



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)**

**FIRST QUARTERLY REPORT FOR 2010**

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

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**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors of Tianjin TEDA Biomedical Engineering Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to 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**

- Turnover of the Group for the three months ended 31 March 2010 amounted to RMB94,191,736, representing a decrease of 33.43% compared with corresponding period of last year. The decrease is mainly attributable to the continuous sluggish biological fertilizer products market as a result of the continuous decline in the price of compound fertilizer raw materials as well as the severe large-scale drought in Southwestern China, the abnormal low temperature in Northern China and other extreme climates.
- Gross profit of the Group for the three months ended 31 March 2010 decreased by 22.13% to RMB19,998,454. Gross profit margin rose from 19.88% to 21.23% compared with the corresponding period of last year.
- Profit attributable to owners of the Company was RMB34,183 for the three months ended 31 March 2010 (first quarter of 2009: profit attributable to owners of the Company of RMB1,350,148) and the earnings per share was RMB0.0024 cents (first quarter of 2009: profit per share of RMB0.14 cents).

## QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “Board”) of Tianjin TEDA Biomedical Engineering Company Limited (the “Company”) is pleased to announce the unaudited quarterly results of the Company and its subsidiaries (hereafter collectively referred to as the “Group”) for the three months ended 31 March 2010, together with the comparative figures of the corresponding period in 2009 as follows:

		<b>For the three months ended 31 March</b>	
		<b>2010</b>	2009
		<b>RMB</b>	<b>RMB</b>
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Turnover	2	<b>94,191,736</b>	141,485,705
Cost of sales		<u><b>(74,193,282)</b></u>	<u>(115,802,504)</u>
Gross profit		<b>19,998,454</b>	25,683,201
Other income less other expenses		<b>653,817</b>	(237,156)
Selling and distribution costs		<b>(10,466,801)</b>	(10,447,658)
R&D and administrative expenses		<b>(9,253,591)</b>	(9,747,517)
Finance costs		<u><b>(1,157,291)</b></u>	<u>(2,005,779)</u>
(Loss)/profit before taxation		<u><b>(225,412)</b></u>	<u>3,245,091</u>
Income tax	3	<u><b>(454,315)</b></u>	<u>(873,791)</u>
(Loss)/profit and comprehensive income for the period		<u><b>(679,727)</b></u>	<u>2,371,300</u>
<b>Attributable to:</b>			
Owners of the Company		<u><b>34,183</b></u>	<u>1,350,148</u>
Minority interests		<u><b>(713,910)</b></u>	<u>1,021,152</u>
		<u><b>(679,727)</b></u>	<u>2,371,300</u>
Earnings per share – Basic ( <i>RMB</i> )	4	<u><b>0.0024cents</b></u>	<u>0.14cents</u>

Notes:

## 1. Basis of presentation and accounting policies

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"). In the current period, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKAS") (collectively "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants which are relevant to its operations and effective for accounting periods beginning on or after 1 January 2010. The application of the new HKFRSs has had no material impact on the Group's unaudited results of operations and financial position. 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 RMB86,401,268 as at 31 March 2010. The validity of the Group's ability to continue as a going concern depends on the success of the Group's future operations and the ability of the Group to renew or replace the banking facilities as they fall due. Consequently, the Directors have prepared the unaudited quarterly results for the three months ended 31 March 2010 on the going concern basis. The principal accounting policies adopted are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

## 2. Turnover

The Group's turnover is derived principally from the sales of fertilizer products and medical and health products. An analysis of the Group's turnover by segments is as follows:

	For the three months ended 31 March	
	2010	2009
	RMB	RMB
Turnover		
Fertilizer products	68,739,300	118,276,641
Medical & health products	25,452,436	23,209,064
	<u>94,191,736</u>	<u>141,485,705</u>

## 3. Taxation

### (a) Enterprise income tax ("EIT")

In accordance with the new PRC Enterprise Income Tax Law which became effective from 1 January 2008, a unified enterprise income tax rate of 25% will be applied to both domestic-invested enterprises and foreign-invested enterprises. Enterprises established prior to 16 March 2007 eligible for preferential tax treatment in accordance with the currently prevailing tax laws and administrative regulations shall, under the regulations of the State Council, gradually be subject to the new tax rate over a five-year transitional period until 2012. Accordingly, the Company and Shandong Fulilong Fertilizer Co. LTD. can continue to enjoy the preferential tax rates during the transitional period and are subject to EIT rate of 22% for the year 2010 (2009:20%).

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

On 8 June 2009, Tianjin Alpha HealthCare Products Co., Ltd (“Alpha”), was approved as a new and high technology enterprise and was therefore entitled to a preferential tax rate of 15% (2009:15%) for the period from 8 June 2009 to 7 June 2012.

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

On 16 December 2008, Guangdong Fulilong Compound Fertilizers Co., Ltd. (“GD Fulilong”) was approved as a new and high technology enterprise and was therefore entitled to a preferential tax rate of 15 % (2009:15%) for the period from 8 June 2009 to 7 June 2012.

**(b) Income tax expense**

	<b>For the three months ended 31 March</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
Current Tax		
Hong Kong	Nil	Nil
Other jurisdictions	<u>454</u>	<u>874</u>

The income tax charge in Hong Kong is Nil for the three months ended 31 March 2010 (first quarter 2009: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is RMB454,315 for the three months ended 31 March 2010 (first quarter 2009: RMB873,791).

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

	<b>For the three months ended 31 March</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
Profit before tax	(225)	3,245
Tax calculated at the EIT rate of 25%	(56)	811
Tax rate differential	(302)	(454)
Effect of tax holiday exemption	-	-
Effect of the tax losses on consolidation	812	517
Tax effect of expenses that are not deductible in determining taxable profit	-	-
Tax expense for the period	<u>454</u>	<u>874</u>

#### 4. Earnings per share

For the three months ended 31 March 2010, the calculation of earnings per share is based on the Group's profit attributable to owners of the Company of RMB34,183 (first quarter 2009: profit of RMB1,350,148), divided by the total number of shares issued by the Company of 1,420,000,000 shares (first quarter 2009: 950,000,000 shares). Diluted profit per share is not presented as there are no dilutive potential shares during the period.

#### DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2010 (first quarter 2009: Nil).

#### MOVEMENT OF RESERVES

	Share Capital		Share premium		Accumulated Losses		Capital reserve		Surplus reserve		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as												
at 1 January	142,000,000	95,000,000	75,816,410	74,869,185	(86,435,451)	(91,721,701)	2,541,404	2,541,404	996,166	1,133,637	134,918,529	81,822,525
Net profit/(loss) attributable to equity holders of the Company for the three months ended 31 March	-	-	-	-	34,183	1,350,148	-	-	-	-	34,183	1,350,148
Balance as at 31 March	142,000,000	95,000,000	75,816,410	74,869,185	(86,401,268)	(90,371,553)	2,541,404	2,541,404	996,166	1,133,637	134,952,712	83,172,673

#### MANAGEMENT DISCUSSION AND ANALYSIS

##### Business Review

For the three months ended 31 March 2010, the Group is principally engaged in (1) biological fertilizer products, and (2) medical and health products, including series of diabetic health products and sugar-free products which are beneficial to the health of human body.

For the three months ended 31 March 2010, turnover from medical and health products amounted to RMB25,452,436, representing an increase of 9.67% compared with corresponding period last year. As a result of the sluggish market and extreme climate in the first quarter, turnover from biological compound fertilizer products decreased to RMB68,739,300. The total turnover of the Group decreased by 33.43% over the corresponding period in 2009 to RMB94,191,736. Meanwhile, the consolidated gross profit margin increased from 19.88% to 21.23%. The Group's overall gross profit decreased by 22.13% to RMB19,998,454.

For the three months ended 31 March 2010, the Company achieved a profit attributable to the shareholders of RMB34,183 (representing earnings per share of RMB0.0024 cents), decreasing from a profit of RMB1,350,148 (representing earnings per share of RMB0.14 cents) incurred for the corresponding period last year.

For the three months ended 31 March 2010, approximately 27.02% of the total turnover was generated from the sales of medical and health products. The remaining was generated from the compound fertilizer products.

### **Biological Fertilizer Products**

Notwithstanding a slight price rebound of the major raw materials of fertilizer products, the price of the compound fertilizer raw materials remained low in the peak season in the first quarter of 2010 as a result of the excessive production capacity of the domestic compound fertilizer raw materials and export restriction under the international economic environment. The market of compound fertilizer products was subject to significant pressure and the demand for such products shrank seriously as a result of the edges over straight fertilizers as enjoyed by compound fertilizers in terms of price and performance was further weakened. The peak season anticipated to come after the Spring Festival failed to come under the sluggish market demand and the low raw material prices. The problem was further aggravated by the severe large-scale drought in Southwestern China and the abnormal low temperature in Northern and Middle China has severely battered the agriculture, resulting in further in shrinking market demand. During the period under review, the sales of biological fertilizer products amounted to RMB68,739,300, representing a decrease of 41.88% compared with the corresponding period of last year. The gross profit margin of fertilizer products was approximately 13% which was almost in line with the level of the first quarter in 2009.

### **Health Products**

The sales of diabetic health food and sugar-free food of the Group increased to RMB25,452,436, representing an increase of approximately 9.67% compared with the corresponding period of last year. For the three months ended 31 March 2010, the profit margin of "ALPHA" products was approximately 43.47% (first quarter 2009: 44.42%).

### **Distribution and Sales**

During the period under review, distribution and sales expenses of the Group were approximately RMB10,466,801.57, in line with the corresponding period in 2009 (first quarter 2009: RMB10,447,658). The Group made further investment on marketing against the unfavorable market conditions, which lays the foundation for the future sales in 2010.

### **R&D and Administration**

During the period under review, R&D and administration expenses of the Group were approximately RMB9,253,591, representing a decrease of 5.07% compared with the same period in 2009. The Group will continue to put effort to reasonably control the R&D and administration expenses.

As at 31 March 2010, the Group had a total of 625 employees (31 December 2009: 699 employees).



## Future Outlook

The Seventh Top Priority Central Government Document guiding the agriculture, rural areas and farmers in the 21st century was promulgated in late January 2010 which introduced a series of new strong and favorable agricultural policy and proposed to implement and optimize a dynamic adjustment mechanism on integrative subsidies for agriculture. The Ministry of Finance has appropriated RMB86.7 billion to grain farmers as direct subsidy on February 4, of which RMB15.1 billion would be directly subsidized on grain and RMB71.6 billion would be the integrative subsidy for agriculture.

As the upstream raw materials price declined, the market demand after the Spring Festival was unsatisfactory, which had an adverse effect on the pricing and sales of compound fertilizer enterprises. The Company will optimize and adjust the network of distributors, enhance and foster distributors' brand loyalty and increase effective sales terminals and the sales capacity of each store under the unfavorable situation to meet the even severe competition. In terms of the unfavorable impact on distributors caused by the market, the Group will further its effort on regional sales promotion to increase the sales of our products.

As a result of our effort on R&D, the Group has formulated series of new products in slow controlled release fertilizer and soil conditioner. Such products have been introduced into the market and have become the new growth points. The Group will exploit new markets and search for more sales opportunities on top of the traditional markets.

The Group will enhance the standard of management, reduce operating costs and increase efficiency through information technology.

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

As at 31 March 2010, the interests of the directors and the supervisors of the Company and their respective associates in the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) were as follows:

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

Director	Number of shares held and nature of interests					Percentage of the issued share capital
	Personal (note)	Family	Corporate	Other	Total	
Mr. Xie Kehua	9,000,000	-	-	-	9,000,000	0.63%

*Note:* All represented domestic shares.

Save as disclosed in this paragraph, as at 31 March 2010, none of the directors and the supervisors of the Company had interest in any securities, underlying shares and debentures of the Company or any of its associated corporations which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors relating to securities transactions by directors as set out in GEM Listing Rules 5.46 to 5.67.

## **DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES**

At no time during the period under review was the Company, its subsidiaries or its holding company a party to any arrangement 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 31 March 2010, the following persons (other than the directors and the supervisors of the Company) had interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO:

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

<b>Name of shareholders</b>	<b>Capacity</b>	<b>Number of ordinary shares</b>	<b>Percentage of the issued share capital</b>
Tianjin TEDA International Incubator ("TTII")	Beneficial owner	200,000,000 (Note 1)	14.08%
Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment")		180,000,000 (Note 2)	12.68%
Shandong Zhinong Fertilizers Company Limited ("Zhinong Fertilizers")		170,000,000 (Note 3)	11.97%
Dongguan Lvye Fertilizers Company Limited ("Lvye Fertilizer")		120,000,000 (Note 4)	8.45%

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

Save as disclosed above, as at 31 March 2010, the directors of the Company were not aware of any other person (other than the directors and the supervisors of the Company) who had 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.

## **CONTINGENT LIABILITIES**

As at 31 March 2010, the Company had contingent liabilities amounting to RMB18 million (as at 31 March 2009: RMB1 million) in respect of guarantee provided as security for bank loans granted to its subsidiaries.

### **Completion of the Issue of Domestic Shares**

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

## **AUDIT COMMITTEE**

The Company has prepared and adopted a written terms of reference for the Audit Committee with reference to “A Guide for the Formation of an Audit Committee” published by the Hong Kong Institute of Certified Public Accountants. The written terms of reference set out the authority and duty of the Audit Committee. The Audit Committee provides an important link between the Board and the Company’s auditors for the Group’s audit matters. 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 Professor Xian Guoming, Mr. Wu Chen and Mr. Guan Tong.

The Committee has reviewed the first quarterly results and the first quarterly report of the Group for the three months ended 31 March 2010.

## **SHARE OPTION SCHEME**

During the period ended 31 March 2010, none of the directors or supervisors or employees of the Company or other participants of the share option scheme of the Company was granted with options to subscribe for the H shares of the Company.

## **MANAGEMENT CONTRACTS**

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

## **COMPETING INTERESTS**

During the three months ended 31 March 2010, 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 or has or may have any other conflicts of interest with the Group required to be disclosed pursuant to the GEM Listing Rules.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

The Company has not redeemed 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 period under review.

## **CORPORATE GOVERNANCE PRACTICES**

The Board and the management of the Company are committed to establishing and maintaining good corporate governance practice code and procedure. The corporate governance principles which the Company complies emphasizes on an efficient board of directors and perfect internal control, as well as the transparency presented to all of the shareholders. For the three months ended 31 March 2010, the Company has adopted the principles as set out in the Code on Corporate Governance Practices ("Code on CG Practices") of Appendix 15 to the GEM Listing Rules and has complied with all the code provisions and (if applicable) the recommended best practices.

By order of the Board  
**Wang Shuxin**  
*Chairman*

Tianjin, the PRC  
6 May 2010

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