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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)

ANNOUNCEMENT ON FIRST QUARTERLY RESULTS FOR 2014

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

HIGHLIGHTS

- Consolidated turnover of the Group for the three months ended 31 March 2014 amounted to RMB136,906,003 (first quarter of 2013: RMB172,143,641), representing a decrease of 20.5% as compared to the same period of last year.
- Consolidated gross profit of the Group for the three months ended 31 March 2014 amounted to RMB23,067,973 (first quarter of 2013: RMB35,850,977), representing a decrease of 35.7% as compared to the same period of last year. Consolidated gross profit margin decreased from 20.83% for the same period of last year to 16.85%.
- Profit attributable to the equity owners of the Company for the three months ended 31 March 2014 was RMB4,157,162 (first quarter of 2013: RMB10,270,291), representing a decrease of 59.5% as compared to the same period of last year, and the earnings per share was RMB0.293 cents (first quarter of 2013: earnings per share: RMB0.723 cents).
- The Board does not recommend the payment of dividend for the three months ended 31 March 2014.

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 2014, together with the comparative figures of the corresponding period in 2013 as follows:

		For the three months ended 31 March	
		2014	2013
		RMB	RMB
	<i>Notes</i>	(Unaudited)	(Unaudited)
Turnover	2	136,906,003	172,143,641
Cost of sales		<u>(113,838,030)</u>	<u>(136,292,664)</u>
Gross profit		23,067,973	35,850,977
Other expenses and net loss		(15,621)	(14,837)
Selling and distribution costs		(7,839,881)	(10,479,510)
R&D and administrative expenses		(9,538,723)	(12,982,242)
Finance costs		<u>(1,525,361)</u>	<u>(1,891,350)</u>
Profit before taxation		4,148,387	10,483,038
Income tax	3	(300,000)	(43,260)
Profit and comprehensive income for the period		<u>3,848,387</u>	<u>10,439,778</u>
Attributable to:			
Owners of the Company		4,157,162	10,270,291
Minority interests		<u>(308,775)</u>	<u>169,487</u>
		<u>3,848,387</u>	<u>10,439,778</u>
Earnings per share — Basic (RMB)	4	<u>0.293 cents</u>	<u>0.723 cents</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 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 RMB21,602,229 as at 31 March 2014. 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 2013 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 2013.

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	
	2014	2013
	RMB	RMB
	(Unaudited)	(Unaudited)
Turnover		
Fertilizer products	117,722,388	150,939,901
Health care products	19,183,615	21,203,740
	<u>136,906,003</u>	<u>172,143,641</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, Tianjin Alpha HealthCare Products Co., Ltd. and Shandong Hidersun Fertilizer Co. Ltd. are subject to the EIT rate of 25% for the year (2013: 25%).

The Company has not provided for any EIT (2013: nil) since it has no taxable income for the period.

Tianjin Alpha HealthCare Products Co., Ltd. has not provided for any EIT since it has no taxable income for the period (2013: nil).

Shandong Hidersun Fertilizer Co., Ltd. has not provided for any EIT since it has no taxable income for the period (2013: nil).

On 27 February 2012, 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% (2013: 15%).

(b) Income tax expense

	For the three months ended 31 March	
	2014 RMB'000	2013 RMB'000
Current Tax		
Hong Kong	Nil	Nil
Other jurisdictions	<u>300</u>	<u>43</u>

The income tax expense in Hong Kong is nil for the three months ended 31 March 2014 (first quarter of 2013: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax expense in the PRC is RMB300,000 for the three months ended 31 March 2014 (first quarter of 2013: RMB43,260).

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

	For the three months ended 31 March	
	2014	2013
	RMB'000	<i>RMB'000</i>
Profit before tax	4,148	10,483
Tax calculated at the EIT rate of 25%	1,037	2,621
Tax rate differential	(655)	(990)
Effect of tax holiday exemption	–	–
Effect of the tax losses on consolidation	(82)	(1,588)
Tax effect of expenses that are not deductible in determining taxable profit	–	–
	<hr/>	<hr/>
Tax expense for the period	300	43
	<hr/>	<hr/>

4. PROFIT PER SHARE

For the three months ended 31 March 2014, the calculation of earnings per share is based on the Group's profit attributable to the owners of the Company of RMB4,157,162 (first quarter of 2013: RMB10,270,291), divided by the total number of shares issued by the Company of 1,420,000,000 shares (first quarter of 2013: 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 2014 (first quarter of 2013: Nil).

MOVEMENT OF RESERVES

	Share Capital		Share premium		Accumulated Losses		Capital Reserve		Surplus reserve		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	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	(25,759,391)	(44,906,598)	2,541,404	2,541,404	6,831,045	4,604,647	201,429,468	180,055,863
Net profit attributable to equity holders of the Company for the three months ended 31 March	-	-	-	-	4,157,162	10,270,291	-	-	-	-	4,157,162	10,270,291
Balance as at 31 March	142,000,000	142,000,000	75,816,410	75,816,410	(21,602,229)	(34,636,307)	2,541,404	2,541,404	6,831,045	4,604,647	205,586,630	190,326,154

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group business is currently engaged in two industry sectors: (1) biological compound fertilizer products, principally including a series of biological compound fertilizer products under the brand of “Fulilong” used for the promotion of balanced growth of grains and fruit and vegetables; and (2) health care products, principally including a series of health care products under the brand of “Alpha”, which covers diabetic health care products with the function of regulating the blood sugar level, and sugar-free products beneficial to the health of human body.

Currently, the straight fertilizer and biological compound fertilizer markets in China are saturated with massive overcapacity. Due to the structural adjustment in agricultural economics, industrial crops takes an increasingly large share of agricultural products, and there is an increasing demand for new compound fertilizers. Since the Lunar New Year, spring ploughing gradually has shifted from southern China to northern China, whereas the overall supply of fertilizers was abundant. Although the manufacturers were full of expectation to capitalize on the spring ploughing market, the sluggish raw materials market, especially the continuous decrease in the prices of urea beginning last year till now, affected the motivation of distributors and farmers on the preparation of fertilizers for this year, resulting in a downturn in the compound fertilizer market.

Based on the product mix and the deployment of sales channel, currently, the health care product market of China is still at an early development stage when compared with the United States and Europe. Statistics reveal that the consumption ratio of health care product in China is much lower than those of the developed countries. For the average consumption in the United States and Europe, consumption of health care products accounted for more than 25% of the total expenses, while it only accounted for 0.07% in China. At present, the fragmented health care products industry in China has become quite a conundrum. With the gradual improvements in the administration of health care products by the China Food and Drug Administration, it is expected that the health care product industry in China will develop healthily.

Financial Review

For the three months ended 31 March 2014, the Group achieved a total turnover of RMB136,906,003, representing a decrease of 20.5% as compared to the same period of last year (31 March 2013: RMB172,143,641). In particular, the Group recorded a sales turnover of RMB117,722,388 for compound fertilizer products, representing a decrease of 22.0% as compared to the same period of last year (31 March 2013: RMB150,939,901); the Group recorded a sales turnover of RMB19,183,615 for health care products, representing a decrease of 9.5% as compared to the same period of last year (31 March 2013: RMB21,203,740).

For the three months ended 31 March 2014, the consolidated gross profit of the Group's two major businesses was RMB23,067,973, representing a decrease of 35.7% as compared to the same period of last year (31 March 2013: RMB35,850,977); the consolidated gross profit margin of the Group decreased to 16.85% as compared to the same period of last year (31 March 2013: the consolidated gross profit margin was 20.83%), which is mainly due to the impact brought by the stagnant conditions of raw materials market on the compound fertilizer business of the Group, which in turn resulted in a continuous decrease in the prices of compound fertilizer products and relatively higher production costs, leading to a significant decline in the consolidated gross profit margin and gross profit of the Group.

For the three months ended 31 March 2014, the profit attributable to the owners of the Company was RMB4,157,162, representing a decrease of 59.5% as compared to the same period of last year (31 March 2013: RMB10,270,291); earnings per share of the Company was RMB0.293 cents as compared to RMB0.723 cents of the same period in the previous year.

FUTURE OUTLOOK

The “No.1 Document” issued by the central government this year has put forward its strategy for enhancing food safety and has laid an important foundation for the agricultural development in China. With farmers increasing their capital investment in agriculture, the total consumption of fertilizers will rise accordingly. Currently, the government has attached high importance to the environmental pollution problem in relation to soil contamination. Categorized as new fertilizers, biological compound fertilizers can enhance the efficiency of fertilizer application and minimize environmental pollution. Under the implementation of arable land transfers and establishment of new agricultural operation system in 2014 and coupled with the demand for new fertilizers emerging from sustainable agricultural development, biological compound fertilizers foresees a market growth opportunity.

“Several Opinions on Promoting the Health Service Industry” recently issued by the State Council proposed a goal of achieving a scale of over RMB 8 trillion for the health services industry in 2020, of which it expressly mentioned that health care products industry is one of the five pillar industries. As Chinese people have heightened their awareness on their health, brand new and fresh ideas about health, such as health maintenance and fitness, become increasingly appealing to various consumers, making more consumers to focus on and demand for nutrition and health care products.

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

As at 31 March 2014, none of the directors, the supervisors and their respective associates in the Company had interests in any securities, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) otherwise to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

DIRECTORS’ AND SUPERVISORS’ RIGHTS TO ACQUIRE SHARES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2014, 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 shareholder	Capacity	Number of ordinary shares	Percentage of the issued share capital
Tianjin TEDA International Incubator (“TTII”)	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 Fertilizers”)	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 of the shares represent domestic shares.

Save as disclosed above, as at 31 March 2014, 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 2014, the Group and the Company had contingent liabilities amounting to RMB53,000,000 (31 December 2013: RMB65,000,000) and RMB35,000,000 (31 December 2013: RMB45,000,000) respectively in connection with the guarantee provided by the Group and the Company to secure the bank loans granted to its subsidiaries.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules and by reference to the “Guidelines for The Establishment of An Audit Committee” published by the Hong Kong Institute of Certified Public Accountants. The audit committee provides an important link between the Board and the Company’s auditor in matters coming within the scope of the Group’s audit. The primary duties of the committee are to review and supervise the financial reporting process of the Group. It also reviews the effectiveness of the external audit, internal controls and risk evaluation. The audit committee of the Company comprises three independent non-executive directors, namely Mr. Guan Tong, Mr. Wu Chen and Mr. Chan Kin Sang, among whom, Mr. Guan Tong has been appointed as the chairman of the committee due to his professional qualifications in accounting and auditing experience.

The audit committee has reviewed the first quarterly results and the first quarterly report of the Group for the three months ended 31 March 2014.

PROPOSED APPOINTMENT OF DIRECTORS

Reference is made to the announcement of the Company dated 19 March 2014, the Board proposed to appoint Mr. Chen Yingzhong as an executive Director for a term expiring on 31 December 2016, subject to the approval of the Shareholders by way of an ordinary resolution at the AGM.

SHARE OPTION SCHEME

During the period ended 31 March 2014, the Company has not approved any new share option scheme.

MANAGEMENT CONTRACTS

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

COMPETING INTERESTS

During the three months ended 31 March 2014, 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 AND 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 has endeavored to apply the code provisions as set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited to the internal operations of the Group. The corporate governance principles which the Company complies emphasize on an efficient board of directors and sound internal control, as well as the transparency presented to all of the shareholders. The Directors are of the view that, the Company had complied with the provisions of the Code except Code provision A.2.1 of the Code during the period under review.

Since Mr. Wang Shuxin became the Chief Executive Officer of the Company, such practice deviates from code provision A.2.1 of the Code which requires that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. It is in the best interests of the Company at the present stage for Mr. Wang Shuxin to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of the Company. The Company has been proactively recruiting candidates for the post of Chief Executive Officer through different means so as to fulfill the requirements of A.2.1 of the Code as soon as practicable for increasing the transparency and independence of corporate governance.

On behalf of the Board
Wang Shuxin
Chairman

Tianjin, PRC
8 May 2014

As at the date of this announcement, the Board comprises of two executive Directors, being Mr. Wang Shuxin and Mr. Hao Zihui; 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. Peter K. S. Chan.

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