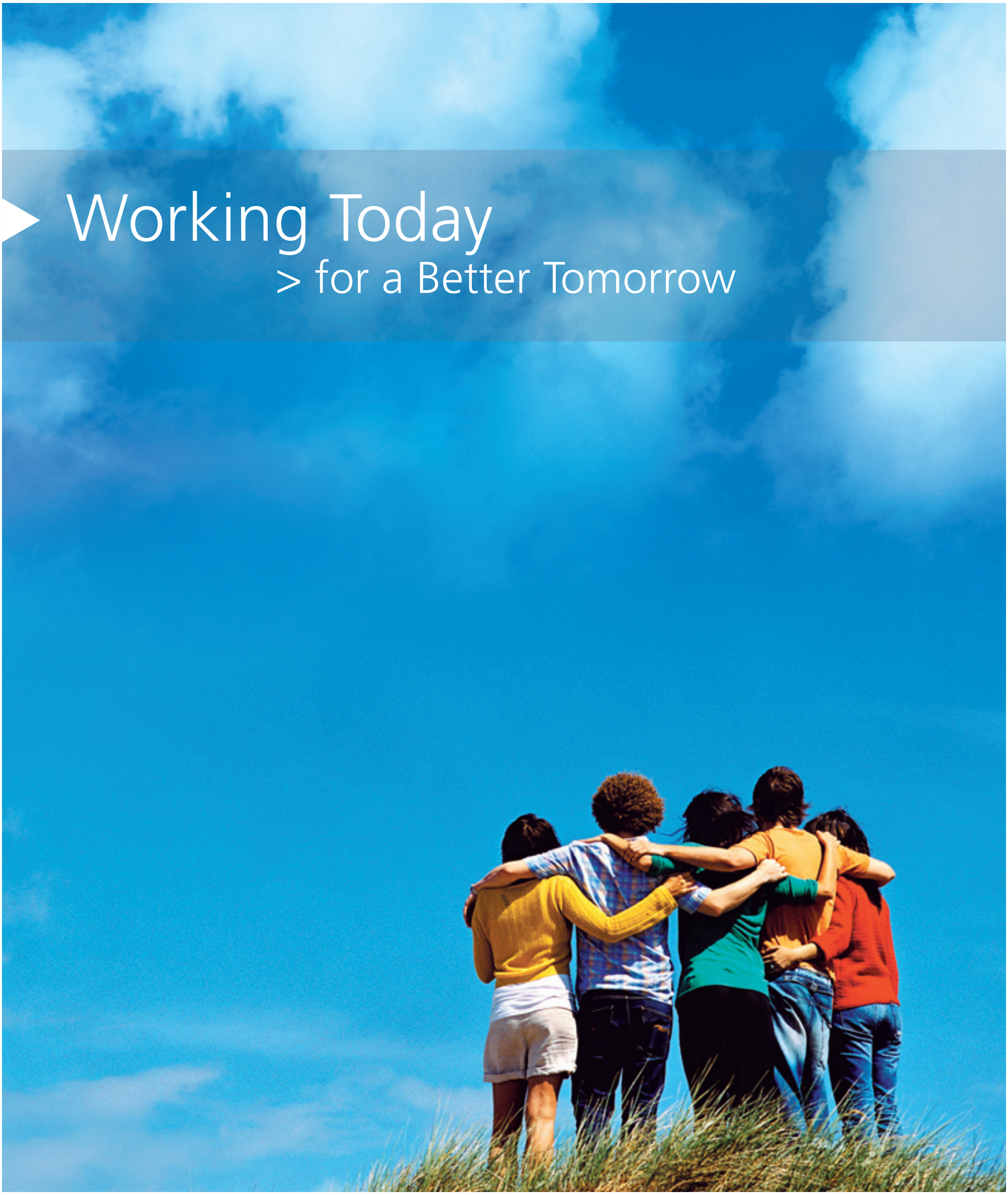
天津泰達生物醫學工程股份有限公司
Tianjin TEDA Biomedical Engineering Company Limited

(A joint stock company incorporated in the People's Republic of China with limited liability)

HALF-YEARLY REPORT 2005

Working Today

> for a Better Tomorrow



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

HIGHLIGHTS

- For the six months ended 30 June 2005, turnover was increased by 314% from that of recorded in the corresponding period of last year and amounted to approximately RMB80,186,000.

- Gross profit increased by 78% from the corresponding period of last year to approximately RMB15,871,000.

- Gross profit margin decreased to approximately 19.8% which is much lower than that of 46% recorded in the corresponding period of last year. This is due to the lower gross profit margin derived from the sales of eco-agricultural products by an equity joint venture in Shandong.

- Although there was an operating loss of approximately RMB2,795,000 recorded for the first half year of 2005, the Group recorded an operating gain of RMB432,000 for the three months ended 30 June 2005. This showed an indication that the Group may approach a breakeven situation if future sales could be improved.

- Net loss attributable to shareholders amounted to approximately RMB5,220,000, representing a decrease of approximately 56.2% from that of recorded in the corresponding period of last year.

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 2005, together with the comparative figures for the corresponding period of 2004 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 June		For the three months ended 30 June	
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Notes	*RMB*	*RMB*	*RMB*	*RMB*
Turnover	*2*	80,186,370	19,367,267	63,076,593	6,802,186
Less: sales tax		(71,232)	(34,166)	(23,198)	(14,401)
Cost of sales		(64,244,412)	(10,416,630)	(54,102,342)	(3,364,066)
Gross profit		15,870,726	8,916,471	8,951,053	3,423,719
Selling and distribution costs		(11,054,970)	(8,982,776)	(5,265,613)	(3,946,696)
R&D and administrative expenses		(7,611,090)	(14,964,878)	(3,253,908)	(9,888,048)
Operating gain/(loss)		(2,795,334)	(15,031,183)	431,532	(10,411,025)
Other income less other expenses		(411,717)	1,247,513	(408,339)	995,662
Amortization on goodwill		(151,710)	(1,416,419)	(88,646)	(1,340,564)
Finance expense	*3*	(1,920,816)	(1,417,231)	(1,095,743)	(745,874)
Loss before tax	*4*	(5,279,577)	(16,617,320)	(1,161,196)	(11,501,801)
Taxation	*5*	(84,707)	(9,257)	(72,301)	–
Loss after tax		(5,364,284)	(16,626,577)	(1,233,497)	(11,501,801)
Minority interests		144,230	4,716,520	(23,539)	4,510,076
Net loss attributable to the Shareholders		(5,220,054)	(11,910,057)	(1,257,036)	(6,991,725)
		RMB	*RMB*	*RMB*	*RMB*
Loss per share – Basic	*6*	(1.23) cents	(2.98) cents	(0.28) cents	(1.75) cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2005 (Unaudited) *RMB*	31 December 2004 (Audited) *RMB*
ASSETS			
Non-current assets			
Property, plant and equipment, net	*7*	17,018,739	17,394,348
Proprietary technologies		3,248,156	3,739,956
Goodwill on consolidation		3,215,291	3,367,001
Trade receivable		6,195,126	6,195,126
Other receivable		1,400,000	1,431,488
		31,077,312	32,127,919
Current assets			
Inventories		19,206,498	18,042,311
Trade receivables	*8*	26,762,676	27,812,508
Prepayment and other receivables		36,912,899	12,875,005
Amounts due from related parties		1,759,306	1,759,306
Restricted bank deposit		25,043,950	25,043,950
Cash and bank balances		47,311,657	5,994,744
		156,996,987	91,527,824
Current liabilities			
Short-term bank borrowings		82,290,000	58,800,000
Trade payables	*9*	7,218,112	13,803,980
Government grants received in advance		1,402,008	1,402,008
Other payables and accruals		30,788,508	13,070,678
Amounts due to related parties		1,646,206	1,637,234
Current portion of finance lease payable		1,441,102	346,816
		124,785,936	89,060,716
Net current assets		32,211,051	2,467,108
Total assets less current liabilities		63,288,363	34,595,027
Finance lease payable		(1,290,878)	(1,290,878)
Minority interests		(2,616,781)	(2,761,011)
TOTAL NET ASSETS		59,380,704	30,543,138
SHAREHOLDERS' EQUITY			
Share capital	*10*	61,000,000	40,000,000
Share premium		75,089,571	62,031,951
Capital reserve		2,541,404	2,541,404
Accumulated losses		(79,250,271)	(74,030,217)
		59,380,704	30,543,138

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2005	**2004**
	(Unaudited)	**(Unaudited)**
	RMB	*RMB*
Cash flows from operating activities:		
Cash used in operation	(16,665,615)	(13,723,158)
Interest received	57,076	57,271
Interest paid	(1,993,467)	(1,342,418)
Net cash used in operating activities	(18,602,006)	(15,008,305)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(1,628,784)	(538,034)
Purchase of proprietary technology	(324,000)	–
Sales of property, plant and equipment	183,900	–
Net cash used in investing activities	(1,768,884)	(538,034)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term bank borrowings	70,290,000	39,050,000
Repayment of short-term bank borrowings	(46,800,000)	(24,700,000)
Payment of guarantee fee on bank borrowings	(359,000)	(154,000)
Proceeds from placing of new H shares	38,556,803	–
Net cash used in financing activities	61,687,803	14,196,000
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES	41,316,913	(1,350,339)
CASH AND BANK BALANCES AT THE BEGINNING OF THE PERIOD	5,994,744	12,912,756
CASH AND BANK BALANCES AT THE END OF THE PERIOD	47,311,657	11,562,417

Notes:

1. **Basis of presentation**

The Group has prepared the condensed consolidated financial statements in accordance with accounting principles generally accepted in Hong Kong and in particular, Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. These financial statements have been prepared under the historical cost convention.

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 2004.

The Group also adopted new Hong Kong Financial Reporting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005 and the adoption of such new HKFRS has had no material effect on the financial results for the current or prior accounting periods. Accordingly, no prior period adjustment has been made.

2. **Turnover**

The Group's turnover is derived principally from the sales of diabetic health products, other medical and health products and eco-agricultural 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**	
	2005	**2004**	**2005**	**2004**
	RMB	*RMB*	*RMB*	*RMB*
Turnover:				
Diabetic health products	14,692,186	13,606,073	5,732,301	4,760,221
Other medical and health products	10,076,476	5,761,194	5,666,179	2,041,965
Fertilizer products	55,417,708	–	51,678,113	–
	80,186,370	19,367,267	63,076,593	6,802,186

3. **Finance expense**

	For the six months ended 30 June		**For the three months ended 30 June**	
	2005	2004	2005	2004
	RMB	*RMB*	*RMB*	*RMB*
Interest expenses on bank loans and bank charges	1,920,816	1,417,231	1,095,743	745,874
	1,920,816	1,417,231	1,095,743	745,874

4. Loss before tax

Loss before tax is arrived at after charging:

	For the six months ended 30 June	
	2005	**2004**
	RMB	*RMB*
Depreciation of property, plant and equipment	1,384,460	1,480,073
Amortization of intangible asset	491,800	366,666
Amortization of goodwill	151,710	1,416,419

5. Taxation

(a) In 2003, the Company changed its tax status to a listed Foreign Investment Enterprise ("FIE"). In accordance with the relevant tax rules and regulations applicable to FIE in the People's Republic of China ("PRC"), the Company, as a production FIE located in Tianjin Economic Technological Development Area ("TEDA"), shall be eligible for state enterprise income tax ("EIT") at a reduced rate of 15%.

For the period ended 30 June 2005, there was no assessable profit to EIT generated by the Group except in respect of the profit generated by Tianjin Alpha HealthCare Products Co., Ltd. ("Alpha"). Alpha, being a Sino-foreign joint-venture enterprise located in TEDA, is eligible for state EIT at a reduced rate of 15%. It is also entitled to exemption from state EIT for two years commencing from the first profit-making year after offsetting prior years' losses, followed by a 50% reduction of state EIT for the next three years thereafter. In addition, Alpha is also entitled to exemption from 3% local EIT during its actual operational period in TEDA. The state EIT exemption period of Alpha ended in 2003 and the state EIT 50% reduction period of Alpha started on 1 January 2004 until 31 December 2006.

Beijing TEDAX^2 Medical Engineering Company Limited ("TEDAX^2") and Beijing Xinxing Bio-medical Engineering Research and Development Institute ("Beijing Xinxing"), being limited liability companies incorporated in the PRC, are subject to 30% state EIT and 3% local EIT. However, according to the relevant tax regulations, new and high technology enterprises operating in Beijing New and High Technology Development Provisional Zone ("BNHTDPZ") are entitled to a reduced EIT rate of 15%. TEDAX^2 and Beijing Xinxing are recognized as new and high technology enterprises and are registered in the BNHTDPZ. Accordingly, TEDAX^2 and Beijing Xinxing are subject to state EIT at a reduced rate of 15%. Moreover, new and high technology enterprises registered in the BNHTDPZ shall be entitled to exemption from EIT for three years, followed by a 50% reduction of state EIT for next two years. Accordingly, TEDAX^2 was entitled to 50% reduction of state EIT during the period under review.

Tianjin Wan Tai Bio-development Company Limited ("Wan Tai"), and Tianjin Yisheng Bioengineering Co., Ltd. ("Yisheng") being limited liability companies incorporated in the PRC, are subject to 30% state EIT and 3% local EIT.

Shandong TEDA Bioengineering Co., Ltd. ("STEDA"), being a non-production FIE incorporated in the PRC, is subject to the 30% state EIT and 3% local EIT.

(b) Income Tax expense

	For the six months ended 30 June	
	2005	**2004**
	RMB'000	*RMB'000*
Current Tax		
Hong Kong	Nil	Nil
PRC	85	9

The income tax charge in Hong Kong is Nil for the period ended 30 June 2005 (June 2004: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is RMB84,707 for the period ended 30 June 2005 (June 2004: RMB9,257).

The charge for the period can be reconciled to the profit per the consolidated profit and loss account as follows:

	For the six months ended	
	30 June 2005	**30 June 2004**
	RMB	*RMB*
Loss before tax	(5,128)	(16,617)
Calculated at a taxation rate of 33% (2004: 33%)	(1,692)	(5,484)
Effect of tax holiday exemption	–	–
Tax rate differential	1,208	2,471
Effect of the tax losses on consolidation	569	4,091
Tax effect of expenses that are not deductible in determining taxable profit	–	(1,069)
Tax expenses for the period	85	9

6. Loss per share

The calculation of the basic loss per share for the six months ended 30 June 2005 was based on the unaudited loss attributable to shareholders for the period in the sum of RMB5,220,054 (2004: RMB11,910,056) divided by the weighted average number of shares issued during the period of 424,364,641 shares (2004: 400,000,000 shares).

The calculation of the basic loss per share for the three months ended 30 June 2005 was based on the unaudited loss attributable to shareholders for the period in the sum of RMB1,257,036 (2004: RMB6,991,725) divided by the weighted average number of shares issued during the period of 448,461,538 shares (2004: 400,000,000 shares).

Diluted loss per share is not presented as there is no dilutive potential shares (2004: no diluted loss per share).

7. Additions to property, plant and equipment

During the period, the Group spent approximately RMB625,107 (2004: RMB2,830,152) on the acquisition of property, plant and equipment.

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 2005 (Unaudited) *RMB*	**31 December 2004 (Audited)** *RMB*
Trade receivable, current assets	30,495,183	31,569,921
Provision for doubtful accounts	(3,732,507)	(3,757,413)
Trade receivable, net	26,762,676	27,812,508

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

	30 June 2005 (Unaudited) *RMB*	**31 December 2004 (Audited)** *RMB*
Within 3 months	21,367,473	23,093,371
Over 3 months but within 6 months	3,195,156	2,342,608
Over 6 months	5,932,554	6,133,942
	30,495,183	31,569,921

9. Trade payable

The aging analysis of trade payable is as follows:

	30 June 2005 (Unaudited) *RMB*	**31 December 2004 (Audited)** *RMB*
Within 3 months	5,791,871	13,064,271
Over 3 months but within 6 months	612,140	341,058
Over 6 months	814,101	398,651
	7,218,112	13,803,980

10. Share capital

	30 June 2005		31 December 2004	
	Number of shares	**Nominal value**	**Number of shares**	**Nominal value**
		RMB'000		*RMB'000*
Registered	610,000,000	61,000	400,000,000	40,000
Issued and fully paid				
Domestic shares of RMB0.1 each	279,000,000	27,900	300,000,000	30,000
H shares of RMB0.1 each	331,000,000	33,100	100,000,000	10,000
	610,000,000	61,000	400,000,000	40,000

11. Charges on group assets

As at 30 June 2005, fixed deposit of HK$23.5 million was pledged as security for granting of loans to the Company by a PRC licensed bank.

12. Capital commitments

As of 30 June 2005, the Group had no significant capital commitments which were not provided for in the condensed consolidated financial statements of the Group.

13. Subsequent events

Subsequent to 30 June 2005, Wan Tai, TEDAX[2] and Beijing Xinxing became the wholly owned subsidiaries of the Company.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Segmental information

The Group is organized into 3 main business segments which are diabetic health products, other medical and health products and fertilizer products.

The results of the Group segregated by segments for the six months ended 30 June 2005 and for the three months ended 30 June 2005 as compared with the same recorded in the corresponding periods in 2004 are analysed as follows:

	For the six months ended 30 June		For the three months ended 30 June	
	2005	**2004**	**2005**	**2004**
	RMB	*RMB*	*RMB*	*RMB*
Segment revenues				
Diabetic health products	14,692,186	13,606,073	5,732,301	4,760,221
Other medical and health products	10,076,476	5,761,194	5,666,179	2,041,965
Fertilizer products	55,417,708	–	51,678,113	–
Segment results				
Diabetic health products	215,656	(1,266,773)	62,651	(1,115,462)
Other medical and health products	(5,069,672)	(10,643,284)	(1,136,913)	(5,876,263)
Fertilizer products	(358,561)	–	(70,592)	–

Consolidated statement of movements in equity

	Share Capital	**Accumulated losses**	**Share premium**	**Capital reserve**	**Total**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
Balance as at 1 January 2004 (Audited)	40,000,000	(58,484,080)	62,031,951	2,541,404	46,089,275
Net loss attributable to the shareholders for the three months ended 31 March 2004	–	(4,918,331)	–	–	(4,918,331)
Balance as at 31 March 2004 (Unaudited)	40,000,000	(63,402,411)	62,031,951	2,541,404	41,170,944
Net loss attributable to the shareholders for the three months ended 30 June 2004	–	(6,991,726)	–	–	(6,991,726)
Balance as at 30 June 2004 (Unaudited)	40,000,000	(70,394,137)	62,031,951	2,541,404	34,179,218

	Share Capital *RMB*	Accumulated losses *RMB*	Share premium *RMB*	Capital reserve *RMB*	Total *RMB*
Balance as at 1 January 2005 (Audited)	40,000,000	(74,030,217)	62,031,951	2,541,404	30,543,138
Net loss attributable to shareholders for the three months ended 31 March 2005	–	(3,963,018)	–	–	(3,963,018)
Balance as at 31 March 2005 (Unaudited)	40,000,000	(77,993,235)	62,031,951	2,541,404	30,543,138
Placing of new H Shares	21,000,000		13,057,620		34,057,620
Net loss attributable to shareholders for the three months ended 30 June 2005	–	(1,257,036)	–	–	(1,257,036)
Balance as at 30 June 2005 (Unaudited)	61,000,000	(79,250,271)	75,089,571	2,541,404	59,380,704

Foreign currency risk

The Group has no significant foreign exchange risk since all of the sales of the Group are domestic sales denominated in Renminbi and majority of the payables to suppliers are also denominated in Renminbi. Minority of the payables to suppliers are denominated either in Hong Kong Dollar or United States Dollar, the exchange rates of which remained quite stable during the period under review.

Liquidity, financial resources and capital structure

During the period under review, the Group's primary source of fund was cash proceeds derived from banking facilities granted by PRC banks and the placing of the Company's new H shares in June 2005. As at 30 June 2005, the Group had bank and cash balances amounted to approximately RMB47,312,000 (31 December 2004: RMB5,995,000), restricted deposit of RMB25,044,000 (31 December 2004: RMB25,044,000), short term bank borrowings of RMB82,290,000 (31 December 2004: RMB58,800,000). The bank borrowings are denominated in Renminbi and provided by various PRC banks in fixed interest rates within the range from 5.31% to 6.786% per annum (31 December 2004: 5.31% to 6.903%). The major portions of the bank borrowings in the sum of RMB25,000,000 and RMB22,000,000 will be matured on 30 March 2006 and 21 June 2006 respectively. The remaining portion of total bank borrowings will be matured on variable dates from 4 August 2005 to 2 February 2006.

As at 30 June 2005, the Group had total assets of approximately RMB188,074,000 (31 December 2004: RMB123,656,000) which were financed by current liabilities of approximately RMB124,786,000 (31 December 2004: RMB89,061,000), shareholders' equity of RMB59,381,000 (31 December 2004: RMB30,543,000) and minority interests of approximately RMB2,617,000 (31 December 2004: RMB2,761,000).

As at 30 June 2005, the Group's gearing ratio, defined as the ratio between the total bank borrowings and the total assets, was 0.31 (31 December 2004: 0.48). The liquidity ratio of the Group, represented by a ratio of the current assets over the current liabilities, was 1.26 (31 December 2004: 1.03).

Charges on the Group's assets and contingent liabilities

As at 30 June 2005, restricted deposit of HK$23.5 million was pledged as security for granting of loans of RMB22 million to the Company. (2004: pledging of fixed deposits of HK$23.5 million).

The Company had contingent liabilities of RMB3.29 million in connection with the provision of guarantee as security for bank loans granted to its subsidiaries.

Major acquisition and disposal

In the first half year of 2005, the Group did not make any major acquisition or disposal of subsidiaries or affiliated companies. (2004: the equity share capital of TEDAX[2] held by the minority shareholders were acquired such that the effective control of TEDAX[2] by the Group was increased to 99.7%).

Staff cost information

For the six months ended 30 June 2005, the salary cost of the Group was approximately RMB4,922,000 (2004: RMB4,686,000). The increase in salary cost was mainly due to the increase in number of employees from 334 (as at 30 June 2004) to 396 (as at 30 June 2005). Salary of the employees was determined on the basis of their performance and the market trend.

Each of the executive directors and supervisors of the Company has entered into a service agreement with the Company. According to the service agreement, each director and each supervisor are entitled to receive an annual salary payable as specified in their service agreements respectively.

Treasury policy

Since there is no foreign exchange risk, the Group's bank borrowings are denominated in Renminbi and usually renew for one year when they become matured. The cash derived from the placing of new H shares of the Company in June 2005 will be utilized according to the schedule of use of proceeds set out in the paragraph headed "Use of proceeds" pursuant to an announcement issued by the Company dated 8 June 2005. In the meantime, any surplus cash is placed with PRC licensed bank.

Business review

For the six months ended 30 June 2005, turnover of the Group amounted to approximately RMB80,186,000, representing an increase of 314% from that of recorded in the corresponding period of last year. The great increase was derived from the sale of compound fertilizers by STEDA under the brand name of “FULILONG”. However the gross profit margin of the fertilizer products was at a low level which arrived at an average of 5.67%, therefore the overall gross profit margin of the Group was decreased to approximately 19.8% which is much lower than that of 46% recorded in the corresponding period of last year.

Although there was an operating loss of approximately RMB2,795,000 recorded for the first half year of 2005, the Group recorded an operating gain of RMB432,000 for the three months ended 30 June 2005, indicating that the Group may approach a breakeven situation if future sales could be improved. Net loss attributable to shareholders was thus decreased by 56.2% to approximately RMB5,220,000 when compared with the same recorded in the corresponding period of last year.

The sale of i) diabetic health products and ii) medical and other health products under the brand names of “ALPHA” and “TEDA” contributed to approximately 18.3% and 12.6% respectively to the Group’s total turnover for the six months ended 30 June 2005. The sale of iii) compound fertilizers under the brand name of “FULILONG” contributed to the remaining 69.1% of the Group’s total turnover for the period.

Fertilizer products

Starting from 1 April 2005, STEDA became the authorized distributor of the compound fertilizers under the brand name of “FULILONG” for selling in the PRC. For the three months ended 31 June 2005, STEDA recorded a total sales of approximately RMB51,678,000 of fertilizer products to various customers throughout the PRC. With an average gross profit margin of 5.67%, the total gross profit derived from the sale of fertilizer products arrived at approximately RMB2,930,000 for the second quarter of 2005. It is expected that the sale of fertilizer products will be improved in the second half-year of 2005 due to the fact that the PRC central government continues to encourage the farmers to increase their income by investing in new technology and using effective fertilizer products. As a result, the demand of compound fertilizers in the PRC market continues to increase.

Diabetic health products

During the six months ended 30 June 2005, the total sales of diabetic health products by Alpha recorded a new high of approximately RMB14,692,000 which is increased by approximately 8% when compared to the sale in the corresponding period of last year. The increase in sales was mostly contributed by the increase in sale of sugar free almond juice which is widely accepted as one of the health drinks in the PRC market. The gross profit margin of “Alpha” products for the period under review was 48% which is slightly higher than that recorded in the corresponding period of last year.

For the second half year in 2005, the expected increase in sales will depend on the performance of sales of sugar free mooncakes and sugar free wheat biscuit which was newly launched into the market. This is also the future objective for Alpha of achieving increased market share in the field of sugar free health food.

Medical equipment and biomaterials

The Group continues to launch medical equipment under the "TEDA" brand name through its subsidiary, Beijing TEDAX^2 Medical Engineering Company Limited ("TEDAX^2"), which is principally engaged in the production and sale of monitoring equipment. During the first half of 2005, TEDAX^2 contributed approximately RMB3,228,000 (2004: RMB2,660,000) to the Group's sales turnover.

Tianjin Wan Tai Bio-development Company Limited ("Wan Tai") will be responsible for the set up of sales network of intraocular lens ("IOL"), which is used for the surgery operation of cataract patients, in the northern part of China. Another distributor was contracted for the selling of IOL in the southern part of China.

Fungi health products

After the set up of Tianjin Yisheng Bioengineering Company Limited ("Yisheng"), the Group has developed a series of fungi products and sold under "Yisheng" brand name. During the period under review, Yisheng recorded total sales of approximately RMB5,882,000 which was more or less 10 times of the sales of Yisheng recorded in the corresponding period of last year (2004: RMB580,000).

Sales and marketing

For the six months ended 30 June 2005, the Group's sales and marketing expenses amounted to approximately RMB11,055,000, which is approximately 23% higher than that incurred in the same period of last year (2004: RMB8,983,000). This was mainly due to the increase in the promotion and marketing expenses for "Yisheng" products.

TEDAX^2 will try its best to cut down the size of individual sales offices in various parts of China so as to minimize the sales and marketing expenses. On the other hand, Wan Tai will also focus on the sale of IOL so as to minimize the sales expenses on medical equipment accessories.

Research and development and administration

For the six months ended 30 June 2005, the Group's research and development and administration expenses amounted to approximately RMB7,611,000, which is decreased by approximately 37% from that recorded in the corresponding period of last year (2004: RMB12,165,000) after ignoring the effect of the written off of proprietary technologies of approximately RMB2,800,000 in 2004.

The Group continued to adopt its tight control policy for the purpose of cost reduction in order to increase its production efficiency and cost effectiveness.

Future prospect

Due to strong support by the PRC central government to agricultural industry, the consume volume of fertilizers continues to grow in the PRC. The consumption of compound fertilizers in the PRC represents approximately 25% of the total consumption of chemical fertilizers of the PRC and is far below 50% to 80% level of that of developed countries. After becoming the authorized distributor of the compound fertilizers under the brand name of "FULILONG", the Group will increase its investment in the industry of compound fertilizers. Apart from building a compound fertilizer plant in Shandong of the PRC, the Group will establish a sales network of compound fertilizers throughout the PRC.

On the other hand, the Group's medical equipment products are in mass production stage after completion of the initial investment in their research and development. There is also steady growth of Alpha health food products, such that the net profit derived therefrom could contribute to the success of the Group.

Under the environment of fast economic growth in the PRC and together with the sound business development strategies and management expertise, the Group's management believe that the Group will bring fruitful returns to its shareholders.

Directors' and supervisors' interests and short positions in shares, underlying shares and debentures

As of 30 June 2005, the interests of the directors and the supervisors of the Company and their respective associates in the Company and its associated corporations were as follows:

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

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

Note: All represented domestic shares

Save as disclosed in this paragraph, as at 30 June 2005, none of the directors and supervisors of the Company had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) 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) or otherwise 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, its subsidiaries or its holding company a party to any arrangement to enable the directors and supervisors of the Company or their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in the Company.

Substantial shareholders

As at 30 June 2005, the following persons (other than the directors and supervisors of the Company) had interests and short positions in the shares and underlying shares of the Company 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	229,500,000 *(Note 1)*	37.62%
Dai Shi Hua	Beneficial owner	32,180,000 *(Note 2)*	5.28%

Notes:

1. All represented domestic shares

2. All represented H shares

Save as disclosed above, as at 30 June 2005, the Directors were not aware of any other person (other than the directors and supervisors of the Company) who had an interest and short position in the shares and underlying shares of the Company 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.

Competing interests

During the six months ended 30 June 2005, none of the directors, supervisors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competed or might compete with the business of the Group.

Completion of Placing

On 7 June 2005, all the conditions to the Placing Agreement entered into between the Company and Sun Hung Kai International Limited ("SHK") for the placing of New Placing H Shares (the "Placing") by SHK as placing agent at a price of HK$0.161 per new Placing H share were fulfilled and therefore completion took place.

Pursuant to an announcement dated 8 June 2005 issued in accordance with the requirements of the GEM Listing Rules, 231,000,000 New Placing H shares were allotted to a total of 15 placees. Following the Placing, the share capital structure of the Company comprises 331,000,000 H shares and 279,000,000 domestic shares. The 331,000,000 H shares comprise the original 100,000,000 H shares in issue before the Placing, 210,000,000 New H shares issued under the Placing and 21,000,000 Sale H shares converted from equal number of Domestic shares held by TTII pursuant to the State-owned Shares Reduction Regulations.

Dealings in the New Placing H shares commenced at 9:30 a.m. on 10 June 2005.

Audit Committee

An audit committee was set up (the "Committee") with written terms of reference in compliance with "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants.

The primary duties of the Committee are to review and monitor the Company's financial reporting process and internal control systems. The Committee comprises three independent non-executive directors, namely Professor Xian Guoming, Professor Xiao Zhuoji, and Ms. Zhao Xiuying. Two Committee meetings were held during the six months ended 30 June 2005.

Share option scheme

During the six months ended 30 June 2005, none of the directors or supervisors or employees or other participants of the share option scheme of the Company was granted with options to subscribe for the H shares of the Company. As at 30 June 2005, none of the directors or supervisors or employees or other participants of the share option scheme of the Company had any right to acquire the H shares in the Company.

Purchase, sale or redemption of securities

During the six months ended 30 June 2005, the Company and its subsidiaries have not purchased, sold or redeemed any of the Company's shares.

Corporate Governance

During the period under review, the Company had not fully complied with the board practices and procedures as set out in Rule 5.34 of the GEM Listing Rules in respect of the Code on Corporate Governance Practices (the "CCGP"). The Board was in the progress of assessing the effect of implementation of the CCGP on the Company's operation. The main deviations from the code provision set out in the CCGP were as follows:

Code provision of CCGP		**Reasons for deviation**
A.2	Chairman and Chief Executive Officer	Looking for suitable candidate to fill the vacancy
B	Remuneration of Directors and senior management	In the progress of forming the remuneration committee and drafting its terms of reference

By Order of the Board
Wang Shu Xin
Chairman

Tianjin, PRC, 10 August 2005

As at the date of this report, the Board comprises three executive directors, being Wang Shuxin, Xie Kehua, Zheng Dan, three non-executive directors, being Feng Enqing, Liu Zhenyu, Xie Guangbei and three independent non-executive directors, being Xian Guoming, Xiao Zhuoji and Zhao Xiuying.