



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)



## FIRST QUARTERLY REPORT 2013



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

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## HIGHLIGHTS

- Consolidated turnover of the Group for the three months ended 31 March 2013 amounted to RMB172,143,641 (first quarter of 2012: RMB142,131,569), representing an increase of 21.12% as compared to the same period of last year.
- Consolidated gross profit of the Group for the three months ended 31 March 2013 amounted to RMB35,850,977 (first quarter of 2012: RMB23,350,643), representing an increase of 53.53% as compared to the same period of last year. Consolidated gross profit margin increased from 16.43% for the same period of last year to 20.83%.
- Profit attributable to the equity owners of the Company for the three months ended 31 March 2013 was RMB10,270,291 (first quarter of 2012: RMB1,100,197), representing an increase of 833.50% as compared to the same period of last year, and the earnings per share was RMB0.723 cents (first quarter of 2012: earnings per share: RMB0.077 cents).
- The Board does not recommend the payment of dividend for the three months ended 31 March 2013.

## 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 2013, together with the comparative figures of the corresponding period in 2012 as follows:

	Notes	For the three months ended 31 March	
		2013 RMB (Unaudited)	2012 RMB (Unaudited)
Turnover	2	<b>172,143,641</b>	142,131,569
Cost of sales		<b>(136,292,664)</b>	(118,780,926)
Gross profit		<b>35,850,977</b>	23,350,643
Other expenses and net loss/ income and net gain		<b>(14,837)</b>	46,901
Selling and distribution costs		<b>(10,479,510)</b>	(10,395,702)
R&D and administrative expenses		<b>(12,982,242)</b>	(9,961,214)
Finance costs		<b>(1,891,350)</b>	(1,829,940)
Profit before taxation		<b>10,483,038</b>	1,210,688
Income tax	3	<b>(43,260)</b>	–
Profit and comprehensive income for the period		<b>10,439,778</b>	1,210,688
Attributable to:			
Owners of the Company		<b>10,270,291</b>	1,100,197
Minority interests		<b>169,487</b>	110,491
		<b>10,439,778</b>	1,210,688
Earnings per share – Basic (RMB)	4	<b>0.723 cents</b>	0.077 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 RMB34,636,307 as at 31 March 2013. 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 2012.

## 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	
	2013	2012
	RMB	RMB
Turnover		
Fertilizer products	<b>150,939,901</b>	123,763,431
Health care products	<b>21,203,740</b>	18,368,138
	<b>172,143,641</b>	142,131,569

### 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 the year (2012: 25%).

The Company has not provided for any EIT (2012: 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% for the period from 8 June 2010 to 7 June 2012. Alpha was subject to EIT rate of 25% for the year (2012: 15%).

SD Hidersun Fertilizer Co., LTD. has not provided for any EIT since it has no taxable income for the period (2012: 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% (2012: 15%).

#### (b) Income tax expense

	For the three months ended 31 March	
	2013	2012
	RMB'000	RMB'000
Current Tax		
Hong Kong	Nil	Nil
Other jurisdictions	43	-

The income tax charge in Hong Kong is Nil for the three months ended 31 March 2013 (first quarter 2012: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is 43,260 for the three months ended 31 March 2013 (first quarter 2012: Nil).

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

	For the three months ended 31 March	
	2013 RMB'000	2012 RMB'000
Profit before tax	<b>10,483</b>	1,211
Tax calculated at the EIT rate of 25%	<b>2,621</b>	303
Tax rate differential	<b>(990)</b>	(199)
Effect of tax holiday exemption	–	–
Effect of the tax losses on consolidation	<b>(1,588)</b>	104
Tax effect of expenses that are not deductible in determining taxable profit	–	–
<b>Tax expense for the period</b>	<b>43</b>	–

#### 4. PROFIT PER SHARE

For the three months ended 31 March 2013, the calculation of earnings per share is based on the Group's profit attributable to owners of the Company of RMB10,270,291 (first quarter 2012: RMB1,100,197), divided by the total number of shares issued by the Company of 1,420,000,000 shares (first quarter 2012: 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 2013 (first quarter 2012: Nil).

## MOVEMENT OF RESERVES

	Share Capital		Share premium		Accumulated Losses		Capital reserve		Surplus reserve		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	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	(44,906,598)	(66,704,751)	2,541,404	2,541,404	4,604,647	2,385,483	180,055,863	156,038,546
Net profit attributable to equity holders of the Company for the three Months ended 31 March	-	-	-	-	10,270,291	1,100,197	-	-	-	-	10,270,291	1,100,197
Balance as at 31 March	142,000,000	142,000,000	75,816,410	75,816,410	(34,636,307)	(65,604,554)	2,541,404	2,541,404	4,604,647	2,385,483	190,326,154	157,138,743

## 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 "Fulilong", 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.

For the first quarter of 2013, the compound fertilizer market condition was generally calm, and the seasonality changes were not obvious, which was very different with the same period of last year. The compound fertilizer market does not grow, and is stagnant during this year due to the influence of unfavorable weather conditions such as the snowfall in Northeastern China, the drought in Northwestern China and the hail in Southern China. In addition, it was also due to the price increase of compound fertilizer in previous year to a certain extent offsetting the price increase momentum for the next year and the weak raw material market.

In addition, China's health care product industry has entered a golden decade driven by consumption upgrade and aging population. Currently, the development of China's health care product industry is under a stage which lacks regulation, and the relevant State departments are continuously improving supervision and regulation on the industry. As the health care product market has the features of consumption upgrade, health care and gift. In the long term, the industry will continuously generate high and stable profit, and enter a rapid development stage with large capital inflow and capacity ramp-up.

### **Financial Review**

For the three months ended 31 March 2013, the Group recorded a consolidated turnover of RMB172,143,641, representing an increase of 21.12% as compared to the same period of last year (31 March 2012: RMB142,131,569). In particular, the Group recorded a sales of RMB150,939,901 for compound fertilizer products, representing an increase of 21.96% as compared to the same period of last year (31 March 2012: RMB123,763,431); the Group recorded a sales of RMB21,203,740 for health care products, representing an increase of 15.44% as compared to the same period of last year (31 March 2012: RMB18,368,138).

For the three months ended 31 March 2013, the consolidated gross profit of the Group's two businesses was RMB35,850,977, representing an increase of 53.53% as compared to the same period of last year (31 March 2012: RMB23,350,643); the consolidated gross profit margin of the Group increased to 20.83% as compared to the same period of last year (31 March 2012: the consolidated gross profit margin was 16.42%), mainly due to the contribution from the active fertilizer under promotion by the Group which has a higher profit margin.

For the three months ended 31 March 2013, the profit attributable to the owner of the Company was RMB10,270,291, representing an increase of 833.50% as compared to the same period of last year (31 March 2012: RMB1,100,197); earnings per share of the Company was RMB0.723 cents compared to RMB0.077 cents of the same period in the previous year.

## Future Outlook

The Global Fertilizer Supply and Demand Outlook Report for 2012 and 2013 published by the International Fertilizer Industry Association indicates the global economic slowdown in 2013 will continue to affect the supply of fertilizers, but the emphasis on food security of the developing countries and high global agricultural prices will stimulate the planting initiative of the farmers. According to the estimates from China National Chemical Information Center, China's fertilizer utilization rate will reach 23 million tons (net) in 2015. The average annual growth rate of the compound fertilizer utilization in China will increase by 5.2% from 2010 to 2015, higher than the fertilizer industry growth rate of about 3%. One of the highlights of the No.1 Document promulgated by the central government this year was the innovation in the production and operation systems of the agricultural industry. According to the document, the government encouraged the development of the major players, family-owned farms and agricultural cooperatives. Capitalizing on this trend, the Group will devote efforts on brand building, channel development and marketing service system development, and make great efforts on the promotion of the new generation of superior fertilizer products represented by Zhilong active fertilizers, and strive to establish itself as the best brand of active fertilizers in China.

In accordance with 15 international industries divided based on the international standards, the health care industry is one of the fastest-growing sectors in terms of world trade growth. According to the "Twelfth Five-year Development Plan for the Food Industry" issued by China, by 2015, the output value of nutrition and health care products in the country will reach RMB1 trillion with year-on-year increase of 20%. In the future, the consumer base for the health care products will continue to expand and gradually get younger. According to the statistics, the middle aged and the elderly (aged 40–70) accounted for about 80% of the consumer base for health care products in 2010. The statistics in 2012 revealed that the consumption ratio of the middle aged or young people (aged 20–40) in the consumer base increased significantly, and they have become the main purchasers. The Group will proactively conduct research and development on innovative health care products based on the market trend. We will continue to improve the product mix, proactively expand the sales channels and strive to ensure market supply of our products.

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

As at 31 March 2013, the interests of the directors and 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 position in ordinary shares of RMBO.1 each in the Company:

#### *Number of shares held and nature of interests*

Directors/Supervisors/ Executive Officers	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 2013, none of the directors, the supervisors or the 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 acquisition of shares of the Company.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2013, 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 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 issued 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 Fertilizers")	Beneficial owner	170,000,000 (Note)	11.97%
Dongguan Luye Fertilizers Company Limited ("Luye 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 2013, 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**

Reference is made to the announcement of the Company dated 3 May 2013 the Board resolved to put forward a resolution to the Shareholders for approving placing of not more than 192,500,000 H shares, and to convene the EGM and the Class Meetings for granting of a specific mandate to the Board in relation to the placing and issuance of those H shares. As such, the Company and placing agent China Merchants Securities (HK) Co., Ltd., entered into a letter of engagement, pursuant to which the placing agent was appointed to prepare for the Placing on best efforts basis. The parties will negotiate on signing a definitive placing agreement after fulfillment of all conditions precedent.

### **CONTINGENT LIABILITIES**

As at 31 March 2013, the Group and the Company had contingent liabilities amounting to RMB76,000,000 (as at 31 December 2012: RMB65,000,000) and RMB45,000,000 (as at 31 December 2012: RMB25,000,000) in respect of guarantee provided as security for bank loans granted to its subsidiaries respectively.

### **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. Cao Kai (resigned on 21 March 2013), 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 2013.

## **RESIGNATION OF DIRECTOR AND PROPOSED APPOINTMENT OF DIRECTOR**

Reference is made to the announcement of the Company dated 21 March 2013, the Board has accepted the resignation of Mr. Cao Kai as an independent non-executive Director with effect from 21 March 2013. Due to the resignation of the Mr. Cao, the Board proposed to appoint Mr. Chan Kin Sang as an independent non-executive Director for a term expiring on 31 December 2013, 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 2013, 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 2013, 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 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 has complied with all the code provisions and, if applicable, the recommended best practices during the period under review.

By order of the Board

**Wang Shuxin**

*Chairman*

Tianjin, the PRC

9 May 2013

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

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