

Now Possessing a Solid Array of Some of the World's Finest Animal Feed Additives Gives Tanke BioSciences Corporation a lot of Ammunition to Go Out and Increase Sales Rapidly

**Biosciences
Animal Nutrition
(TNBI-OTCQB)**

Tanke BioSciences Corporation

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BIO:

Mr. Lee joined the Company as Chief Financial Officer on August 1, 2011 after a one-year finance executive role at Dimensional Merchandising Inc., a family-owned beauty aid and pharmaceutical contract manufacturer based in Wharton, New Jersey. From 2008 to 2010, Mr. Lee served as Director of Finance of Two's Company,

a wholesale distributor of giftware and fashion accessories from China and India, based in Elmsford, New York. For the ten years prior, Mr. Lee held director-level positions in finance, operations, and marketing at Essilor of America, a U.S. subsidiary of Essilor International, the world's largest eyeglass lens producer based in France. Mr. Lee received his MBA degree from the University of Texas at Austin after earning a Master degree in accounting and a Bachelor degree in marketing. Mr. Lee is also a CPA and CMA.

Company Profile:

Tanke BioSciences Corporation, founded in 1997, is one of China's leading developers, manufacturers, and marketers of animal feed additives and livestock nutritional products. A recipient of several prestigious government awards and certifications, Tanke occupies a favorable competitive position in China's \$6 billion animal feed additive market. The company's products optimize the growth and health of livestock and farmed seafood, helping China satisfy its 1.3 billion population's growing demand for safe, high-quality and reasonably priced animal-protein food. All of Tanke's products are free of harmful substances such as genetically modified organisms (GMOs) and antibiotics, and are environment-friendly, making them optimal for animal consumption.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine**

CEOCFO: Hello Mr. Lee. What is the main focus at Tanke today?

Mr. Lee: Primarily, to grow the com-

pany and to grow sales. Last year our focus was to establish a world-class R&D center and, thanks to our CEO, we accomplished that. We now possess what we feel is a solid array of some of the world's finest animal feed additives. So this gives us a lot of ammunition to go out and increase sales rapidly. We're also looking at a few potential acquisitions, but again, our focus is on growing sales.

CEOCFO: What is Tanke's specific plan to increase sales, and to expand its markets outside of China?

Mr. Lee: Actually, demand for our products in China is currently so huge that we do not, in the next few years, need to expand our sales to other geographic areas. We are, however, building a second plant here in China that will be operational by the middle of next year. This plant will more than double our capacity. We also are expanding our sales force in China with the formation of a new sales division that will grow our revenue tremendously in the next two or three years. Plus, China is leaning towards banning the use of antibiotic- and GMO-laced animal feed, so that strengthens our market potential here even further.

That being said, to be a worldwide leader in our industry we obviously must increase our overseas sales, which are now only one percent of our total revenue. Our goal is to grow that number to 30 to 50 percent within 10 years. We expect this growth will materialize first in Europe, which has completely banned the feeding of animals with any antibiotics or GMOs. Our best European prospect is Russia, where we sell currently and have very strong relationships with major

food distributors. We also have strong distributor relationships in Thailand and in most of Southeast Asia, as well as in the Caribbean, Africa and South America, where we currently sell to Uruguay.

The only major country we are not working on at present is the U.S., where we would require a great amount of capital and effort in order to acquire the FDA product approvals and marketing relationships necessary for success. At present, there are also high tariffs here that don't allow our products to be as price competitive as in other parts of the world. Having said that, we would still like to consider entering the U.S. market in about five years, or perhaps earlier, if these conditions should change.

CEOCFO: Okay, let's talk about the market in China. Tanke has said that its primary function is to help satisfy China's soaring demand for better and healthier food. Is this increased demand coming primarily from China's growing middle class, or from the Chinese government, or both?

Mr. Lee: From both, really. As the middle-class population in China continues to grow – and it's going to grow another 500 million within 10 years – there are many more well-educated and well-informed people who know how to stay healthier and eat healthier food. Another factor is that China exports a great deal of food to the world. The Chinese government is therefore extremely concerned about these problems, as they will not only cause damage and instability internally, but will also, if not corrected, severely damage the reputation of China's food export business. Therefore, the government is very much behind the drive to increase food safety in China, and Tanke is actually playing a very significant role in helping the government accomplish this goal.

CEOCFO: Tell us about Tanke's work with the Chinese government. How does this collaboration impact your business?

Mr. Lee: We benefit considerably, and in many ways. First, Tanke is a government-certified "high technology

company," which means that our national and local governments give us numerous R&D grants to work on projects that directly benefit the health of the Chinese people. As part of our work on these projects, we regularly collaborate with China's Academy of Sciences and the Ministry of Agriculture to help define animal feed additive industry benchmarks – in fact, we've already helped the Ministry establish five separate national standards for these additives, all of which have a vast impact on human health. In return for our input, besides the grant funding, we also receive major tax benefits. Another advantage is that when a R&D project is completed, the government grants us rights to commercialize the animal feed additive products we've developed. And since the government relies on our input to elevate the standards and requirements for all vendors of these additives – thereby elevating the overall level of food safety in China -- we set these standards at

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an extremely high level. The end result is that many of the smaller feed additive companies -- because they do not have the capital or the equipment or the technology -- cannot reach that level. But we can. Eventually these smaller companies cannot operate and will just disappear, or will be absorbed by larger companies like Tanke. So, you see, we have a huge competitive advantage by having this strong relationship with government agencies.

CEOCFO: Let's talk financials. Tanke recently announced its second quarter results. Can you comment on those, and on the rest of the company's financial picture?

Mr. Lee: Our second quarter was very good. Revenue grew 49 percent over the same period last year and our operating income was \$1.5 million, which is more than six times our second quarter operating profit in 2011. We have a very strong balance sheet with over \$10 million in cash, and that will prepare us if some of our expan-

sion projects come to terms. We have very little debt, only about \$2 million in loans from a China bank. We can still borrow many times that amount without any problems and the interest rates in China are relatively low because we receive interest subsidies from the Chinese government.

While repeating 49 percent growth quarter after quarter is probably not realistic, we definitely expect double digit growth. We have recently launched a series of new water-soluble organic feed additives that we believe will add significantly to total revenue. We are also putting a very tight control on our expenses -- in fact, in the second quarter of this year, both selling and G&A expenses were actually lower than a year ago. Looking forward, I foresee manufacturing costs, or at least unit costs, continuing to improve because of our new manufacturing facility, which will contribute higher automation, better efficiency, and better quality control.

So we think the future looks very bright for Tanke.

CEOCFO: Let's cut to the chase: As you know, several Chinese companies have been delisted here. Why

should U.S. investors pay attention to Tanke?

Mr. Lee: Well, firstly, because we have a terrific management team who stands by our results and attests, as I do, to their truthfulness. Secondly, it is a great time to invest in Tanke precisely because Chinese companies in the US have been attacked. This has caused the valuation of Chinese companies stocks, including Tanke, to hit exceptionally low levels – levels that do not reflect the true value of many of these companies. As I said earlier, Tanke has shown excellent results in the second quarter, and we certainly have the potential to grow rapidly and very profitably over the next few years. We have been reporting for over a year and a half now, so investors can look at our financials and make an informed decision as to the strength of this potential. Personally, I foresee the company continuing to grow strongly, especially in the second half of this year.

CEOCFO: That sounds very promising. But again, how do you convince people here in the U.S. that what has happened or been perceived in the past about companies in China is not relevant to Tanke? How do we know that Tanke is a real company with no fraud or misrepresentations, and that you are really doing what you say you are?

Mr. Lee: There are unscrupulous companies everywhere. Unfortunately, China has had more than its share in the past few years. All Tanke can do is to continuously improve both our transparency and our financial reporting. We took a big step in this direction in January, when we changed auditors from a relatively small Hong Kong-based audit firm to a higher-level U.S.-based audit firm, EFP Rotenberg. Concurrent with this change, we are continuing to improve our accounting and our bookkeeping, and we regularly file our 10Ks, 10Qs, and all SEC required filings. Thus, as a public company, we are making sure that all our disclosures and financial information are not only highly accurate, but accessible, on time, by investors and the financial community.

CEOCFO: Although Tanke is based in China, you are based here in New York. What are the advantages of this set-up? And with the bulk of Tanke's business being in China, why the choice of raising money here?

Mr. Lee: Although our operations are almost all in China, we do have investors in the U.S. Many of them know very little about the business environment and the culture in China. Likewise, very few people at Tanke's headquarters in China can speak English. Therefore, having someone who can quickly bridge the gap between these two groups – without

having to engage a professional translator -- is crucial, I believe, to the success of our company. While it's true that many Chinese companies listed in the US choose not to have this arrangement, I strongly believe that having a U.S.-based CFO helps considerably -- If anyone here needs information on Tanke, they can always come to me. In addition, I can bring back to Tanke a great deal of information on what the market is doing and what we need to do to improve our standing in the market – including the manner and price at which our stock trades.

Regarding the choice of raising money here...When I first interviewed with our CEO, Mr. Guixiong Qiu, I asked him why he wanted to come to the U.S. to be listed here. He answered that raising money was not the main reason. In fact, he explained, Tanke could easily get loans from banks in China, and the Chinese government gave them subsidies for the interest. The real reason he wanted Tanke to be listed here, he told me, was that the U.S. capital market was the most sophisticated and stringent in the world, forcing companies to comply to a great deal of very tough financial standards and regulations. If Tanke could get listed in the U.S., he said, our reputation among customers in China, which was very good at the time, would appreciate still further. Likewise, government officials in China would view us in the greatest possible light, and continue to award us the advantages and benefits we currently enjoy as a government-certified high-tech company. I have to say that both developments have in fact occurred, and are providing great benefit to our overall business.

CEOCFO: On a personal note, what first attracted you to the company? What motivated you to be part of the team?

Mr. Lee: Throughout my career, I had worked for both U.S. and international companies, but never for a Chinese company. Toward the end of my tenure with my last employer, Dimensional Merchandising, it occurred to me that China was growing tremendously and might offer me advantages that companies elsewhere could not. Another personal motivation was to get closer to my parents, who reside in Hong Kong.

I started looking for opportunities in China and a friend of mine soon introduced me to a Tanke financial advisor in the US. I got a chance to interview with him and subsequently with the CEO, Mr. Qiu, who just blew me away with his passion and vision to grow the company. He gave me the impression of being a very genuine person – brilliant yet down-to-earth -- and the company sounded really exciting, with terrific products in high demand. Of course, I had heard many of the bad things about Chinese companies, so I was cautious and agreed at first only to go to Guangzhou and visit Tanke. Once I did, and did quite a bit of research on the company, I decided that it was real. Not only did they make real products, but they were special products – ones I saw were essential for helping China solve so many of the food safety problems that were causing such havoc throughout the country. A short time later, I decided to join the company, and I am really happy that I did. It's been a great experience for me, and I've got to say that I'm very optimistic about this company's future.



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