



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)



THIRD QUARTERLY REPORT 2013



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

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The information set out in this report, for which the directors of Tianjin TEDA Biomedical Engineering Company Limited collectively and individually accept full responsibility, is 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, the information contained in this report 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 report or any statement herein misleading.

HIGHLIGHTS

- Consolidated turnover of the Group for the nine months ended 30 September 2013 amounted to RMB465,818,840, representing a decrease of 3.91% as compared to the same period of last year (30 September 2012: RMB484,777,199).
- Consolidated gross profit of the Group for the nine months ended 30 September 2013 amounted to RMB95,051,440, representing an increase of 15.28% as compared to the same period of last year (30 September 2012: RMB82,449,554).
- Profit attributable to the equity owners of the Company for the nine months ended 30 September 2013 was RMB14,659,912 (30 September 2012: RMB5,332,885); the earnings per share of the Company was RMB1.03 cents (30 September 2012: RMB0.38cents).
- The Board does not recommend the payment of dividend for the nine months ended 30 September 2013.

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of directors (the "Board") of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (hereafter collectively referred to as the "Group") for the nine months ended 30 September 2013, together with the comparative figures of the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the nine months ended 30 September		For the three months ended 30 September	
		2013 (Unaudited) RMB	2012 (Unaudited) RMB	2013 (Unaudited) RMB	2012 (Unaudited) RMB
Turnover	2	465,818,840	484,777,199	146,453,787	162,683,800
Cost of sales		(370,767,400)	(402,327,645)	(116,273,650)	(131,168,442)
Gross profit		95,051,440	82,449,554	30,180,137	31,515,358
Other income and net gains		774,400	798,937	240,718	313,389
Selling and distribution costs		(30,254,613)	(35,606,293)	(10,470,132)	(14,027,902)
R&D and administrative expenses		(43,741,209)	(36,000,497)	(14,036,247)	(12,384,554)
Finance costs		(4,995,938)	(5,376,244)	(2,025,553)	(1,870,490)
Profit before taxation		16,834,080	6,265,457	3,888,923	3,545,801
Income tax	3	(572,404)	(352,060)	(18,980)	(333,639)
Profit and comprehensive income for the period		16,261,676	5,913,397	3,869,943	3,212,162
Attributable to:					
Owners of the Company		14,659,912	5,332,885	2,487,066	2,627,402
Non-controlling interests		1,601,764	(580,512)	1,382,877	(584,760)
		16,261,676	5,913,397	3,869,943	3,212,162
Earnings per share					
– Basic (RMB)		1.03 cents	0.38 cents	0.18 cents	0.19 cents

Notes:

1. BASIS OF PRESENTATION

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 RMB30,246,686 as at 30 September 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 nine months ended 30 September 2013 on the going concern basis.

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"). 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 health care products.

An analysis of the Group's turnover by segments is as follows:

	For the nine months ended 30 September		For the three months ended 30 September	
	2013	2012	2013	2012
	RMB	RMB	RMB	RMB
Turnover				
Fertilizer products	396,760,019	423,415,890	117,125,736	134,235,419
Health care products	69,058,821	61,361,309	29,328,051	28,448,381
	465,818,840	484,777,199	146,453,787	162,683,800

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 ("SD Hidersun") can continue to enjoy the preferential tax rates during the transitional period and 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 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 nine months ended 30 September	
	2013	2012
	RMB'000	RMB'000
Current Tax		
Hong Kong	Nil	Nil
Other Jurisdictions	572	352

The income tax charge in Hong Kong is Nil for the period ended 30 September 2013 (September 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 RMB572,404 for the period ended 30 September 2013 (September 2012: RMB352,060).

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

	For the nine months ended 30 September	
	2013 RMB'000	2012 RMB'000
Profit before tax	16,834	6,265
Tax calculated at the EIT rate of 25%	4,209	1,566
Tax rate differential	(1,114)	(555)
Effect of tax holiday exemption	-	-
Effect of the tax losses on consolidation	(2,523)	(659)
Tax effect of expenses that are not deductible in determining taxable profit	-	-
Tax expense for the period	572	352

4. PROFIT PER SHARE

For the nine months ended 30 September 2013, the calculation of profit per share is based on the Group's profit attributable to equity holders of RMB14,659,912 (September 2012: profit of RMB5,332,885), divided by the total number of shares issued by the Company of 1,420,000,000 shares (September 2012: 1,420,000,000 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 nine months ended 30 September 2013 (September 2012: Nil).

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital		Share premium		Surplus reserve		Capital reserve		Accumulated Losses		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	4,604,647	2,385,483	2,541,404	2,541,404	(44,906,598)	(66,704,751)	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	4,604,647	2,385,483	2,541,404	2,541,404	(34,636,307)	(65,604,554)	190,326,154	157,138,743
Net profit attributable to equity holders of the Company for the three months ended 30 June	-	-	-	-	-	-	-	-	1,902,555	1,605,286	1,605,286	1,605,286
Balance as at 30 June	142,000,000	142,000,000	75,816,410	75,816,410	4,604,647	2,385,483	2,541,404	2,541,404	(32,733,752)	(63,999,268)	192,228,709	158,744,029
Net profit/(loss) attributable to equity holders of the Company for the three months ended 30 September	-	-	-	-	-	-	-	-	2,487,066	2,627,402	2,487,066	2,627,402
Balance as at 30 September	142,000,000	142,000,000	75,816,410	75,816,410	4,604,647	2,385,483	2,541,404	2,541,404	(30,246,686)	(61,371,866)	194,715,775	161,371,431

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is mainly engaged in two sectors: biological compound fertilizer products, including 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 health care products, including series of health care products under the brand of “Alpha”, covering diabetic health care products with the function of regulating the blood sugar level and sugar-free products beneficial to the health of human body.

Finance Review

For the nine months ended 30 September 2013, the Group achieved a total turnover of RMB465,818,840, representing a decrease of 3.91% as compared to the same period of last year (30 September 2012: RMB484,777,199). This was mainly due to decreasing price of compound fertilizer raw material resulting from the dual influence of complicated global financial condition and domestic macro-economic environment, thus leading to increased market volatility and immense competition. The Group then lowered the price of compound fertilizer products accordingly. In relation to business segments, the Group recorded a turnover of RMB396,760,019 for compound fertilizer products for the nine months ended 30 September 2013, representing a decrease of 6.3% as compared to the same period of last year (30 September 2012: RMB423,415,890); and the Group recorded a turnover of RMB69,058,821 for health care products, representing an increase of 12.5% as compared to the same period of last year (30 September 2012: RMB61,361,309).

For the nine months ended 30 September 2013, the consolidated gross profit of the Group's two major business segments was RMB95,051,440, representing an increase of 15.28% as compared to the same period of last year (30 September 2012: RMB82,449,554); the consolidated gross profit margin of the Group was 20.4%, as compared to that of 17.0% for the same period of last year. This was mainly due to the fact that the management of the Group successfully controlled production costs at a reasonable level and promoted the active fertilizer products with a higher gross profit margin during the period under review.

Amid the severe economic environment and market condition, the management of the Group had launched a series of measures to beef up marketing while reasonably controlling administrative expenses and selling costs this year. For the nine months ended 30 September 2013, selling and distribution costs of the Group amounted to RMB30,254,613, representing a decrease of 15.0% as compared to the same period of last year (30 September 2012: RMB35,606,293); research and development and administrative expenses were RMB43,741,209, representing an increase of 21.5% as compared to the same period of last year (30 September 2012: RMB36,000,497). This was mainly due to the year-on-year increase in labour cost and research and development cost during the period under review and the increase in allowance for doubtful debts in respect of additional trade receivables. For the nine months ended 30 September 2013, the profit attributable to the equity owners of the Company was RMB14,659,912, representing an increase of 174.90% as compared to the same period of last year (30 September 2012: RMB5,332,885); earnings per share of the Company were RMB1.03 cents while that for the corresponding period last year was RMB0.38 cents.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2013, the Group and the Company had contingent liabilities amounting to RMB55,000,000 (31 December 2012: RMB65,000,000) and RMB55,000,000 (31 December 2012: RMB25,000,000) respectively in connection with the guarantee provided by the Group and the Company to secure the bank loans granted to its subsidiaries.

FOREIGN CURRENCY RISK

As all the sales of the Group were domestic sales settled in RMB and most of the payables to suppliers were also settled in RMB, the Group was not exposed to substantial foreign currency risk.

TREASURY POLICY

The Group was not exposed to foreign currency risk as its bank borrowings were denominated in RMB and generally renewed yearly upon maturity. During the period, all cash balances were deposited in licensed banks in China.

FUTURE OUTLOOK

Over the years, with the support of favourable national industrial policies, the compound fertilizer industry has been growing rapidly with an apparently higher level of industrialisation and the compound rate of chemical fertilizers has increased on a yearly basis. The recognition by our end users, namely farmers, towards new types of fertilizers such as active fertilizers, slow release chemical fertilizers, microbial fertilizers and organic fertilizers, has been climbing up. Particularly in the more affluent regions, the affordability of farmers is higher with increased dependence on industrial crops, facilitating the consumption of compound fertilizers. On the basis of the successful development of Zhilong active fertilizers, Guangdong Fulilong Compound Fertilizers Co., Ltd, a subsidiary of the Group, entered into a strategic cooperation agreement with the Institute of Agricultural Resources and Regional Planning of Chinese Academy of Agricultural Sciences, pursuant to which, we will cooperate with each other on the research and development of new active fertilizers. Their collaborative efforts will definitely bring greater economic efficiency and social benefits to the enterprises and the society.

In view of the development of our health care product business, the rise of the health care product market in China is mainly contributed by the increasing health care awareness and the concern towards food safety among domestic consumers. The long-existing concept of “food nourishing” demonstrates that Chinese attaches a great importance to healthy diets and the pursuit of a healthy diet has deeply rooted in their tradition. In such a huge health care product market in China, attentions have been drawn to food and drinks made of natural, healthy or fairly nutritious ingredients. Tianjin Alpha HealthCare Products Co., Ltd, a subsidiary of the Group, has leveraged on its own brand and continuously realigned the product structure and developed new products in response to the market trends, so as to enhance its competitiveness in the domestic health care product niche market, thereby ensuring sustainable corporate development.

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

As at 30 September 2013, none of the directors, the supervisors and other senior management of 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 30 September 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 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 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 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 30 September 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.

RESIGNATION AND APPOINTMENT OF DIRECTORS

Reference is made to the announcements of the Company dated 21 March and 3 July 2013 respectively. The Board accepted the resignation of Mr. Cao Kai as an independent non-executive Director and the resignation of Mr. Zhang Chunsheng as an executive Director and Chief Executive Officer. Due to the resignation of Mr. Cao Kai, the Board proposed to appoint Mr. Chan Kin Sang as an independent non-executive Director for a term expiring on 31 December 2013, and the appointment was approved by the Shareholders by way of an ordinary resolution at the annual general meeting on 14 May 2013.

CHANGE OF CHIEF EXECUTIVE OFFICER

Reference is made to the announcement of the Company dated 3 July 2013. Due to the resignation of Mr. Zhang Chunsheng as the Chief Executive Officer (“CEO”) of the Company, the Board appointed Mr. Wang Shuxin, the chairman of the Board, to take up the position of CEO.

THE PLACING

Reference is made to the announcement and the circular of the Company dated 3 May 2013 and 3 June 2013 respectively, the Board proposed to place not more than 192,500,000 H shares by a specific mandate. As such, the Company and China Merchants Securities (HK) Co., Ltd., the placing agent, entered into a letter of engagement, pursuant to which the placing agent was appointed to prepare for the Placing on a best effort basis. The parties will negotiate on signing a definitive placing agreement after fulfillment of all conditions precedent. Reference is also made to the announcement of the Company dated 25 July 2013, the foresaid placing by the Company was approved at the extraordinary general meeting and the relevant class meetings on 25 July 2013.

COMPETING INTERESTS

For the nine months ended 30 September 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 nor any of them has or may have any other conflicts of interest with the Group required to be disclosed pursuant to the GEM Listing Rules.

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 set out the authorities and duties of the Audit Committee. The Audit Committee of the Company 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 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 results and the third quarterly report of the Group for the nine months ended 30 September 2013.

SHARE OPTION SCHEME

The Company has no 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 existed during the period ended 30 September 2013.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not redeem 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 ended 30 September 2013.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to establishing and maintaining good corporate governance practice code and procedures. 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 nine months ended 30 September 2013, the Company has adopted the principles as set out in the Code on Corporate Governance Practices (“CG Code”) of Appendix 15 to the GEM Listing Rules and has complied with all the code provisions, except for the code provision A.2.1 of the CG Code.

The Company made an announcement on 3 July 2013 that due to the resignation of Mr. Zhang Chunsheng as the CEO of the Company, the position of CEO has been taken up by Mr. Wang Shuxin, the chairman of the Board. As at the date of this report, the Company has not yet identified any suitable candidate for CEO, thus is unable to comply with the requirements under the code provision A.2.1 of the CG Code. The Company is in the process of selecting suitable candidates for CEO so as to comply with the requirements of the CG Code as soon as possible.

By order of the Board

Wang Shuxin

Chairman

Tianjin, the PRC
7 November 2013

As at the date of this report, the Board comprises two executive Directors, namely, Mr. Wang Shuxin and Mr. Hao Zhihui, three non-executive Directors, namely, Mr. Feng Enqing, Mr. Xie Guangbei and Mr. Ou Linfeng and three independent non-executive Directors, namely, Mr. Guan Tong, Mr. Wu Chen and Mr. Peter K. S. Chan.

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.