



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
2020

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This report, for which the directors of Tianjin TEDA Biomedical Engineering Company Limited (“the Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) 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 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 any statement herein or this report misleading.



HIGHLIGHTS

- Consolidated turnover of the Group for the three months ended 31 March 2020 amounted to RMB68,523,880, representing a decrease of 21.82% as compared to the same period of last year (31 March 2019: RMB87,652,324).
- Consolidated gross profit of the Group for the three months ended 31 March 2020 amounted to RMB3,882,817, representing a decrease of 64.65% as compared to the same period of last year (31 March 2019: RMB10,982,595).
- Loss attributable to the equity owners of the Company for the three months ended 31 March 2020 was RMB5,591,384, representing an increase of 74.22% as compared to the same period of last year (31 March 2019: loss of RMB3,209,427); and loss per share of the Company was RMB0.295 cents, while loss per share for the same period of last year was RMB0.169 cents.
- The Board does not recommend the payment of dividend for the three months ended 31 March 2020.

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 2020, together with the comparative figures of the corresponding period in 2019 as follows

	Notes	(Unaudited) For the three months ended 31 March	
		2020 RMB	2019 RMB
Revenue	2	68,523,880	87,652,324
Cost of sales		(64,641,063)	(76,669,729)
Gross profit		3,882,817	10,982,595
Other income and losses, net		(81,775)	501,920
Selling and distribution costs		(3,760,221)	(4,579,631)
R&D and administrative expenses		(5,568,630)	(9,099,684)
Finance costs		(418,031)	(928,062)
Loss before taxation		(5,945,839)	(3,122,862)
Income tax	3	–	(62,248)
Loss for the period		(5,945,839)	(3,185,110)
Attributable to:			
Owners of the Company		(5,591,384)	(3,209,427)
Non-controlling interests		(354,455)	(24,317)
Loss per share-Basic (RMB)	4	(0.295) cents	(0.169) 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. The validity of the Group's ability to continue as a going concern depends on the success of the Group's future operations. Consequently, the Directors have prepared the unaudited quarterly results for the three months ended 31 March 2020 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 2019.

2. REVENUE

Revenue, which is also the Group's revenue, represents the invoiced value of goods sold to customers after any allowance an discounts and is analysed as follows:

	For the three months ended 31 March	
	2020	2019
	RMB	RMB
Fertilizer products	68,473,752	87,369,305
Elderly care and health care services	50,128	283,019

3. INCOME TAX

(a) Enterprise income tax (“EIT”)

Pursuant to the income tax rules and regulations of the PRC, the income tax of the company and subsidiaries of the Group is calculated based on the statutory tax rate of 25%(2018:25%), except for the following subsidiaries.

Guangdong Fulilong Compound Fertilizers Co., Ltd. is recognized as a High and New-Tech enterprise according to the PRC tax regulations and is entitled to a preferential tax rate of 15% (2018:15%).

Pursuant to the rules and regulations of the Cayman Islands, the Group’s subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group’s subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income arising in Hong Kong during the period (2018: nil).

(b) Income tax expense

	For the three months ended 31 March	
	2020 RMB'000	2019 RMB'000
Current Tax		
Hong Kong	Nil	Nil
Other jurisdictions	–	62

The income tax charge in Hong Kong is Nil for the three months ended 31 March 2020(first quarter 2019: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is Nil for the three months ended 31 March 2020 (first quarter 2019: RMB62,248).

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

	For the three months ended 31 March	
	2020 RMB'000	2019 RMB'000
Loss before income tax expense	(5,946)	(3,123)
Tax calculated at the EIT rate of 25%	(1,487)	(781)
Tax rate differential	236	65
Effect of tax holiday exemption	–	–
Effect of the tax losses on consolidation	1,251	778
Tax effect of expenses that are not deductible in determining taxable profit	–	–
Tax expense for the period	–	62

4. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	For the three months ended 31 March	
	2020 RMB'000	2019 RMB'000
Loss for the purpose of basic earnings per share	(5,591,384)	(3,209,427)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	1,894,500,000	1,894,500,000

DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2020 (first quarter 2019: Nil).

MOVEMENT OF RESERVES

	Share Capital		Share premium		Accumulated Losses		Capital reserve		Surplus reserve		Other reserve		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as at 1 January	189,450,000	189,450,000	275,317,438	275,317,438	(260,610,037)	(175,988,230)	2,541,404	2,541,404	3,717,696	3,717,696	(19,382,403)	(22,032,403)	191,034,098	273,005,915
Loss attributable to equity holders of the Company for the three Months ended 31 March	-	-	-	-	(5,591,384)	(3,209,427)	-	-	-	-	-	-	(5,591,384)	(3,209,427)
Issue of new shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March	189,450,000	189,450,000	275,317,438	275,317,438	(266,201,421)	(179,197,657)	2,541,404	2,541,404	3,717,696	3,717,696	(22,032,403)	(22,032,403)	185,442,714	269,796,478



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Currently, the Group is principally engaged in two industry sectors: on one hand, it is the biological compound fertiliser business, which principally includes a series of biological compound fertiliser products that are used for the facilitation of balanced growth of grains, fruit and vegetables. On the other hand, it is the elderly care and health care business, which principally includes the comprehensive layout of elderly care services integrating medical services and elderly care services, and operation and management business that have strong demand with focus on the public with complete or partial disability or dementia. Such business mainly includes nationwide operation management development of elderly care institutions (service facilities), integration of elderly care service resources, supervision and consultancy on elderly care service management and other related elderly care service businesses. For EEG detection business, expanding the EEG detection market in the PRC still needed a certain period of time, which had led to slower development in the EEG detection business. However, the Group is still proactively expanding its customer base and seeking new cooperative partners, and endeavors to advance the development of EEG detection business.

Financial Review

For the three months ended 31 March 2020, the Group achieved a consolidated turnover of RMB68,523,880, representing a decrease of 21.82% as compared to the same period of last year (31 March 2019: RMB87,652,324), the consolidated gross profit of the Group was RMB3,882,817, representing a decrease of 64.65% as compared to the same period of last year (31 March 2019: RMB10,982,595), and the consolidated gross profit margin of the Group was 5.67%, representing a decrease of 6.86% as compared to the same period of last year (31 March 2019: the consolidated gross profit margin was 12.53%).

For the three months ended 31 March 2020, loss attributable to the owners of the Company was RMB5,591,384 (31 March 2019: loss of RMB3,209,427); and loss per share of the Company was RMB0.295 cents as compared to loss per share of RMB0.169 cents of the same period in the previous year.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2020, the Group and the Company had contingent liabilities amounting to RMB11,392,158.37 (31 December 2019: RMB15,000,000) and RMBNil (31 December 2019: RMBNil) respectively in relation to the guarantee provided by the Group and the Company in securing the bank loans granted to its subsidiaries.

EXPOSURE TO FOREIGN CURRENCY RISK

The Group has a relatively low foreign currency risk since all the sales of the Group are domestic sales in China denominated in Renminbi and all payables to suppliers are also denominated in Renminbi.

TREASURY POLICIES

The Group's bank borrowings are denominated in Renminbi and are usually renewed for one year upon maturity. Any surplus cash will be placed as deposits with licensed banks in China.

FUTURE OUTLOOK

At the beginning of 2020, the novel coronavirus pneumonia pandemic (the "COVID-19" pandemic) spread across the nation. The Group promptly adopted measures and comprehensively planned on the production and operation activities of subsidiaries and the resumption of work and production after the pandemic, so as to fight the pandemic proactively. The COVID-19 pandemic has imposed certain impacts on the market demand and the freight. However, as the pandemic was gradually under control since February 2020, the fertiliser demand for the use in spring and the freight have resumed gradually and the sales volume of compound fertiliser business has increased progressively.

The healthy development of fertiliser industry is a foundation for assurance of food safety in the PRC as well as cornerstone for the development of the entire agricultural industry. However, along with consumption upgrade and the progression of supply-side structural reformation of agricultural industry, the demand for food has shifted from merely production volume increase to a new demand of quality and efficiency enhancement, which has brought new opportunities and challenges to the development of fertiliser industry. Currently, the development trend of agricultural industry has shifted to increasing cost efficiency and high-quality green development. Green consumption is the direction for the main tasks of fertiliser industry in the future. The industry has to vigorously adjust the industrial structure and the product structure to scale down resources exploitation, reduce the use of inputs in different segments and the generation of pollutants in order to propel the fertiliser industry towards the direction of streamline, highly-efficient, smart and environmentally-friendly sustainable development. In green development, the compound fertiliser companies under the Company will attach significant importance to the development of organic fertilisers. Organic fertilisers have comprehensive nutrition and can foster soil improvement and quality enhancement, which can contribute to the reasonable utilization of resources and environmental optimization.

For the elderly care business, in the current stage, the Group mainly operates under the asset-light operation model to provide management and consultation services to other elderly care institutions and elderly care realties and at the same time cooperate with world-leading elderly care institutions and to constantly enhance its own professional ability of elderly nursing. At the subsequent stage, the Group will develop its own international leading mid-to-high end elderly care institutions when appropriate. In addition, the Group will continue to vigorously expand the assistive equipment rental business, and to establish a comprehensive system, quality standard and service procedure. By leveraging on the numerous elderly care institutions entrusted to the Group in Shanghai and the cooperation with the orthopedics and geriatrics departments of various hospitals, the Group aims to forge itself as one of the largest and most professional providers of assistive equipment rental service in Shanghai and across Yangtze River Delta. In the aspect of EEG detection business, quantitative EEG testing services technology is a world-leading EEG detection technology, and its application range is extensive that it can widely apply to all age groups (including adolescents, youth and elderly) in aspects including prone to mental illness detection, potential strength and personality detection, and neurodevelopmental maturity testing etc., and thus it still have an extensive development prospect. Currently, due to various reasons, the development of quantitative EEG detection business is rather slow but the Group will still continue to devote its efforts to turn the EEG detection business into a profit growth point in the development of the Company.

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

As at 31 March 2020, 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 RMB0.1 each in the Company:

Directors/Supervisors/ Chief Executives	Personal	Family	Corporate	Other	Total	Percentage of the issued share capital
Ms. Sun Li	-	-	300,000,000 (note)	-	300,000,000	15.83%

Note: Out of these shares, 180,000,000 shares are held by Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment") and 120,000,000 shares are held by Dongguan Lvye Fertilizers Company Limited ("Lvye Fertilizers"). Ms. Sun Li is the beneficial owner of 15% equity interest in Beijing Yingguxinye Investment Co., Ltd. ("Yingguxinye"), while Yingguxinye holds 100% equity interest in Xiangyong Investment and Lvye Fertilizers, respectively. All of the shares represent domestic shares.

Save as disclosed in this paragraph, as of 31 March 2020, none of the directors, supervisors and other chief executives of the Company had interests in any securities, underlying shares and debentures of the Company or any of its associated corporations, which were required (a) to notify 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 notify 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, its subsidiaries or its holding companies a party to any arrangement to enable the directors and supervisors of the Company or their respective spouses or children under 18 years of age, to gain profit through the acquisition of the Company's shares.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2020, the following persons (other than the directors and 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 notify 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 issued share capital
Tianjin TEDA International Incubator ("Incubator")	Beneficial owner	182,500,000 (note)	9.63%
Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment")	Beneficial owner	180,000,000 (note)	9.50%
Shandong Zhinong Fertilizers Company Limited ("Zhinong Fertilizers")	Beneficial owner	180,000,000 (note)	9.50%
Dongguan Lye Fertilizers Company Limited ("Lye Fertilizers")	Beneficial owner	120,000,000 (note)	6.33%

Note: All of the shares represent domestic shares.

Save as disclosed above, as at 31 March 2020, the directors of the Company were not aware of any other person (other than the directors and supervisors of the Company) who 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 notify 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.

BACKGROUND AND CURRENT STATUS OF THE PROFIT GUARANTEE FROM SJKGC

On 16 April 2016, the Company, Shu Ju Ku Inc. (referred to as the "Vendor") and SJK Greater China Ltd. (referred to as "SJKGC") entered into an agreement (referred to as the "Agreement"), pursuant to which the Company agreed to purchase, and the Vendor agreed to sell 51% of the entire issued shares of SJKGC (referred to as the "Sale Shares") to the Company. All conditions precedent under the Agreement had been fulfilled and the completion of acquisition took place on 17 March 2017. The Company had nominated Hong Kong Teda Biomedical Investment Limited, an indirect wholly-owned subsidiary of the Company, as its nominee to hold the Sale Shares on its behalf.

According to the Agreement, the Vendor warrants to the Company that SJKGC in each of the three financial years of 2017, 2018 and 2019 will have an audited profit after tax of not less than US\$5,390,000. If the above guarantee is not met, the Vendor irrevocably agrees and guarantees that if SJKGC's audited profit after tax is less than US\$5,390,000, the Vendor shall pay, in an appropriate manner, to SJKGC in the amount equal to US\$5,390,000 minus SJKGC's actual audited profit after tax of that year.

In respect of the fulfillment of the 2017 Profit Guarantee, the audited net profit after tax of SJKGC for the year ended 31 December 2017 was approximately US\$2,922,000, the above profit guarantee for the year ended 31 December 2017 had not been fulfilled. In order to comply with the terms of the Agreement, the Company and SJK entered into a memorandum on 16 January 2018, pursuant to which SJK confirmed that the Company will have the right of priority and entitlement of cash dividend in the amount of US\$2,750,000 for the year ended 31 December 2017 and that the said dividend will be settled to the Company by 30 November 2018. The Vendor has agreed that the dividend distribution would be made by SJKGC based on the audited net profit in 2017 through signing the shareholder's resolution on 26 April 2018, at the same time, the purchaser confirmed the Vendor has fulfilled the profit guarantee commitment for 2017. For details, please refer to the supplemental announcement of the Company published on the GEM website dated 26 April 2018.

In respect of the fulfillment of the 2018 and 2019 Profit Guarantees, the audited net profit after tax of SJKGC for the year ended 31 December 2018 was US\$305,000, and the audited net profit after tax for the year ended 31 December 2019 was US\$411,000, the above profit guarantees for the year ended 31 December 2018 and the year ended 31 December 2019 had not been fulfilled. Since the Company published the 2018 annual report on 29 March 2019, the Company has been conducting negotiations with SJK requesting SJK to fulfil its obligations pursuant to the Agreement. On 1 August 2019, the Company has instructed its legal representative to issue an attorney letter to SJK requesting SJK to pay the Company (i) the shortfall or (ii) the unpaid guaranteed cash dividends on or before 15 August 2019, failure of which the Company may institute an arbitration proceeding against SJK pursuant to the Agreement. As the Company has not received any reply of the attorney letter from SJK by 15 August 2019, it has subsequently commenced the arbitration proceeding, and has issued an application for arbitration to the Hong Kong International Arbitration Centre and SJK on 3 September 2019. For further details, please refer to the voluntary announcement of the Company dated 4 September 2019. On 3 December 2019, the Company and SJK confirmed to engage an arbitrator recommended by the Hong Kong International Arbitration Centre. Thereafter, the three parties have determined issues such as the arbitration proceeding and the arbitration schedule. The Company filed an arbitration claim to the arbitrator and SJK on 9 March 2020, and received a defence filed by SJK on 13 April 2020. Currently, the arbitration proceeding is still in progress.

COMPETING INTERESTS

During the three months ended 31 March 2020, none of the directors, the supervisors, or the management shareholders and their respective associates of the Company (as defined under 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.

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. As at the date of this report, the audit committee of the Company comprises three independent non-executive directors, namely Mr. Li Xudong, Mr. Wang Yongkang and Ms. Gao Chun, among whom, Mr. Li Xudong 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 2020.

SHARE OPTION SCHEME

The Company has not approved any new share option scheme during the period ended 31 March 2020.

MANAGEMENT CONTRACTS

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or existed during the period ended 31 March 2020.

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 31 March 2020.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company have endeavoured to apply the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 15 of the GEM Listing Rules to the internal operations of the Group. The corporate governance principles on which the Company is complying emphasise 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 all the provisions of the Code during the period under review.

By order of the Board

Tianjin TEDA Biomedical Engineering Company Limited

Sun Li

Chairman

Tianjin, the PRC, 12 May 2020

As at the date of this report, the executive directors of the Company are Sun Li, Hao Zhihui and He Xin; the non-executive directors of the Company are Cao Aixin, Li Ximing and Gai Li; the independent non-executive directors of the Company are Li Xudong, Wang Yongkang and Gao Chun.

This report will remain at the "Latest Company Announcements" page on the GEM website at <http://www.hkgem.com> for at least seven days from the date of its posting. This report will also be published and remain on the website of the Company at www.bioteda.com.