



天津泰达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)

ACCOMPLISHING A NEW MILESTONE



FIRST QUARTERLY REPORT 2012

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

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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 of Tianjin TEDA Biomedical Engineering Company Limited, 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 or deceptive; and (2) there are no other matters the omission of which would make any statement herein or this report misleading.

HIGHLIGHTS

- Turnover of the Group for the three months ended 31 March 2012 amounted to RMB142,131,569, representing an increase of 22.76% as compared to the same period of last year.
- Consolidated gross profit of the Group for the three months ended 31 March 2012 amounted to RMB23,350,643 (31 March 2011: RMB24,060,874).
- Profit attributable to the equity owners of the Company for the three months ended 31 March 2012 was RMB1,100,197 (first quarter of 2011: profit attributable to the equity owners: RMB797,921) and the earnings per share was RMB0.077 cents (first quarter of 2011: earnings per share: RMB0.056 cents).
- The Board does not recommend the payment of dividend for the three months ended 31 March 2012.

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 2012, together with the comparative figures of the same period in 2011 as follows:

	Notes	For the three months ended 31 March	
		2012 RMB (Unaudited)	2011 RMB (Unaudited)
Turnover	2	142,131,569	115,783,107
Cost of sales		(118,780,926)	(91,722,233)
Gross profit		23,350,643	24,060,874
Other income less other expenses		46,901	223,556
Selling and distribution costs		(10,395,702)	(10,900,928)
R&D and administrative expenses		(9,961,214)	(9,802,257)
Finance costs		(1,829,940)	(1,559,264)
Profit before taxation		1,210,688	2,021,981
Income tax	3	–	(382,211)
Profit and comprehensive income for the period		1,210,688	1,639,770
Attributable to:			
Owners of the Company		1,100,197	797,921
Minority interests		110,491	841,849
		1,100,197	797,921
Earnings per share-Basic (RMB)	4	0.077 cents	0.056 cents

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 2011. 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 RMB65,604,554 as at 31 March 2012. 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 2012 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 2011.

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	
	2012	2011
	RMB	RMB
Turnover		
Fertilizer products	123,763,431	84,773,061
Health care products	18,368,138	31,010,046
	142,131,569	115,783,107

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 Hidersun Fertilizer Co. Ltd. are subject to EIT rate of 25% for this year (2011:24%).

The Company has not provided for any EIT (2011: nil) since it has no taxable income for the period.

On 8 June 2010, 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%(2011:15%) for the period from 8 June 2010 to 7 June 2012.

SD Hidersun Fertilizer Co., Ltd. has not provided for any EIT since it has no taxable income for the period (2011: 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% (2011:15%) for the period from 8 June 2009 to 7 June 2012.

(b) Income tax expense

	For the three months ended 31 March	
	2012	2011
	RMB'000	RMB'000
Current Tax		
Hong Kong	Nil	Nil
Other jurisdictions	-	382

The income tax charge in Hong Kong is Nil for the three months ended 31 March 2012 (first quarter 2011: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is Nil for the three months ended 31 March 2012 (first quarter 2011: RMB382,211).

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

	For the three months ended 31 March	
	2012 RMB'000	2011 RMB'000
Profit before tax	1,211	2,022
Tax calculated at the EIT rate of 25%	303	506
Tax rate differential	(199)	(330)
Effect of tax holiday exemption	–	–
Effect of the tax losses on consolidation	(104)	206
Tax effect of expenses that are not deductible in determining taxable profit	–	–
Tax expense for the period	–	382

4. PROFIT PER SHARE

For the three months ended 31 March 2012, the calculation of earnings per share is based on the Group's profit attributable to owners of the Company of RMB1,100,197 (first quarter 2011: RMB797,921), divided by the total number of shares issued by the Company of 1,420,000,000 shares (first quarter 2011: 1,420,000,000 shares). Diluted earnings 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 2012 (first quarter 2011: Nil).

MOVEMENT OF RESERVES

	Share Capital		Share premium		Accumulated losses		Capital reserve		Surplus reserve		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as at 1 January	142,000,000	142,000,000	75,816,410	75,816,410	(66,704,751)	(80,812,243)	2,541,404	2,541,404	2,385,483	1,515,000	156,038,546	141,060,571
Net profit attributable to equity holders of the Company for the three months ended 31 March	-	-	-	-	1,100,197	797,921	-	-	-	-	1,100,197	797,921
Balance as at 31 March	142,000,000	142,000,000	75,816,410	75,816,410	(65,604,554)	(80,014,322)	2,541,404	2,541,404	2,385,483	1,515,000	157,138,743	141,858,492

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is mainly engaged in two sectors: (1) biological compound fertilizer products, including series of biological compound fertilizer products under the brand of “Fullong”, is used to facilitate the balanced growth of different types of agricultural plants such as grains, fruits and vegetables; and (2) health care products, including series of health care products under the brand of “Alpha”, covering health care products for diabetics with the function of regulating their blood sugar level and sugar-free products which are beneficial to the health of human body.

Since the beginning of 2012, in light of the meteorological factors affecting the agriculture, most of the agricultural regions in China have been experiencing lower temperatures comparing with the same period in the previous years. Moreover, the amount of rainfall in the Northern agricultural regions has been relatively low, while the Southern agricultural regions has been experiencing low-temperature, overcast, rainy and snowy weather. In addition, certain regions in Yunnan and Sichuan have been experiencing mild to moderate level of drought. As such, the growth of the agricultural plants has slowed down and certain negative influence has impacted the demand of the fertilizer market. At the beginning of this year, the compound fertilizer market basically continued to be as sluggish as it was at the end of last year, while as from March the demand of fertilizers began to increase as a result of spring plowing, and the compound fertilizer market started to gradually recover.

In addition, in the recent years, various “eutrophic diseases” such as obesity, diabetes and hypertension, and other common sub-health phenomenon of the modern society impose great threats to people’s health and living standards. As a result, a lot of people have gradually become aware of the best way to keep healthy by adopting scientific lifestyle and diet. Such a trend is vital for the development of health care products. Due to the promising prospect and great profit-making potential of the health care product industry, many large food enterprises have begun to enter into the health care product industry.

Finance Review

For the three months ended 31 March 2012, the Group recorded a total turnover of RMB142,131,569, representing an increase of 22.75% as compared to the same period of last year (31 March 2011: RMB115,783,107). In particular, the Group recorded a sales of RMB123,763,431 for compound fertilizer products, representing an increase of 45.99% as compared to the same period of last year (31 March 2011: RMB84,773,061); the Group recorded a sales of RMB18,368,138 for health care products, representing a decrease of 40.76% as compared to the same period of last year (31 March 2011: RMB31,010,046).

For the three months ended 31 March 2012, the consolidated gross profit of the Group’s two businesses was RMB23,350,643, representing a decrease of 2.95% as compared to the same period of last year (31 March 2011: RMB24,060,874); the consolidated gross profit margin of the Group was 16.43% (31 March 2011: the consolidated gross profit margin was 20.78%), mainly due to the increase of the price of raw materials and subsequently causing the increase in the production cost.

In response to the significant increase in the production cost of our products, the management of the Group actively and reasonably controlled the selling and administrative expenses. For the three months ended 31 March 2012, the profit attributable to the owner of the Company was RMB1,100,197, representing an increase of 37.88% as compared to the same period of last year (31 March 2011: RMB797,921); earnings per share of the Company was RMB0.077 cents compared to RMB0.056 cents of the same period in the previous year.

Business Outlook

On 1 February 2012, the PRC central government officially issued its No.1 Document in 2012 and the development of agricultural technology will be lined on a more prominent position. It is the ninth No.1 Document in relation to policy on agriculture, rural areas and farmers since the commencement of this century. For the past nine years, it can be noted from the consistent support given by the PRC central government in relation to the policy on agriculture, rural areas and farmers and there will be many opportunities for further development of agricultural-related industries. In order to promote the construction of modern agriculture, the financial department of the PRC central government has taken measures to implement the policy for supporting food production, and fertilizer, being an important resource for agricultural production, has been listed as an industry which will be supported by the PRC central government. In general, the relevant policies promulgated by the PRC central government, such as the preferential rates for electricity and natural gas, the upper limit for the price of coal and the preferential rate for the transportation of fertilizers, all aim to promote the healthy and sustainable development of the fertilizer industry.

On 12 January 2012, the National Development and Reform Commission and the Ministry of Industry and Information Technology jointly issued the Twelfth Five-Year Plan for the Food Industry (the "Plan"). The Plan confirms that safety, quality, nutrition, health and convenience will be the focus for development and it aims to enhance the quality and safety management of the whole industrial chain in order to improve the food quality and ensure the food safety. As a directive document for the development of the national food industry during the Twelfth Five-Year period, the Plan announced the "nutrition and health care food manufacturing industry" as a key industry for development in China for the first time. Benefiting from the favorable governmental policies, the health care food industry will present a great market and a huge potential for development.

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

As at 31 March 2012, 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:

Directors/Supervisors	Personal	Family	Corporate	Other	Total	Percentage of the issued share capital
Mr. Zhang Chunsheng	-	2,415,000 (Note 1)	180,000,000 (Note 2)	-	182,415,000	12.85%

Note 1: Mr. Zhang Chunsheng is deemed to be interested in 2,415,000 H shares due to his wife's, Jin Ling, personal interest in such H shares.

Note 2: Such shares are held by Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment"), and Mr. Zhang Chunsheng is the beneficial owner of 100% interest in Xiangyong Investment. All the shares represent domestic shares.

Save as disclosed in this paragraph, as at 31 March 2012, none of the Directors, the Supervisors and other executive officers of the Company had interest in any securities and 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) 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, 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 31 March 2012, 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 ("Incubator")	Beneficial owner	200,000,000 (Note)	14.08%
Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment")	Beneficial owner	180,000,000 (Note)	12.68%
Shandong Zhinong Fertilizers Company Limited ("Zhinong Fertilizer")	Beneficial owner	170,000,000 (Note)	11.97%
Dongguan Lvye Fertilizers Company Limited ("Lvye Fertilizers")	Beneficial owner	120,000,000 (Note)	8.45%

Note: All shares represented domestic shares.

Save as disclosed above, as at 31 March 2012, 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.

THE PLACING

According to the announcement of the Company dated 17 February 2012, on 17 February 2012 (after trading hours), the Company (for itself and on behalf of Incubator) and the placing agent (Guosen Securities (Hong Kong) Capital Co., Ltd) entered into a placing agreement pursuant to which, the placing agent has conditionally agreed to place, on a best efforts basis, not more than 192,500,000 H Shares at the placing price.

The placing price shall be determined by agreement between the parties to the placing agreement and shall not be, unless otherwise agreed between the parties:

(1) at a discount of more than 15% to the higher of:

the closing price of H Shares on the date on which the placing price is agreed; and

the average closing price of H Shares during the 5 consecutive trading days immediately prior to the date on which the placing price is agreed.

(2) less than the par value of the H Shares.

(3) less than the net asset value per Share disclosed in the latest management accounts certified by a director and provided to the placing agent by the Company on the date on which the Placing Price is agreed.

It is intended the net proceeds from the placing will be applied as follows:

- (1) as to approximately 60% for the consolidation of the distribution channels and expansion of marketing network of the Group's compound fertilizer and regulating blood sugar and sugar-free health products;
- (2) as to approximately 15% for strengthening the brand development of the Group's compound fertilizer and health products;
- (3) as to approximately 10% for the research and development of new products; and
- (4) as to approximately 15% for the general working capital of the Group.

CONTINGENT LIABILITIES

As at 31 March 2012, the Company had contingent liabilities amounting to RMB15,000,000 (as at 31 March 2011: RMB34,000,000) in respect of guarantee provided as security for bank loans granted to its subsidiaries.

AUDIT COMMITTEE

The Company has prepared and adopted 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, which sets out the authorities and duties of the Audit Committee. The Audit Committee 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 Professor Cao Kai, among whom, Mr. Guan Tong as the chairman of the Audit Committee has appropriate professional qualifications according to the requirements of Rule 5.05(2) of the GEM Listing Rules.

The Audit Committee has reviewed the first quarterly results and the first quarterly report of the Group for the three months ended 31 March 2012.

SHARE OPTION SCHEME

During the period ended 31 March 2012, none of the directors or supervisors or employees of the Company or other participants of the share option scheme of the Company was granted any option 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 exited during the period under review.

COMPETING INTERESTS

During the three months ended 31 March 2012, 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 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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities 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 emphasize on an efficient board of directors and sound internal control, as well as the transparency presented to all of the shareholders. For the three months ended 31 March 2012, 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
8 May 2012

As at the date of this report, the Board comprises three executive directors, being Mr. Wang Shuxin, Mr. Hao Zhihui and Mr. Zhang Chunsheng; three non-executive directors, being Mr. Feng Enqing, Mr. Xie Guangbei and Mr. Ou Linfeng; and three independent non-executive directors, being Mr. Guan Tong, Mr. Wu Chen and Mr. Cao Kai.

This report will remain on the "Latest Company Announcements" page of the Growth Enterprise Market website at www.hkgem.com for at least 7 days from the day of its posting and on the Company's website at www.bioteda.com.