



天津泰達生物醫學工程股份有限公司
Tianjin TEDA Biomedical Engineering Company Limited

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8189)

FIRST QUARTERLY REPORT FOR 2009

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 (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Tianjin TEDA Biomedical Engineering Company Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover for the three months ended 31 March 2009 amounted to RMB141,485,705, representing an increase of approximately 17.28% compared with corresponding period last year. The increase in sales is mainly attributable to the Group's health food and biological fertilizer both recorded growth in production and sales volume.
- Gross profit of the Group for the three months ended 31 March 2009 increased by 30.91% to RMB25,683,201. Gross profit margin also rose from 16.26% to 18.15% compared with the corresponding period last year. The increase is mainly due to the Group has focused on rationalizing product's structure and its impact to the Group's overall gross profit level while keep expanding the distribution channel.
- Profit attributable to equity holders was approximately RMB1,350,148 for the first quarter of 2009 (first quarter of 2008: loss attributable to equity holders of RMB540,013) and the profit per share was RMB0.14 cents (first quarter of 2008: loss per share of RMB0.09 cents).

QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “Board”) of Tianjin TEDA Biomedical Engineering Company Limited (the “Company”) is pleased to announce the unaudited quarterly results of the Company and its subsidiaries (hereafter collectively referred to as the “Group”) for the three months ended 31 March 2009, together with the comparative figures of the corresponding period in 2008 as follows

	<i>Notes</i>	For the three months ended 31 March	
		2009 <i>RMB</i> (Unaudited)	2008 <i>RMB</i> (Unaudited)
Turnover	2	141,485,705	120,642,642
Less: sales tax			
Cost of sales		<u>(115,802,504)</u>	<u>(101,023,237)</u>
Gross profit		25,683,201	19,619,405
Distribution and selling expenses		(10,447,658)	(8,270,496)
R&D and administrative expenses		<u>(9,747,517)</u>	<u>(7,428,440)</u>
Operating profit		5,488,026	3,920,469
Finance costs		(2,005,779)	(3,068,125)
Other income less other expenses		(237,156)	(409,000)
Amortisation on goodwill		<u>—</u>	<u>—</u>
Profit before tax		3,245,091	443,344
Taxation	3	<u>(873,791)</u>	<u>(621,649)</u>
Profit/(loss) for the period		<u>2,371,300</u>	<u>(178,305)</u>
Attributable to:			
Equity holders of the Company		1,350,148	(540,013)
Minority interests		<u>1,021,152</u>	<u>361,708</u>
		<u>2,371,300</u>	<u>(178,305)</u>
Profit/(loss) per share	4	<u>0.14 cents</u>	<u>(0.09) 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 2009. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies. 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 RMB90,371,553 as at 31 March 2009. 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. The Group's principal banker has confirmed that it will continue to extend banking facility of up to RMB200 million to the Company. Renewal of this facility will be subject to the bank's normal approval procedures. Consequently, the Directors have prepared the unaudited quarterly results for the three months ended 31 March 2009 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 2008.

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	
	2009 RMB	2008 RMB
Turnover		
Fertilizer products	118,276,641	103,377,082
Medical & health products	<u>23,209,064</u>	<u>17,265,560</u>
	<u>141,485,705</u>	<u>120,642,642</u>

3. Taxation

(a) Enterprise income tax ("EIT")

Company:

In 2003, the Company changed its tax status to that of a Foreign Investment Enterprises ("FIE"). In accordance with the relevant tax regulations, as a production FIE located in Tianjin Economic and Technological Development Area ("TEDA"), the Company is eligible to enjoy the concessionary EIT of 20%. The Company has not provided for any EIT (2008: nil) since it has no taxable income for the period.

Subsidiaries:

Tianjin Alpha HealthCare Products Co., Ltd ("Alpha"), being a production FIE located in TEDA, is also eligible for all the benefits enjoyed by the Company as described above. EIT has been provided at 20%(2008:18%) of taxable income for the period.

Shandong Fulilong Fertilizer Industry Co., Ltd. ("SD Fulilong"), being a FIE incorporated in PRC located in a new and high technology zone, is subject to the concessionary EIT rate 24%. SD Fulilong has not provided for any EIT since it has no taxable income for the period (2008: nil).

Guangdong Fulilong Compound Fertilizers Co., Ltd. ("GD Fulilong"), has been approved as a new and high technology enterprise and is therefore subject to the statutory 15 % EIT and exemption from local income tax.

On 16 March 2007, the National People's Congress approved the PRC Enterprise Income Tax Law, which became effective from 1 January 2008. In accordance with the new law, 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 Alpha can continue to enjoy the preferential tax rates during the transitional period.

(b) *Income tax expense*

	For the three months ended 31 March	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Current Tax		
Hong Kong	Nil	Nil
Other jurisdictions	874	622

The income tax charge in Hong Kong is Nil for the three months ended 31 March 2009 (first quarter 2008: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is RMB873,791 for the three months ended 31 March 2009 (first quarter 2008: 621,649).

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

	For the three months ended 31 March	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	3,245	443
Tax calculated at the EIT rate of 25%	811	111
Tax rate differential	(454)	(282)
Effect of tax holiday exemption	-	-
Effect of the tax losses on consolidation	517	793
Tax effect of expenses that are not deductible in determining taxable profit	-	-
Tax expense for the period	<u>874</u>	<u>622</u>

4. Profit/(loss) per share

For the three months ended 31 March 2009, the calculation of profit/(loss) per share is based on the Group's profit/(loss) attributable to equity holders of RMB1,350,148 (first quarter 2008: loss of RMB540,013), divided by the total number of shares issued by the Company of 950,000,000 shares (first quarter 2008: 610,000,000 shares). Diluted profit per share is not presented as there are no dilutive potential shares during the period.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2009 (first quarter 2008: Nil).

MOVEMENT OF RESERVES

	Share Capital		Share premium		Accumulated Losses		Capital reserve		Surplus reserve		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as at 1 January	95,000,000	61,000,000	74,869,185	75,089,571	(91,721,701)	(82,388,734)	2,541,404	2,541,404	1,133,637	-	81,822,525	56,242,241
Net profit/(loss) attributable to equity holders of the Company for the three months ended 31 March	-	-	-	-	1,350,148	(540,013)	-	-	-	-	1,350,148	(540,013)
Balance as at 31 March	<u>95,000,000</u>	<u>61,000,000</u>	<u>74,869,185</u>	<u>75,089,571</u>	<u>(90,371,553)</u>	<u>(82,928,747)</u>	<u>2,541,404</u>	<u>2,541,404</u>	<u>1,133,637</u>	<u>-</u>	<u>83,172,673</u>	<u>55,702,228</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the three months ended 31 March 2009, the Group is principally engaged in (1) biological fertilizer products, and (2) medical and health products, including series of diabetic health products and sugar-free products which are beneficial to the health of human body.

For the three months ended 31 March 2009, the turnover was RMB141,485,705, representing an increase of approximately 17.28% compared with the corresponding period last year.

Gross profit of the Group increased by approximately 30.91% to RMB25,683,201 compared with the corresponding period last year. Gross profit margin also increased from 16.26% of the corresponding period last year to 18.15%.

During the period under review, profit attributable to equity holders was RMB1,350,148 (2008 first quarter: loss attributable to equity holders: RMB540,013).

In the first quarter of 2009, approximately 83.60% of the total turnover was generated from the biological fertilizer products sold under the brand of "Fulilong". The remaining 16.40% was generated from medical and health products.

Biological Fertilizer Products

Raw materials price fluctuated over the last year, and obviously, it had already pose effect to the price of compound fertilizer products. During the period under review, the price of compound fertilizer products in our nation still remained at a comparatively low level in general. After experiencing price fluctuation during the past year, the market is still taking a “wait and see” attitude, market sentiment in the south is better than the north. At the same time, raw materials’ market price has stabilized and was rising steadily.

During the period under review, sales of biological fertilizer products of the Group amounted to RMB118,276,641, representing an increase of 14.41% compared with the corresponding period last year. Compared with the first quarter in 2008, gross profit margin for the first quarter of 2009 increased from 11.73% last year to 13.00%. With the sales scale of the highly concentrated products manufactured by Shandong production base expands gradually, the gross profit margin of the fertilizer products of the Group still has room for increase.

Health Products

The sales of diabetic health food and sugar-free food of the Group increased faster in the first quarter of 2009. The sales turnover of “ALPHA” products during the period under review reached RMB23,209,064, representing an increase of approximately 37.72% compared with the corresponding period last year.

The increase in sales was mainly due to “ALPHA” sugar free food had captured the opportunities come with Chinese New Year holiday, resulting in an obvious increase in sales. For the three months ended 31 March 2009, the profit margin of “ALPHA” products was approximately 44.42% (2008 first quarter: 46.28%).

Production

The two production bases for the Group’s fertilizer products located in Shandong and Guangdong can always accommodate market demand, and grasp the right timing for optimizing products varieties and formulas. While they try their best to stay close with customers’ need, the Group will also use R&D achievements and technology brought by the Group’s technical centre to reduce the production cost and energy consumption and introduce products produced with new formula that comes with higher gross profit margin timely.

Distribution and Sales

During the period under review, distribution and sales expenses of the Group were approximately RMB10,447,658, representing an increase of approximately 26.32% compared with the corresponding period last year (2008 first quarter : RMB8,270,496) which was mainly due to the increase of input made by the Group to accelerate expansion in Shandong market.

R&D and Administration

During the period under review, R&D and administration expenses of the Group were approximately RMB9,747,517, representing an increase of approximately 31.22% compared with the same period in 2008. Amidst the expansion in sales scale, the Group will continue to put effort to control and keep the R&D and administration expenses at a reasonable level, and gradually increase investment in R&D.

As at 31 March 2009, the Group had a total of 760 employees (31 December 2008 : 635 employees).

Future Outlook

As the impact of the financial tsunami deepens, international market and domestic economy have entered into recession cycle. The environment for developing compound fertilizers industry in China was also tough in 2009. In view of the situation, the PRC has issued the “Several Opinions of the State Council on the 2009 Plan to Promote the Stable Development of Agricultural Industry and Increasing the Income of Farmers” (《關於2009年促進農業穩定發展農民持續增收的若干意見》) in February 2009. As the sixth Top Priority Central Government Document guiding the development work in respect of the agricultural industry and rural villages issued since 2004, it has put forward a number of new measures to strengthen the favorable condition for developing agricultural industry and rural villages, and will provide great momentum to drive development of the country’s agricultural industry and rural villages in 2009. The rural villages economy will experience new development opportunities in 2009. With the implementation of the land transfer policy, there will be positive effect on the long-term development of rural economy. As the subsidization policy for agricultural products such as food encounters further reform and improvement, the income and purchasing power of farmers will further increase. All these are favorable factors for the comprehensive development of compound fertilizers industry in China, and can help to maintain an active supply and demand within compound fertilizers market, thus is beneficial for improving compound fertilizers consumption and its long term development. The Group will seek growth opportunities amid the market adjustment cycle. In respect to the domestic market, the Group will establish a comprehensive and flexible mechanism to collect market and production information; strive to avoid risks and to fully utilize its current production capacity, so as to achieve stable growth in sales scale and profit under such difficult situation.

In the area of health products, the “ALPHA” series food products, in addition of fulfilling the needs to control blood sugar level for diabetes patients, could also be gradually diversified in variety and developed as gift products by taking advantages of their nutrition value, functions and flavors. With more than 10 years solid development, the Group has established a sales network comprising around 1,000 hypermarkets, several thousand supermarkets and franchised store. ALPHA has maintained good relationship with its distributors, and will accelerate its development pace based on this foundation.

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

As at 31 March 2009, the interests of the directors and the supervisors of the Company and their respective associates in the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) were as follows:

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

Director	Number of shares held and nature of interests					Total	Percentage of the issued share capital
	Personal (note)	Family	Corporate	Other			
Mr. Xie Kehua	9,000,000	–	–	–	9,000,000	0.95%	

Note: All represented domestic shares.

Save as disclosed in this paragraph, as at 31 March 2009, none of the directors and the supervisors of the Company had interest in any securities, underlying shares and debentures of the Company or any of its associated corporations which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors relating to securities transactions by directors as set out in GEM Listing Rules 5.46 to 5.67.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2009, 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 issued share capital
Tianjin TEDA International Incubator ("TTII")	Beneficial owner	200,000,000 (<i>Note 1</i>)	21.05%

Notes:

- All represented domestic shares.

Save as disclosed above, as at 31 March 2009, 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 2009, the Company had contingent liabilities amounting to RMB1 million (as at 31 March 2008: RMB1 million) in respect of guarantee provided as security for bank loans granted to its subsidiaries.

AUDIT COMMITTEE

The Company has prepared and adopted a written terms of reference for the Audit Committee with reference to “A Guide for the Formation of an Audit Committee” published by the Hong Kong Institute of Certified Public Accountants. The written terms of reference set out the authority and duty of the Audit Committee. The Audit Committee provides an important link between the Board and the Company’s auditors for the Group’s audit matters. It also reviews the effectiveness of both external and internal audit, internal controls and risk evaluation. The Audit Committee of the Company comprises three independent non-executive Directors, namely Professor Xian Guoming, Mr. Wu Chen and Mr. Guan Tong.

The Committee has reviewed the first quarterly results and the first quarterly report of the Group for the three months ended 31 March 2009.

SHARE OPTION SCHEME

During the period ended 31 March 2009, none of the directors or supervisors or employees of the Company or other participants of the share option scheme of the Company was granted with options to subscribe for the H shares of the Company.

MANAGEMENT CONTRACTS

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

COMPETING INTERESTS

During the three months ended 31 March 2009, none of the directors, the supervisors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) competes or may compete with the business of the Group or has or may have any other conflicts of interest with the Group required to be disclosed pursuant to the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the period under review. Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company’s shares during the period under review.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the three months ended 31 March 2009.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to establishing and maintaining good corporate governance practice code and procedure. The corporate governance principles which the Company complies emphasizes on an efficient board of directors and perfect internal control, as well as the transparency presented to all of the shareholders. For the three months ended 31 March 2009, 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
7 May 2009

As at the date of this report, the Board comprises of two executive Directors, being Mr. Wang Shuxin and Mr. Xie Kehua; three non-executive Directors, being Mr. Feng Enqing, Mr. Xie Guangbei and Mr. Wang Xiaofa and three independent non-executive Directors, being Professor Xian Guoming, Mr. Wu Chen and Mr. Guan Tong.