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天津泰達生物醫學工程股份有限公司

Tianjin TEDA Biomedical Engineering Company Limited

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

(Stock code: 8189)

ANNOUNCEMENT ON FIRST QUARTERLY RESULTS FOR 2015

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

HIGHLIGHTS

- Consolidated turnover of the Group for the three months ended 31 March 2015 amounted to RMB130,181,487, representing a decrease of 4.9% as compared to the same period of last year (31 March 2014: RMB136,906,003).
- Consolidated gross profit of the Group for the three months ended 31 March 2015 amounted to RMB25,997,507, representing an increase of 12.7% as compared to the same period of last year (31 March 2014: RMB23,067,973).
- Profit attributable to the equity owners of the Company for the three months ended 31 March 2015 was RMB2,651,479 (31 March 2014: RMB4,157,162), and the earnings per share of the Company was RMB0.187 cents (31 March 2014: RMB0.293 cents).
- The Board does not recommend the payment of dividend for the three months ended 31 March 2015.

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 2015, together with the comparative figures of the corresponding period in 2014 as follows:

		For the three months ended 31 March	
		2015	2014
		RMB	RMB
	<i>Notes</i>	(Unaudited)	(Unaudited)
Turnover	2	130,181,487	136,906,003
Cost of sales		(104,183,980)	(113,838,030)
Gross profit		25,997,507	23,067,973
Other income and net gain/ expenses and net loss		12,415	(15,621)
Selling and distribution costs		(12,216,000)	(7,839,881)
R&D and administrative expenses		(12,225,661)	(9,538,723)
Finance costs		(1,645,455)	(1,525,361)
(Loss)/profit before taxation		(77,194)	4,148,387
Income tax	3	(300,000)	(300,000)
(Loss)/profit and comprehensive income for the period		(377,194)	3,848,387
Attributable to:			
Owners of the Company		2,651,479	4,157,162
Minority interests		(3,028,673)	(308,775)
		(377,194)	3,848,387
Earnings per share — Basic (RMB)	4	0.187 cents	0.293 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 new 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 2014. 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 RMB4,483,992 as at 31 March 2015. 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 2015 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 2014.

2. TURNOVER

The Group’s turnover is derived principally from the sales of fertilizer products and health products. An analysis of the Group’s turnover by segments is as follows:

	For the three months	
	ended 31 March	
	2015	2014
	RMB	RMB
Turnover		
Fertilizer products	108,672,424	117,722,388
Health care products	21,509,063	19,183,615
	<u>130,181,487</u>	<u>136,906,003</u>

3. TAXATION

(a) Enterprise income tax (“EIT”)

In accordance with the new PRC Enterprise Income Tax Law which became effective from 1 January 2008, a unified enterprise income tax rate of 25% will be applied to both domestic-invested enterprises and foreign-invested enterprises. Enterprises established prior to 16 March 2007 eligible for preferential tax treatment in accordance with the currently prevailing tax laws and administrative regulations shall, under the regulations of the State Council, gradually be subject to the new tax rate over a five-year transitional period until 2012. Accordingly, the Company and Shandong Hidersun Fertilizer Co. LTD. (“SD Hidersun”) are subject to EIT rate of 25% for the year ended 31 December 2015 (2014: 25%).

The Company has not provided for any EIT (2014: nil) since it has no taxable income for the period.

On 21 October 2014, Tianjin Alpha was approved as a new and high technology enterprise and was therefore entitled to a preferential tax rate of 15% (2014: 25%).

Tianjin Alpha Beverage Sales Co., Ltd was incorporated on 2 March 2015. It is a 55% owned subsidiary of Tianjin Alpha HealthCare Products Co., Ltd. Tianjin Alpha Beverage Sales Co., Ltd .is subject to EIT rate of 25% for the year. It has not provided for any EIT since it has no taxable income for the period.

SD Hidersun has not provided for any EIT since it has no taxable income for the said period (2014: nil).

On 10 October 2014, Guangdong Fulilong Compound Fertilizers Co., Ltd. (“GD Fuliong”) was approved as a new and high technology enterprise and was therefore entitled to a preferential tax rate of 15% (2014: 15%).

(b) Income tax expense

	For the three months ended 31 March	
	2015 RMB'000	2014 RMB'000
Current Tax		
Hong Kong	Nil	Nil
Other jurisdictions	<u>300</u>	<u>300</u>

The income tax charge in Hong Kong is Nil for the three months ended 31 March 2015 (first quarter 2014: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is RMB300,000 for the three months ended 31 March 2015 (first quarter 2014: RMB300,000).

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

	For the three months ended 31 March	
	2015	2014
	RMB'000	RMB'000
Profit before tax	(77)	4,148
Tax calculated at the EIT rate of 25%	(19)	1,037
Tax rate differential	(247)	(655)
Effect of tax holiday exemption	–	–
Effect of the tax losses on consolidation	566	(82)
Tax effect of expenses that are not deductible in determining taxable profit	–	–
	<u>–</u>	<u>–</u>
Tax expense for the period	300	300
	<u>300</u>	<u>300</u>

4. PROFIT PER SHARE

For the three months ended 31 March 2015, the calculation of earnings per share is based on the Group's profit attributable to owners of the Company of RMB2,651,479 (first quarter 2014: RMB4,157,162), divided by the total number of shares issued by the Company of 1,420,000,000 shares (first quarter 2014: 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 2015 (first quarter 2014: Nil).

MOVEMENT OF RESERVES

	Share Capital		Share premium		Accumulated Losses		Capital reserve		Surplus reserve		Other reserve		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	RMB	RMB	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	(7,135,471)	(25,759,391)	2,541,404	2,541,404	6,831,045	6,831,045	(22,032,403)	-	198,020,985	201,429,468
Net profit attributable to equity holders of the Company for the three months ended 31 March	-	-	-	-	2,651,479	4,157,162	-	-	-	-	-	-	2,651,479	4,157,162
Balance as at 31 March	142,000,000	142,000,000	75,816,410	75,816,410	(4,483,992)	(21,602,229)	2,541,404	2,541,404	6,831,045	6,831,045	(22,032,403)	-	200,672,464	205,586,630

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Financial Review

For the three months ended 31 March 2015, the Group achieved a consolidated turnover of RMB130,181,487, representing a decrease of 4.9% as compared to the same period of last year (31 March 2014: RMB136,906,003). In particular, the Group recorded a sales turnover of RMB108,672,424 for compound fertilizer products, representing a decrease of 7.7% as compared to the same period of last year (31 March 2014: RMB117,722,388); the Group recorded a sales turnover of RMB21,509,063 for health care products, representing an increase of 12.1% as compared to the same period of last year (31 March 2014: RMB19,183,615).

For the three months ended 31 March 2015, the consolidated gross profit of the Group’s two major businesses was RMB25,997,507, representing an increase of 12.7% as compared to the same period of last year (31 March 2014: RMB23,067,973); the consolidated gross profit margin of the Group was 20.0% (31 March 2014: the consolidated gross profit margin was 16.8%). The substantial increase in the consolidated gross profit margin was mainly due to the adjustment of product structures of compound fertilizer business operated by the Group which focused on promoting products with high gross profit margin.

For the three months ended 31 March 2015, the profit attributable to the owners of the Company was RMB2,651,479, representing a decrease of 36.2% as compared to the same period of last year (31 March 2014: RMB4,157,162); earnings per share of the Company was RMB0.187 cents as compared to RMB0.293 cents of the same period in the previous year.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2015, the Group and the Company had contingent liabilities amounting to RMB45,000,000 (31 December 2014: RMB45,000,000) and RMB45,000,000 (31 December 2014: RMB45,000,000) respectively in connection with the provision of guarantee as security for 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

Since the Group was not exposed to foreign currency risk, the bank borrowings were denominated in RMB and generally renewed on an annual basis upon maturity. During the period, any cash balances were deposited in the licensed banks in PRC.

FUTURE OUTLOOK

The two main business segments operated by the Group, compound fertilizer and health care products, are both booming industries encouraged to be developed in the country. The management of the Company will make adjustments to the operational strategies and monitor and control the financial risks of the enterprise with reference to the changes in market in order to increase the Company's profitability which is a main factor to evaluate the performance.

On 1 February 2015, CPC Central Committee and the State Council promulgated "Certain Comments Relating to Strengthening the Reform and Innovation on Accelerating Modern Construction of Agriculture", Document No.1, which reinforces its focus on the issues of "agriculture, rural areas and farmers" for the 12th consecutive year. The focus of the said Document No. 1 is to safeguard the food safety of China which requires the substantial use of fertilizer. The Group intends to invest sufficient resources on the research and development of humic acid water soluble fertilizers in the future which are in line with the concept of environmental protection as well as the development direction of new fertilizer. Humic acid water soluble fertilizer consists of various functions including the stimulating the growth of crops, improving the physicochemical characteristics of soil, providing crops with nutritious elements and promoting the reproduction and activities of micro-organisms, and as the fertilizers have the advantages of being time saving, water saving and fertilizer saving, they are welcomed by numerous farmers.

Scientific research proves that human can, through the use of food supplements and nutrition intervention, control or decrease the risk of acquiring chronic diseases which will in turn protect and enhance one's health and reduce medical expenses and elevate the health of the human being as well as the civilization standard of the society; therefore, the future of health care product is very promising. As the new factory of Tianjin Alpha, a subsidiary of the Company, has been put into operation, Tianjin Alpha is planning to list in the National Equities Exchange and Quotations when it is ready which would be beneficial to the brand promotion, market expansion and diversification of financing channels, of Tianjin Alpha and would ensure the continuous development of the enterprise.

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

As at 31 March 2015, 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/ Executive Officers	Personal	Family	Corporate	Other	Total	Percentage of the issued share capital
Mr. Chen Yingzhong	–	–	170,000,000 (Note)	–	170,000,000	11.97%

Note: These shares are held by Shandong Zhinong Fertilizers Company Limited ("Zhinong Fertilizers"), and Mr. Chen Yingzhong is the beneficial owner who holds 100% equity interest in Zhinong Fertilizers. All of the shares represent domestic shares.

Save as disclosed in this paragraph, as at 31 March 2015, none of the directors, the supervisors and other executive officers 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 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, 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 2015, 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 Lvye Fertilizers Company Limited (“Lvye Fertilizers”)	Beneficial owner	120,000,000 (Note)	8.45%

Note: All of the shares represent domestic shares

Save as disclosed above, as at 31 March 2015, the directors of the Company were not aware of any other person (other than the directors and the supervisors of the Company) who had 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.

CHANGE OF SUBSTANTIAL SHAREHOLDERS

On 20 April, 2015, the Company was notified by Shenzhen Xiangyong Investment Company Limited (“Xiangyong”), a substantial shareholder of the Company holding 180,000,000 domestic shares which represent 12.68% of the entire issued share capital of the Company, that its two equityholders entered into a disposal agreement with Beijing Yingguxinye Investment Co., Ltd (the “Purchaser”) on 20 April 2015 pursuant to which they agree to sell the entire equity interest in Xiangyong to the Purchaser (the “Xiangyong Disposal Agreement”).

In addition, on the same date, the Company was also notified by Dongguan Lvye Fertilizers Company Limited (“Lvye Fertilisers”), a shareholder of the Company holding 120,000,000 domestic shares which represent 8.45% of the entire issued share capital of the Company, that its sole equityholder entered into a disposal agreement with the Purchaser on 20 April 2015 pursuant to which the equityholder agrees to sell his entire equity interest in Lvye Fertilisers to the Purchaser (the “Lvye Disposal Agreement”).

Upon completion of the Xiangyong Disposal Agreement and the Lvye Disposal Agreement, the Purchaser will wholly own Xiangyong and Lvye Fertilisers, i.e. the Purchaser is deemed to be interested in the aggregate number of domestic shares of the Company (21.13%) held by Xiangyong and Lvye Fertilisers. The Purchaser is a limited company incorporated in the PRC and is engaging in the business of investment and asset management. Please refer to the announcement of the Company dated 21 April 2015 for details.

PLACING

On 13 January 2015, the Board of the Company passed a resolution approving the appointment of China Merchants Securities (HK) Co., Ltd. (the “Placing Agent”), to be the placing agent in relation to a placing of not more than 192,500,000 H Shares for itself and for Tianjin TEDA International Incubator (the “Placing H Shares”). The Placing H Shares represent not more than approximately 13.56% and 27.30% respectively of the existing total issued share capital and the existing issued H Shares of the Company. On 16 April 2015, the special resolutions in relations to granting of special mandate for issue of the Placing H Shares and amendments to the articles of association of the Company were approved at the extraordinary general meeting and class meetings of the Company. Please refer to the Company’s circular dated 25 February 2015 and the announcements dated 16 April 2015 in respect of results of extraordinary general meeting and class meetings for details.

On 20 April 2015 (after trading hours), the Company entered into a placing agreement with the Placing Agent (the “Placing Agreement”), pursuant to which, the Company has agreed to appoint the Placing Agent to procure, on a best effort basis, to place the Placing H Shares at HK\$0.70 per Share. For the details of the Placing Agreement, please refer to the announcement of the Company dated 21 April 2015.

TRANSFER OF LISTING

Pursuant to Chapter 9A of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Board of the Company proposes the transfer of listing (“Transfer of Listing”) from the Growth Enterprise Market to the Main Board of the Stock Exchange and the Transfer of Listing is subject to the approvals of Shareholders and the Stock Exchange. Shareholders may refer to announcement of the Company dated 19 May 2014 and results announcements of the extraordinary general meeting and class meeting dated 4 July 2014 for detailed information on the Transfer of Listing of the Company, the amendments on the Articles of Association of the Company, and the granting of authorization to the Board to take any actions as it may consider necessary, desirable and expedient in relation to the related matters. The Company submitted a formal application to the Stock Exchange for the Transfer of Listing on 3 September 2014. The validity period of the aforesaid application for the Transfer of Listing is lapsed now. The Company will make further announcement on the GEM website of the Stock Exchange should it have any intention to submit a new application to the Stock Exchange for the Transfer of Listing.

COMPETING INTERESTS

During the three months ended 31 March 2015, 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 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. Peter K. S. Chan, 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 first quarterly report of the Group for the three months ended 31 March 2015.

SHARE OPTION SCHEME

The Company has not approved any new share option scheme during the period ended 31 March 2015.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the period ended 31 March 2015.

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 2015.

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 GEM Listing Rules of the Stock Exchange of Hong Kong Limited to the internal operations of the Group. The corporate governance principles which the Company complies emphasize on an efficient board of directors and sound internal control, as well as the transparency presented to all of the shareholders. The Directors are of the view that, the Company had complied with all the provisions of the Code except A.2.1 of the Code during the period under review.

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

By order of the Board
Wang Shuxin
Chairman

Tianjin, the PRC
24 April 2015

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

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