



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 2016

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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 GEM 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 2016 amounted to RMB88,416,963, representing a decrease of 18.64% as compared to the same period of last year (31 March 2015: RMB108,672,424).
- Consolidated gross profit of the Group for the three months ended 31 March 2016 amounted to RMB17,774,983, representing a decrease of 6.59% as compared to the same period of last year (31 March 2015: RMB19,028,472).
- Profit attributable to the equity owners of the Company for the three months ended 31 March 2016 was RMB2,238,319, representing a decrease of 15.58% as compared to the same period of last year (31 March 2015: RMB2,651,479), and the earnings per share of the Company was RMB0.140 cents (31 March 2015: RMB0.365 cents).
- The Board does not recommend the payment of dividend for the three months ended 31 March 2016.

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 2016, together with the comparative figures of the corresponding period in 2015 as follows:

		(Unaudited)	
		For the three months	
		ended 31 March	
		2016	2015
		<i>RMB</i>	<i>RMB</i>
	Notes		(re-presented)
Continuing operation			
Revenue	2	88,416,963	108,672,424
Cost of sales		(70,641,980)	(89,643,952)
Gross profit		17,774,983	19,028,472
Other expenses and net loss/income and net gain		(2,329,743)	15,095
Selling and distribution costs		(4,499,762)	(5,783,073)
R&D and administrative expenses		(8,163,796)	(7,508,773)
Finance costs		(958,680)	(784,705)
Profit before taxation		1,823,002	4,967,016
Income tax	3	(354,284)	(300,000)
Profit and comprehensive income for the period from continuing operation		1,468,718	4,667,016
Discontinued operation			
Loss for the period from discontinued operation		–	(5,044,210)
Profit and comprehensive income/(loss) for the period		1,468,718	(377,194)
Attributable to:			
Owners of the Company			
– Profit for the period from continuing operation		2,238,319	5,181,654
– Loss for the period from discontinued operation		–	(2,530,175)
Non-controlling interests			
– Loss for the period from continuing operation		(769,601)	(514,638)
– Loss for the period from discontinued operation		–	(2,514,035)
Loss for the period attributable to non-controlling interests		(769,601)	(3,028,673)
Earnings per share – Basic (<i>RMB</i>)	4		
From continuing and discontinued operation		0.140 cents	0.187 cents
From continuing operation		0.140 cents	0.365 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 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. 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 2016 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 2015.

2. REVENUE

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

	For the three months ended 31 March	
	2016	2015
	RMB	RMB
Continuing operation		
Fertilizer products	88,416,963	108,672,424
Discontinued operation		
Health care products	—	21,509,063
	88,416,963	130,181,487

3. TAXATION

(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% (2015: 25%), except for the following company.

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% (2015: 15%).

(b) Income tax expense

	For the three months ended 31 March	
	2016	2015
	RMB'000	RMB'000
Current Tax		
Hong Kong	Nil	Nil
Other jurisdictions	<u>354</u>	<u>300</u>

The income tax charge in Hong Kong is Nil for the three months ended 31 March 2016 (first quarter 2015: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is RMB354,284 for the three months ended 31 March 2016 (first quarter 2015: 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	
	2016	2015
	RMB'000	RMB'000
Profit before income tax expense		
Continuing operations	1,823	4,967
Discontinued operations	<u>–</u>	<u>(5,044)</u>
	1,823	(77)
Tax calculated at the EIT rate of 25%	456	(19)
Tax rate differential	(834)	(247)
Effect of tax holiday exemption	–	–
Effect of the tax losses on consolidation	732	566
Tax effect of expenses that are not deductible in determining taxable profit	–	–
Tax expense for the period	<u>354</u>	<u>300</u>

4. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic earnings per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	For the three months ended 31 March	
	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (re-presented)
Profit from continued and discontinued operations		
Earnings for the purpose of basic earnings per share	<u><u>2,238,319</u></u>	<u><u>2,651,479</u></u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u><u>1,595,000,000</u></u>	<u><u>1,420,000,000</u></u>

From continuing operation

The calculation of the basic earnings per share from continuing operation attributable to the owners of the Company is based on the following data:

	For the three months ended 31 March	
	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (re-presented)
Profit for the period attributable to owners of the Company	2,238,319	5,181,654
<i>Add:</i> Loss for the period from discontinued operation	<u>—</u>	<u>2,530,175</u>
Earnings for the purpose of basic earnings per share from continuing operation	<u><u>2,238,319</u></u>	<u><u>2,651,479</u></u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u><u>1,595,000,000</u></u>	<u><u>1,420,000,000</u></u>

From discontinued operations

Basic loss per share for the discontinued operation is RMB0 cents per share (2015: RMB0.178 cents per share), based on the loss for the period from the discontinued operations of RMB0 (2015: RMB2,530,175) and the denominators detailed above for basic losses per share.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2016 (first quarter 2015: Nil).

MOVEMENT OF RESERVES

	Share Capital		Share premium		Accumulated Losses		Capital reserve		Surplus reserve		Other reserve		Total	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB	2016 RMB	2015 RMB	2016 RMB	2015 RMB	2016 RMB	2015 RMB	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Balance as at 1 January	159,500,000	142,000,000	154,667,871	75,816,410	21,542,390	(7,135,471)	2,541,404	2,541,404	3,717,696	6,831,045	(22,032,403)	(22,032,403)	319,936,958	198,020,985
Net profit attributable to equity holders of the Company for the three months ended 31 March	-	-	-	-	2,238,319	2,651,479	-	-	-	-	-	-	2,238,319	2,651,479
Balance as at 31 March	<u>159,500,000</u>	<u>142,000,000</u>	<u>154,667,871</u>	<u>75,816,410</u>	<u>23,780,709</u>	<u>(4,483,992)</u>	<u>2,541,404</u>	<u>2,541,404</u>	<u>3,717,696</u>	<u>6,831,045</u>	<u>(22,032,403)</u>	<u>(22,032,403)</u>	<u>322,175,277</u>	<u>200,672,464</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Financial Review

For the three months ended 31 March 2016, the Group achieved a consolidated turnover of RMB88,416,963, representing a decrease of 18.64% as compared to the same period of last year (31 March 2015: RMB108,672,424); the consolidated gross profit of the Group was RMB17,774,983, representing a decrease of 6.59% as compared to the same period of last year (31 March 2015: RMB19,028,472), and the consolidated gross profit margin of the Group was 20.10%, which was higher to the same period of last year (31 March 2015: the consolidated gross profit margin was 17.51%).

For the three months ended 31 March 2016, the profit attributable to the owners of the Company was RMB2,238,319, representing a decrease of 15.58% as compared to the same period of last year (31 March 2015: RMB2,651,479); and earnings per share of the Company was RMB0.140 cents as compared to RMB0.365 cents of the same period in the previous year.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2016, the Group and the Company had contingent liabilities amounting to RMB15,000,000 (31 December 2015: RMB20,000,000) and RMB15,000,000 (31 December 2015: RMB20,000,000) respectively which were related to the security provided for bank loans granted to its subsidiaries.

FOREIGN CURRENCY RISK

As all the sales of the Group were domestic sales and settled in RMB and most of the payables to suppliers were also settled in RMB, hence, the Group was not exposed to any 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 the PRC.

FUTURE OUTLOOK

There is huge development potential for biological compound fertilizer and health care products businesses operated by the Group in the course of China's future economic development and in the consumption structure. In the first quarter, the Group actively made adjustment to its product structure and substantially improved the proportion of new biological compound fertilizer in its products. In the process of its transformation, the revenue and the consolidated gross profit in the first quarter decreased, but the consolidated gross profit margin increased as compared to the same period of last year, which demonstrated some of the effect of the transformation strategy.

The Management of the Group fully leverages on the advantages of the capital market in Hong Kong to set up Merger and Acquisition Fund of TEDA Donghai Biomedicine controlled by the Company by means of merger and acquisition, and plans to acquire 51% equity interests of SJKGC who has intellectual property rights related to electroencephalogram, to exclusively license to provide medical institutions with examination and diagnosis analysis services in relation to electroencephalogram in East-Asia Region (except from Taiwan) and exclusively licensed third parties using the information commodities formed on the base of related examination and diagnosis information, including but not limited to the relevant information, such as EEG, ECG, blood samples, gene banks and patient medical history, and has applied for the detection and subsequent treatment of autism, depression, drug addiction, severe insomnia and war syndrome and other brain disorders. The Group will strive to achieve its upgrade in strategy and innovation in high-end medical and healthcare industry through the above measures.

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

As at 31 March 2016, 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 the ordinary shares of the Company of RMB0.1 each:

Directors/Supervisors/ Executive Officers	Personal	Family	Corporate	Others	Total	Percentage of Issued share capital
Mr. Chen Yingzhong	–	–	170,000,000 <i>(Note)</i>	–	170,000,000	10.66%

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

Save as disclosed in this paragraph, as at 31 March 2016, none of the directors, 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 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 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 which enables the directors and 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 2016, 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 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 the ordinary shares of the Company of RMB0.1 each:

Name of shareholder	Capacity	Number of ordinary shares	Percentage of the issued share capital
Tianjin TEDA International Incubator (“TTII”)	Beneficial owner	182,500,000 <i>(Note)</i>	11.44%
Shenzhen Xiangyong Investment Company Limited (“Xiangyong Investment”)	Beneficial owner	180,000,000 <i>(Note)</i>	11.29%
Shandong Zhinong Fertilizers Company Limited (“Zhinong Fertilizers”)	Beneficial owner	170,000,000 <i>(Note)</i>	10.66%
Dongguan Lvye Fertilizers Company Limited (“Lvye Fertilizers”)	Beneficial owner	120,000,000 <i>(Note)</i>	7.52%

Note: All of the shares represent domestic shares.

Save as disclosed above, as at 31 March 2016, 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.

MEMORANDUM OF UNDERSTANDING IN RELATION TO POSSIBLE STRATEGIC COOPERATION

On 15 April 2016 (after trading hours), the Company and Donghai International Financial Holdings Company Limited* (東海國際金融控股有限公司) (“DIFH”) entered into the memorandum of understanding headed the “Cooperation Memorandum on the Establishment of Merger and Acquisition Fund of TEDA Donghai Biomedicine*” (《關於成立泰達東海生物醫藥併購基金的合作備忘錄》) (the “Memorandum”), whereby the Company and DIFH intend to jointly establish TEDA Donghai Biomedicine Merger and Acquisition Fund Management Company Limited* (泰達東海生物醫藥併購基金管理有限公司) (“TEDA Donghai”) in the Cayman Islands. TEDA Donghai is to be owned as to 51% by the Company and 49% by DIFH. The Company and DIFH will recruit limited partners according to various projects. The total amount of fund to be raised is temporarily set at one billion Hong Kong dollars. Project funds will be established for investment purposes according to the requirements under different projects, and appropriate exit channels will be sought after the investment period. The fund will invest in the investment targets related to the principal business activities which are in line with the transformation of the Company on a global basis. In the future, the fund intends to invest in those areas such as advanced medical machinery, bio-pharmaceutical, and diagnosis models, and to identify medical and healthcare projects in the market with promising prospects and advanced international technologies based on “Internet+”, Big Data, artificial intelligence technologies and bio-pharmaceutical. Please refer to the announcement of the Company published on GEM website dated 15 April 2016.

ACQUISITION OF 51% STAKE OF SJK GREATER CHINA LTD

On 16 April 2016, the Company, the Vendor and SJKGC entered into the Agreement, pursuant to which the Company agreed to purchase, and the Vendor agreed to sell the Sale Shares to the Company, at a consideration of US\$27,000,000 (equivalent to approximately HK\$209.45 million), to be satisfied upon Completion by an aggregate amount of US\$6,500,000 (equivalent to approximately HK\$50.42 million) in cash; and the remaining US\$20,500,000 (equivalent to approximately HK\$159.02 million) by the allotment and issuance of 100,000,000 Consideration Shares at the Issue Price of HK\$1.60 per Consideration Share by the Company to the Vendor. Upon completion of the Acquisition, the Company shall be interested in 51% of the entire issued share capital of SJKGC, and SJKGC will become an indirect non-wholly owned subsidiary of the Company. As more than one of the applicable percentage ratios are greater than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement and Shareholders’ approval requirements pursuant to the GEM Listing Rules. Please refer to the announcement of the Company published on GEM website dated 24 April 2016.

COMPETING INTERESTS

During the three months ended 31 March 2016, none of the directors, supervisors or 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 that is 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 sets 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 control and risk assessment. 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 2016.

SHARE OPTION SCHEME

The Company has not approved any new share option scheme during the period ended 31 March 2016.

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 2016.

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 2016.

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 to the internal operations of the Group. The corporate governance principles which the Company are complying 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.

Since September 2015, as Ms. Sun Li, Chairman of the Board, was also appointed as Chief Executive Officer, such practice had deviated from the requirements of A.2.1 of the Code which requires that the roles of Chairman of the Board and Chief Executive Officer should be separate and should not be performed by the same individual. The Board is of the view that, at the present stage, it is in the best interest of the Company that Ms. Sun Li should hold both positions as it will help to maintain the stability of the operations and future development of the Company. The Company has been recruiting candidates for the position of Chief Executive Officer through different channels so as to fulfill 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

Sun Li

Chairman

Tianjin, the PRC

10 May 2016

* *for identification purpose only*

As at the date of this announcement, the executive Directors of the Company are Sun Li, Hao Zhihui and Wang Shuxin; the non-executive Directors of the Company are Feng Enqing, Chen Yingzhong and Ou Linfeng; the independent non-executive Directors of the Company are Guan Tong, Wu Chen and Peter K. S. Chan.

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