,029	2,546,562	2,194,668

4. LOSS BEFORE TAX

	For the six months ended 30 June	
	2015 RMB	2014 RMB
Depreciation of property, plant and equipment	3,756,414	3,717,401
Amortization of intangible asset	147,741	147,741
Amortization of goodwill	–	–

5. TAXATION

(a) Enterprise income tax (“EIT”)

In accordance with the new PRC Enterprise Income Tax Law which became effective from 1 January 2008, a unified enterprise income tax rate of 25% will be applied to both domestic-invested enterprises and foreign-invested enterprises. Enterprises established prior to 16 March 2007 are eligible for preferential tax treatment in accordance with the currently prevailing tax laws and administrative regulations shall, under the regulations of the State Council, gradually be subject to the new tax rate over a five-year transitional period until 2012. Accordingly, the Company and Shandong Hidersun Fertilizer Co. LTD. are subject to EIT rate of 25% for the year (2014: 25%).

The Company has not provided for any EIT (2014: nil) since it has no taxable income for the period.

On 21 October 2014, Tianjin Alpha HealthCare Products Co., Ltd. was approved as a new and high technology enterprise and was therefore entitled to a preferential tax rate of 15% (2014: 25%).

Tianjin Alpha Beverage Sales Co., Ltd was incorporated on 2 March 2015. It is a 55% owned subsidiary of Tianjin Alpha HealthCare Products Co., Ltd. Tianjin Alpha Beverage Sales Co., Ltd. is subject to EIT rate of 25% for the year. It has not provided for any EIT since it has no taxable income for the period.

SD Hidersun Fertilizer Co., Ltd. has not provided for any EIT since it has no taxable income for the period (2014: nil).

On 10 October 2014, 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% (2014: 15%).

(b) Income tax expense

	For the six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Current Tax		
Hong Kong	Nil	Nil
Other Jurisdictions	728	554

The income tax charge in Hong Kong is Nil for the period ended 30 June 2015 (June 2014: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is RMB727,793 for the period ended 30 June 2015 (June 2014: RMB554,489).

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

	For the six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Profit before tax	2,326	10,139
Tax calculated at the EIT rate of 25%	582	2,535
Tax rate differential	(704)	(1,145)
Effect of tax holiday exemption	–	–
Effect of the tax losses on consolidation	850	(836)
Tax effect of expenses that are not deductible in determining taxable profit	–	–
Tax expense for the period	728	554

6. PROFIT PER SHARE

For the six months ended 30 June 2015, the calculation of profit per share is based on the Group's profit attributable to equity holders of RMB5,643,189 (June 2014: profit of RMB9,545,517), divided by the total number of shares issued by the Company of 1,595,000,000 shares (June 2014: 1,420,000,000 shares). Diluted profit per share is not presented as there are no dilutive potential shares during the period.

7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB4,791,336 (2014: RMB7,159,476) on the acquisition of property, plant and equipment. The increase of the spending of property, plant and equipment is primarily attributable to the Group's projects in health care products.

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 2015 (Unaudited) RMB	31 December 2014 (Audited) RMB
Trade receivable, current assets	184,382,265	110,394,739
Provision for doubtful accounts	(8,812,011)	(7,075,103)
Trade receivable, net	175,570,254	103,319,636

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

	30 June 2015 (Unaudited) RMB	31 December 2014 (Audited) RMB
Within 3 months	145,240,555	63,237,170
Over 3 months but within 6 months	21,624,595	22,478,476
Over 6 months	17,517,115	24,679,093
Total	184,382,265	110,394,739

9. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2015 (Unaudited) RMB	31 December 2014 (Audited) RMB
Other receivables	17,461,244	15,457,906
Less: allowance for doubtful debts	(2,096,189)	(2,096,189)
Deposits and prepayments (note a)	15,365,055	13,361,717
	16,111,062	21,251,564
Total	31,476,117	34,613,281

(a) Subsidiaries of the company decreased prepayments.

10. TRADE AND BILLS PAYABLES

The aging analysis of trade payable is as follows:

	30 June 2015 (Unaudited) RMB	31 December 2014 (Audited) RMB
Within 3 months	39,935,742	24,811,933
Over 3 months but within 6 months	4,434,138	5,510,782
Over 6 months	17,877,735	9,604,206
	62,247,615	39,926,921

11. OTHER PAYABLES AND ACCRUALS

	30 June 2015 (Unaudited) RMB	31 December 2014 (Audited) RMB
Other payables(note (a))	4,599,205	12,953,409
Accruals	2,511,005	4,472,569
Receipt in advance (note (b))	2,318,879	11,941,088
Payables to Social Security Fund	2,588,482	2,565,209
	12,017,571	31,932,275

(a) The other payables that the company's subsidiaries should pay were reduced.

(b) The advanced payments that the company's subsidiaries received were reduced.

12. SHARE CAPITAL

	30 June 2015		31 December 2014	
	Number of shares	Nominal value RMB'000	Number of shares	Nominal value RMB'000
Registered	1,595,000,000	159,500	1,420,000,000	142,000
Issued and fully paid				
Domestic shares of RMB0.1 each	697,500,000	69,750	715,000,000	71,500
H shares of RMB0.1 each	897,500,000	89,750	705,000,000	70,500
	1,595,000,000	159,500	1,420,000,000	142,000

13. CAPITAL COMMITMENTS

As of 30 June 2015, the Group had no significant capital commitments which were not provided for in the condensed consolidated financial statements of the Group.

14. CONTINGENT LIABILITIES

The Company guaranteed the banking facilities granted to certain of its subsidiaries amounting to RMB49.0 million (2014: RMB55.0 million).

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (June 2014: Nil).

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital		Share premium		Surplus reserve		Capital reserve		Other reserve		Accumulated Losses		Total	
	2015 RMB	2014 RMB	2015 RMB	2014 RMB	2015 RMB	2014 RMB	2015 RMB	2014 RMB	2015 RMB	2014 RMB	2015 RMB	2014 RMB	2015 RMB	2014 RMB
Balance as at 1 January	142,000,000	142,000,000	75,816,410	75,816,410	6,831,045	6,831,045	2,541,404	2,541,404	(22,032,403)	-	(7,135,471)	(25,759,291)	198,020,985	201,429,468
Net profit attributable to equity holders of the Company for the three months ended 31 March	-	-	-	-	-	-	-	-	-	-	2,651,479	4,157,162	2,651,479	4,157,162
Balance as at 31 March	142,000,000	142,000,000	75,816,410	75,816,410	6,831,045	6,831,045	2,541,404	2,541,404	(22,032,403)	-	(4,483,992)	(21,602,229)	200,672,464	205,586,630
Net profit attributable to equity holders of the Company for the three months ended 30 June	-	-	-	-	-	-	-	-	-	-	2,991,710	5,388,355	2,991,710	5,388,355
Issue of shares	17,500,000	-	78,851,461	-	-	-	-	-	-	-	-	-	96,351,461	-
Balance as at 30 June	159,500,000	142,000,000	154,667,871	75,816,410	6,831,045	6,831,045	2,541,404	2,541,404	(22,032,403)	-	(1,492,282)	(16,213,874)	300,015,635	210,974,985

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Fertilizer products

During the first half of the year, the raw material price of compound fertilizers was operating at a low cost level due to continuing adverse economic situation in mainland China, gradual slowdown of global economic growth and persistent drop in commodity prices. Until May of this year, the price of nitrogenous fertilizers increased while the market price of compound fertilizers remained stable. In recent years, it has become an undisputable fact that there is an excess capacity and intense competition in the compound fertilizer industry. During this year, the demand for compound fertilizers is not the only factor that affects the pricing trend of compound fertilizers, while the fluctuation in the costs of raw materials has become a more important indicator of the price movement of compound fertilizers. Amid unfavorable market circumstances, GD Fulilong and Shandong Hidersun, both being the subsidiaries of the Group, achieved favorable results by actively revamping product structure and focusing on promoting products which yield a higher gross profit margin according to latest market trend.

Health care products

As a result of coping with increasing stress from work and life, more and more consumers of different age groups, gender and occupations are in a sub-health condition. Thus, health care product manufacturers all focus on the emerging markets with health care food becoming more specifically targeting particular groups of people. Driven by factors such as market demand, technological advancement and management improvement, the potential for the development of health care product industry in China is undoubtedly immense. In the future, the key mission of China’s nutrient and health care food manufacturing industry is to improve the quality of food and health care food as well as the production quality and the technological level of raw materials. The official launch of the new plant and the new processing technology of Tianjin Alpha, being a subsidiary of the Group, will ensure good quality controls over the production of health care products.

Finance Review

Turnover, gross profit and gross profit margin

For the six months ended 30 June 2015, the Group achieved total turnover of RMB273,936,694, representing a decrease of 1.09% as compared to the same period of last year (30 June 2014: RMB276,956,208), of which, the Group recorded turnover of RMB241,247,100 for compound fertilizer products, representing a slight increase of 0.63% as compared to the same period of last year (30 June 2014: RMB239,744,740); the Group recorded turnover of RMB32,689,594 for health care products, representing a decrease of 12.15% as compared to the same period of last year (30 June 2014: RMB37,211,468).

For the six months ended 30 June 2015, the consolidated gross profit of the Group was RMB54,904,169, representing an increase of 5.88% as compared to the same period of last year (30 June 2014: RMB51,853,535); the consolidated gross profit margin of the Group was 20.04%, representing an increase as compared to the same period of last year (30 June 2014: the consolidated gross profit margin was 18.72%), which was mainly attributable to the Group's focus on promoting products with a higher gross profit margin in its compound fertilizer business based upon market changes during the first half of the year.

Selling and distribution costs

For the six months ended 30 June 2015, selling and distribution costs of the Group were RMB20,936,800. During the period under review, selling and distribution costs increased by 13.57% as compared to the same period of last year (30 June 2014: RMB18,434,963). The increase in selling and distribution costs as compared to the same period of last year was primarily due to the Group's effort in strengthening the marketing activities of the two business segments as a result of intense market competition during the first half of the year.

Research and development and administrative expenses

For the six months ended 30 June 2015, research and development and administrative expenses of the Group were RMB27,433,207, representing an increase of 37.90% as compared to the same period of last year (30 June 2014: RMB19,893,607), which was mainly due to more funding for the research and development of new products and the Group's appropriate increase in the provision for impairment pursuant to the Hong Kong Financial Reporting Standards as a result of the significant increase in the receivables of the Group as at 30 June 2015 as compared to those as at 31 December 2014.

Finance costs

For the six months ended 30 June 2015, finance costs of the Group were RMB4,192,017, representing an increase of 12.69% as compared to the same period of last year (30 June 2014: RMB3,720,028), the details of which are set out in Note 3 to the accompanying accounts.

Profit for the year

For the six months ended 30 June 2015, the profit attributable to the equity owners of the Company was RMB5,643,189, representing a decrease of 40.88% as compared to the same period of last year (30 June 2014: RMB9,545,517); earnings per share of the Company were RMB0.35 cents (30 June 2014: RMB0.67 cents).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the period under review, the Group's main source of finance came from banking facilities granted by various banks in the PRC. As at 30 June 2015, the bank and cash balance of the Group was approximately RMB104,774,443 (31 December 2014: RMB48,383,977), bank borrowings were RMB89,300,000 (31 December 2014: RMB87,300,000) and bills payable were RMB3,000,000 (31 December 2014: Nil). The bank borrowings provided by various banks in the PRC were denominated in RMB and at fixed annual interest rates ranging from 5.4% to 8.4% (31 December 2014: ranging from 6.2% to 9.0%). The bank borrowings amounting to RMB41,600,000 and RMB47,700,000 in aggregate will be due in the second half of 2015 and in the first half of 2016 respectively.

As at 30 June 2015, the total asset of the Group amounted to approximately RMB543,927,318 (31 December 2014: RMB432,622,005), with total current liabilities of approximately RMB188,280,115 (31 December 2014: RMB188,924,389), shareholders' equity of RMB300,015,635 (31 December 2014: RMB198,020,985) and minority interests of approximately RMB55,631,568 (31 December 2014: RMB45,676,631).

As at 30 June 2015, the consolidated asset debt ratio of the Group, which is the ratio between the total liabilities and the total assets, was 0.35 (31 December 2014: 0.44). The gearing ratio of the Group, which is the ratio between the total bank borrowings and the total assets, was 0.16 (31 December 2014: 0.20). The current ratio of the Group, which is the ratio between the current assets and the current liabilities, was 2.33 (31 December 2014: 1.72).

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2015, the Group and the Company had contingent liabilities amounting to RMB59,000,000 (31 December 2014: RMB45,000,000) and RMB49,000,000 (31 December 2014: RMB45,000,000) respectively in connection with the guarantee provided by the Group and the Company to secure the bank loans granted to its subsidiaries.

FOREIGN CURRENCY RISK

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

TREASURY POLICY

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

FUTURE OUTLOOK

With the evolution of new agricultural business entities and the acceleration of land transfer in the country, large-scale service models such as farmland trusteeship and outsourcing of plant protection emerge. The large-scale operations of agriculture will lead to a significant increase in the number of big crop-growers and cooperative communities. In general, big crop-growers have stronger purchasing power and thus have a more compelling demand for integrated farming service solutions. During the process of promoting the agricultural production to become larger-scale, more standardized and intensified, the large-scale development of agricultural services places stronger demand for new, efficient and quality compound fertilizers such as new compound fertilizers and water-soluble fertilizers. The Group's subsidiaries, GD Fulilong and Shandong Hidersun, will ride on the development trend of the industry and strengthen its agricultural services while actively promote the new Zhilong active fertilizers and the new generation of humic acid water soluble fertilizers which are in line with the concept of environmental protection so as to satisfy market demand on a continuous basis.

The health care product industry in the country has entered into the stage of rapid development. The huge demand arising from health concerns of consumers stimulates the growing market of health care products. While the health care product industry thrives rapidly, there are various problems such as unsound regulatory policies, weak industry standards and poor market supervision. The newly amended *Food Safety Law of the PRC* will be officially implemented on 1 October 2015 which represents a standardization of the health care product market as well as a new opportunity for the development of the industry. Tianjin Alpha, being a subsidiary of the Group, was notified by the Tianjin Municipal Science and Technology Commission in respect of the approval of the construction of “Tianjin Nutrition and Metabolic Food Engineering Technology Centre” (hereinafter referred to as the “Engineering Centre”) recently. The establishment of the Engineering Centre will expand the territory of health care products as well as the promotion of technological innovations and technological advancement in the health care product sector and provide strong technological support for the future development of Tianjin Alpha.

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

As at 30 June 2015, the interests of the directors and supervisors of the Company and their respective connected persons 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 position in ordinary shares of RMB0.1 each in the Company:

Directors/ Supervisors/ Executive Officers	Personal	Family	Corporate	Other	Total	Percentage of
						the Issued Share Capital
Mr. Chen Yingzhong	-	-	170,000,000 (Note)	-	170,000,000	10.66%

Note: Such shares are held by Shandong Zhinong Fertilizers Company Limited (“Zhinong Fertilizers”), and Mr. Chen Yingzhong is the beneficial owner of 100% interest in Zhinong Fertilizers. All the shares represent domestic shares.

Save as disclosed in this paragraph, as at 30 June 2015, none of the directors, the supervisors and other executive officers of the Company had interests in any securities, underlying shares and debentures of the Company or any of its associated corporations, which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) otherwise to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

At no time during the period under review was the Company, any of its subsidiaries or its holding company a party to any arrangement to enable the directors and the supervisors of the Company or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares of the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, 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 Share Capital
Tianjin TEDA International Incubator ("TTII")	Beneficial owner	182,500,000 (Notes)	11.44%
Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment")	Beneficial owner	180,000,000 (Notes)	11.29%
Shandong Zhinong Fertilizers Company Limited ("Zhinong Fertilizers")	Beneficial owner	170,000,000 (Notes)	10.66%
Dongguan Luye Fertilizers Company Limited ("Luye Fertilizers")	Beneficial owner	120,000,000 (Notes)	7.52%

Note: All of the shares represent domestic shares

Save as disclosed above, as at 30 June 2015, 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.

CHANGE OF SUBSTANTIAL SHAREHOLDERS

On 20 April 2015 (after trading hours), the Company was notified by Shenzhen Xiangyong Investment Company Limited (“Xiangyong”), being a substantial shareholder of the Company holding 180,000,000 domestic shares which represent 12.68% of the entire issued share capital of the Company, and Dongguan Lvye Fertilizers Company Limited (“Lvye”), being a shareholder of the Company holding 120,000,000 domestic shares which represent 8.45% of the entire issued share capital of the Company, respectively that the equity holders of Xiangyong and Lvye entered into disposal agreements with Beijing Yingguxinye Investment Co., Ltd (the “Purchaser”) respectively on 20 April 2015 pursuant to which the equity holders of Xiangyong and Lvye agree to sell the entire equity interest to the Purchaser. Upon completion of such agreements, the Purchaser will own 100% interest in Xiangyong and Lvye, i.e. the Purchaser is deemed to be interested in the entire domestic shares of the Company (21.13%) held by Xiangyong and Lvye. The Purchaser is a limited company incorporated in the PRC and is engaging in the business of investment and asset management. Please refer to the announcement of the Company dated 21 April 2015 published on the website of the GEM of the Hong Kong Stock Exchange for details.

PLACING

On 13 January 2015, the Board of the Company passed a resolution approving the appointment of China Merchants Securities (HK) Co., Ltd., to be the placing agent in respect of a placing of not more than 192,500,000 H Shares (for itself and for Tianjin TEDA International Incubator). The 192,500,000 H Shares represents approximately 13.56% and 27.30% of the existing total issued share capital and the existing issued H Shares of the Company respectively as at the date of 2014 Annual Report. On 16 April 2015, the grant of special mandate for the issuance of the new shares which may be placed and amendments to the articles of association of the Company was approved at the extraordinary general meeting and class meetings of the Company. Please refer to the Company’s announcement dated 25 February 2015 and the announcement dated 16 April 2015 in respect of results of extraordinary general meeting and class meetings for details. On 20 April 2015 (after trading hours), the Company entered into a placing agreement with the Placing Agent, pursuant to which, the Company has agreed to appoint the Placing Agent to procure, on a best effort basis, to place the Placing H Shares at HK\$0.70 per Share.

On 28 April 2015, the Company issued an announcement that the Company has obtained the approval for the listing of and permission to deal in not more than 175,000,000 New H Shares and not more than 17,500,000 Sale H Shares by the Company from the GEM Listing Committee and all conditions for the Placing were fulfilled. An aggregate of 192,500,000 Total Placing H Shares have been successfully placed to not less than six independent professional, institutional and/or individual investors at the placing price of HK\$0.70 per Total Placing H Share. The proceeds of the Placing of the New H Shares and the Sale H Shares are approximately HK\$122.50 million and HK\$12.25 million, respectively. After deduction of placing commission and all related costs, fees and expenses which represent approximately 2.5% of the gross proceeds, the net proceeds of the Placing of New H Shares and the Sale H Shares are approximately HK\$119.44 million and HK\$11.94 million, respectively. The net proceeds from the Sale H Shares will be paid to NSSF Council as required by the State-owned Shares Reduction Regulations. Please refer to the announcement of the Company dated 28 April 2015 published on the website of the GEM of the Hong Kong Stock Exchange for details.

The shareholding structure of the Company immediately after completion of the Placing is as follows:

Name of Shareholders	Nature of Shares	Number of Shares Held (Shares)	Shareholding Proportion
Tianjin TEDA International Incubator	State-owned Legal Person Shares	182,500,000	11.44%
Gu Hanqing	Natural Person Shares	14,000,000	0.88%
Xie Kehua	Natural Person Shares	9,000,000	0.56%
Guangzhou Wenguang Media Company Limited	Social Legal Person Shares	12,000,000	0.75%
Beijing Zhongxing Wuhuan Building Materials Company Limited	Social Legal Person Shares	10,000,000	0.63%
Shenzhen Xiangyong Investment Company Limited	Social Legal Person Shares	180,000,000	11.29%
Shandong Zhinong Fertilizers Company Limited	Social Legal Person Shares	170,000,000	10.66%
Dongguan Luye Fertilizers Company Limited	Social Legal Person Shares	120,000,000	7.52%
Domestic Shares (Subtotal)		697,500,000	43.73%
Public Shareholders of H Shares	H Shares	897,500,000	56.27%
H Shares (Subtotal)		897,500,000	56.27%
Total		1,595,000,000	100%

RESIGNATION, REDESIGNATION AND APPOINTMENT OF DIRECTORS AND SUPERVISORS

The Company issued an announcement on 30 June 2015 that the Board has accepted the resignations of Mr. Xie Guangbei, a non-executive Director, and Mr. Zhao Kuiying, an Independent Supervisor, respectively with effect from 30 June 2015.

Mr. Chen Yingzhong, an executive Director, will be redesignated as a non-executive Director of the Company with effect from the date of Shareholders' approval and expiring on 31 December 2016. The Board proposed to appoint Ms. Sun Li as an executive Director and Mr. Liang Weitao as an Independent Supervisor for a term commencing on the date of Shareholders' approval and expiring on 31 December 2016, which are subject to the passing of ordinary resolutions by the Shareholders at the extraordinary general meeting to be convened on 20 August 2015. Please refer to the notice and circular of the Company dated 1 July 2015 published on the website of the GEM of the Hong Kong Stock Exchange for details.

COMPETING INTERESTS

During the six months ended 30 June 2015, none of the directors, the supervisors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) competes or may compete with the business of the Group nor 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 Company has prepared and adopted written terms of reference for the Audit Committee with reference to "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants, which set out the authorities and duties of the Audit Committee. The Audit Committee of the Company provides an important link between the Board and the Company's auditors for the audit matters of the Group. It also reviews the effectiveness of both external and internal audit, internal controls and risk evaluation. The Audit Committee of the Company comprises three independent non-executive directors, namely Mr. Guan Tong, Mr. Wu Chen and Mr. Peter K.S. Chan, among whom, Mr. Guan Tong has been appointed as the chairman of the committee by virtue of his professional qualifications in accounting and auditing experience.

The Audit Committee has reviewed the interim results and the interim report of the Group for the six months ended 30 June 2015.

SHARE OPTION SCHEME

During the period ended 30 June 2015, the Company has no existing share option scheme.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered or existed during the first half of 2015 under review.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not redeem any of its shares during the period under review. Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares during the first half of 2015 under review.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company has endeavored to apply the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited to the internal operations of the Group. The corporate governance principles which the Company complies emphasize on an efficient board of directors and sound internal control, as well as the transparency presented to all of the shareholders. The Directors are of the view that, the Company had complied with the provisions of the Code except for A.2.1 of the Code during the period under review.

As Mr. Wang Shuxin was the Chief Executive Officer, such practice deviates from A.2.1 of the Code which requires that the separation of the roles of Chairman of the Board and Chief Executive Officer and such roles should not be performed by the same individual. During the period under review, the Board is of the view that it is in the best interests of the Company for Mr. Wang Shuxin to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of the Company. The Company has been proactively recruiting candidates for the position of the Chief Executive Officer through different channels so as to meet the A.2.1 requirements of the Code as soon as practicable and to increase the transparency and independence of corporate governance.

By order of the Board
Wang Shuxin
Chairman

Tianjin, the PRC
6 August 2015

As at the date of this report, the Board comprises of three executive Directors, being Mr. Wang Shuxin, Mr. Hao Zhihui and Mr. Chen Yingzhong; two non-executive Directors, being Mr. Feng Enqing and Mr. Ou Linfeng and three independent non-executive Directors, being Mr. Guan Tong, Mr. Wu Chen and Mr. Peter K. S. Chan.

This report will remain on the GEM website at www.hkgem.com at the "Latest Company Announcements" page for 7 days from the date of its posting. This report will also be published and remains on the website of the Company at www.bioteda.com.