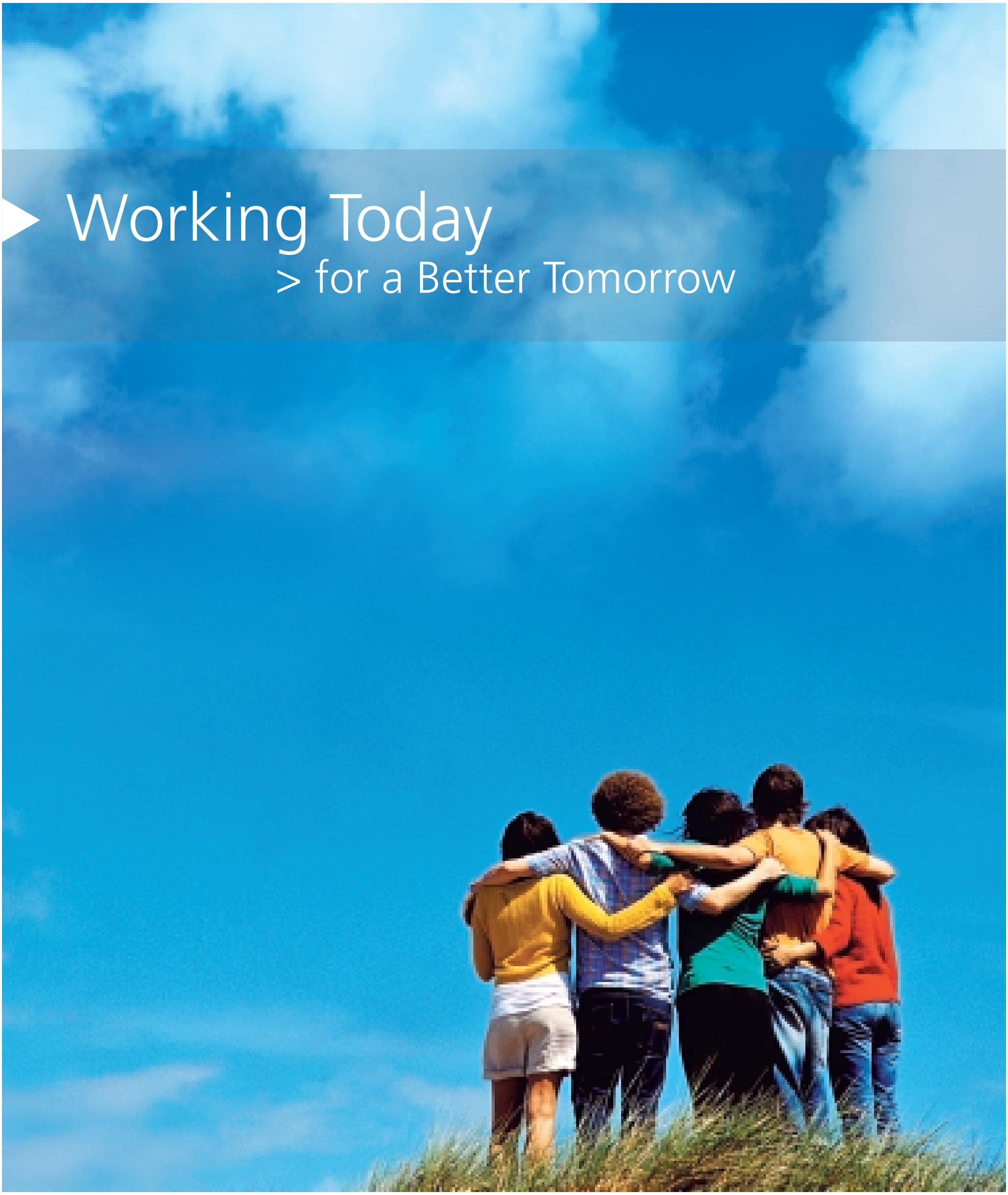
天津泰達生物醫學工程股份有限公司
Tianjin TEDA Biomedical Engineering Company Limited

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

FIRST QUARTERLY REPORT 2005



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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising from the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website (http://www.hkgem.com) in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 2005 increased by approximately 36% over that recorded in the corresponding period of last year to approximately RMB17,110,000.

- The increase in sales turnover is mainly attributable to the sales of eco-agricultural products contributed by a newly established equity joint venture in Shangdong, PRC, when it compared with the sales turnover in the corresponding period of last year.

- Gross profit margin for the three months ended 31 March 2005 was lowered from 43.7% to 40.4% and gross profit for the same period increased by approximately 26% over that recorded in the corresponding period of last year to approximately RMB6,920,000.

- Loss attributable to shareholders was approximately RMB3,963,000, representing a 19.4% decrease from that recorded in the corresponding period of last year.

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 2005, together with the comparative figures of the corresponding period in 2004 as follows:

		For the three months ended 31 March	
		2005	**2004**
		RMB	*RMB*
	Notes	*(Unaudited)*	*(Unaudited)*
Turnover	*2*	17,109,777	12,565,081
Less: sales tax		(48,034)	(19,765)
Cost of sales		(10,142,070)	(7,052,564)
Gross profit		6,919,674	5,492,752
Selling and distribution expenses		(5,789,378)	(5,036,080)
R&D and administrative expenses		(4,357,182)	(5,076,830)
Operating loss		(3,226,866)	(4,620,158)
Other income less other expenses		(3,378)	251,851
Amortization on goodwill		(63,064)	(75,855)
Finance expense		(825,073)	(671,357)
Loss before tax		(4,118,381)	(5,115,519)
Taxation	*3*	(12,406)	(9,257)
Loss after tax		(4,130,787)	(5,124,776)
Minority interests		167,769	206,445
Net loss attributable to the shareholders		(3,963,018)	(4,918,331)
Loss per share	*4*	(0.991) cents	(1.230) cents

Notes:

1. **Basis of presentation**

The accounts 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 a net loss of RMB3,963,018 in the current period resulting in accumulated loss of RMB77,993,235 as at 31 March 2005. 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 its intention to extend and commit banking facility of up to RMB100 million to the Company. As at 31 March 2005, about RMB31 million of these facilities still remain unused. Consequently, the Directors have prepared the unaudited quarterly results for the three months ended 31 March 2005 on the going concern basis.

The accounts have been prepared under the historical cost convention. The principal accounting policies adopted conform with accounting principles generally accepted in Hong Kong and comply with the accounting standards issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2004.

2. **Turnover**

The Group's turnover is derived principally from the sales of diabetic health products, other medical and health products and eco-agricultural products.

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

	For the three months ended 31 March	
	2005	**2004**
	RMB	*RMB*
Turnover:		
Diabetic health products	8,959,885	8,845,852
Other medical & health products	4,410,297	3,719,229
Fertilizer products	3,739,595	–
	17,109,777	12,565,081

3. **Taxation**

(a) In 2003, the Company changed its tax status to a listed Foreign Investment Enterprise ("FIE"). In accordance with the relevant tax rules and regulations applicable to FIE in the People's Republic of China ("PRC"), the Company, as a production FIE located in Tianjin Economic Technological Development Area ("TEDA"), shall be eligible for state enterprise income tax ("EIT") at a reduced rate of 15%.

For the period ended 31 March 2005, there was no assessable profit to EIT generated by the Group except in respect of the profit generated by Tianjin Alpha HealthCare Products Co., Ltd. ("Alpha"). Alpha, being a Sino-foreign joint-venture enterprise located in TEDA, is eligible for state EIT at a reduced rate of 15%. It is also entitled to exemption from state EIT for two years commencing from the first profit-making year after offsetting prior years' losses, followed by a 50% reduction of state EIT for the next three years thereafter. In addition, Alpha is also entitled to exemption from 3% local EIT during its actual operational period in TEDA. The state EIT exemption period of Alpha ended in 2003 and the state EIT 50% reduction period of Alpha started on 1 January 2004 until 31 December 2006.

Beijing TEDAX^2 Medical Engineering Company Limited ("TEDAX^2") and Beijing Xinxing Bio-medical Engineering Research and Development Institute ("Beijing Xinxing"), being limited companies incorporated in the PRC, are subject to 30% state EIT and 3% local EIT. However, according to the relevant tax regulations, new and high technology enterprises operating in Beijing New and High Technology Development Provisional Zone ("BNHTDPZ") are entitled to a reduced EIT rate of 15%. TEDAX^2 and Beijing Xinxing are recognized as new and high technology enterprises and are registered in the BNHTDPZ. Accordingly, TEDAX^2 and Beijing Xinxing are subject to state EIT at a reduced rate of 15%. Moreover, new and high technology enterprises registered in the BNHTDPZ shall be entitled to exemption from EIT for three years, followed by a 50% reduction of state EIT for next two years. Accordingly, TEDAX^2 was entitled to 50% reduction of state EIT during the period under review.

Tianjin Wan Tai Bio-development Company Limited ("Wan Tai"), and Tianjin Yisheng Bioengineering Co. Ltd. ("Yisheng") being limited companies incorporated in the PRC, are subject to 30% state EIT and 3% local EIT.

Shandong TEDA Bioengineering Co. Ltd. ("STEDA"), being a non-production FIE incorporated in the PRC, is subject to the 30% state EIT and 3% local EIT.

(b) *Income Tax expense*

	For the three months ended 31 March	
	2005	**2004**
	RMB'000	*RMB'000*
Current Tax		
Hong Kong	Nil	Nil
Other Jurisdictions	12	9

The income tax charge in Hong Kong is Nil for the period ended 31 March 2005 (March 2004: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is RMB12,406 for the period ended 31 March 2005 (March 2004: RMB9,257).

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

	For the three months ended 31 March	
	2005	**2004**
	RMB'000	*RMB'000*
Profit/(loss) before tax	(4,055)	(5,040)
Tax calculated at the income tax rate of 33%	(1,338)	(1,663)
Tax rate differential	779	682
Effect of tax holiday exemption	–	–
Effect of the tax losses on consolidation	571	782
Tax effect of expenses that are not deductible in determining taxable profit	–	208
Tax expense for the period	12	9

4. Loss per share

For the three months ended 31 March 2005, the calculation of basic loss per share is based on the unaudited loss attributable to shareholders of the Group of RMB3,963,018 (2004: RMB4,918,331), divided by the total number of shares issued by the Company of 400,000,000 (2004: 400,000,000 shares). Diluted loss 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 2005 (2004: NIL).

MOVEMENT OF RESERVES

	For the three months ended 31 March							
	Share premium		Capital reserve		Accumulated losses		Total	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Balances as of 1 January	62,031,951	62,031,951	2,541,404	2,541,404	(74,030,217)	(58,484,080)	(9,456,862)	6,089,275
Net loss for the three months ended 31 March	–	–	–	–	(3,963,018)	(4,918,331)	(3,963,018)	(4,918,331)
Balances as of 31 March	62,031,951	62,031,951	2,541,404	2,541,404	(77,993,235)	(63,402,411)	(13,419,880)	1,170,944

MANAGEMENT DISCUSSION & ANALYSIS

Business review

The Group is principally engaged in the research and development and commercialization of medical and health products including biomedical equipment, biomaterials, natural pharmaceuticals, diabetic health products and eco-agricultural products.

For the three months ended 31 March 2005, sales turnover of the Group increased by approximately 36% over that recorded in the corresponding period in 2004, to approximately RMB17,110,000. Gross profit margin was decreased from 43.7% to 40.4%. However, due to the increase in sales turnover, the gross profit was increased to approximately RMB6,920,000, representing approximately 26% increase from that achieved in the corresponding period in 2004. Net loss attributable to shareholders of the Company, therefore, decreased by 19.4% from approximately RMB4,918,000 recorded in the corresponding period of last year to RMB3,963,000 during the period under review. For the first quarter of 2005, approximately 52% of the total turnover were derived from the sales of diabetic health products which were sold under the brand name of "Alpha".

Medical equipment and biomaterials

The Group continued to launch medical equipment under the "TEDA" brand name through its subsidiary, Beijing TEDAX^2 Medical Engineering Company Limited ("TEDAX^2"), which is principally engaged in the manufacture and sale of monitoring equipment including sleeping status monitoring equipment. During the first quarter of 2005, TEDAX^2 contributed approximately RMB1,023,000 (2004 Q1: RMB1,550,000) to the Group's sales turnover. The decrease was due to the keen competition in the industry of medical equipment.

To strengthen our competitive edge in the industry, TEDAX^2 continued to introduce new products with advanced curing concept to the market. In April 2005, TEDAX^2 received purchase orders from various hospitals regarding the new monitoring equipment — 神經網絡康復儀 which is a useful equipment for patients suffering from paralytic stroke in their recovery stage.

Having obtained the trial production certificate for the Group's intraocular lens ("IOL") at the end of June 2004, the Group was successful in selling such products for the use in surgery operation for cataract patients. For the three months ended 31 March 2005, there were 2,517 pieces of IOL sold, arriving at around RMB112,000 of total sales income (1st quarter 2004: NIL).

“Alpha” health products

The Group’s diabetic health food continued its steady growth in sales under the brand name of “Alpha” in the PRC. There was an increase by approximately 1.3% in sales turnover for “Alpha” products over that recorded in the corresponding period in 2004. “Alpha” products contributed approximately RMB8,960,000 to the Group’s turnover in the first quarter of 2005 as it compared with that of approximately RMB8,846,000 recorded in the corresponding period of last year.

The increase was mainly due to the wide acceptance of sugar free almond juice in the market, particularly during the period of Chinese new year. The gross profit margin of “Alpha” products maintained at about 45% for the period ended 31 March 2005.

“Yisheng” health products

Based on the technology developed by Tianjin Yisheng Bioengineering Company Limited (“Yisheng”), the Group had developed a services of fungi products and sold under “Yisheng” brand name. Other than fungi products, the Group also introduced new products including TEDA functional cotton for selling under “Yisheng” brand name.

During the period under review, the sales turnover of “Yisheng” products recorded approximately RMB2,836,000, representing about 17% of the total sales turnover of the Group in the first quarter of 2005.

Eco-agricultural products

After the set up of Shandong TEDA Bio-engineering Co. Ltd. (“STEDA”) in September 2004, the Group commenced its new business of the research and development, production and sale of eco-agricultural products including biological fertilizer, compound fertilizer, mixed fertilizer and plant fertilizer.

During the period under review, the sales turnover of STEDA arrived at approximately RMB3,740,000, representing about 22% of the total sales turnover of the Group in the first quarter of 2005.

Sales and marketing

For the period under review, the Group's sales and marketing expenses amounted to approximately RMB5,789,000, representing approximately 34% of the total turnover for the same period. This recorded an increase of approximately 15% over such expenses recorded in the corresponding period of last year (2004 Q1: RMB5,036,000).

The increase was partly due to the promotion expenses increased for the new business of fertilizer products and partly due to the built up of direct sales network of "Yisheng" products.

Research and Development and Administration

For the period under review, the Group's research and development and administrative expenses amounted to approximately RMB4,357,000, which was reduced by approximately 14% as compared with such expenses recorded in the corresponding period in 2004.

The Group continued its cost reduction program by streamlining its operation in order to increase its production efficiency and cost-effectiveness. The total employees of the Group were reduced from 377 by the end of December 2004 to 374 as at 31 March 2005.

Future Outlook

As mentioned earlier, the entrance into the new business of the production and sale of fertilizer products could provide a good opportunity to the Group for opening up of a bright future.

Since the central government of the PRC aims at increasing the personal income of the farmers throughout China, more and more farmers will utilize high quality fertilizers to increase their output and the opportunity in the eco-agricultural market in the PRC is enormous.

For medical equipment, the Group will further develop reliable, user-friendly and durable products with reasonable prices while gradually advance towards Home Health Care Engineering for applications such as emergency home medical treatments, When the population of the PRC is becoming more and more elderly, the demand for emergency home medical treatment products will be great.

With the sound business strategies, coupled with the Group's management experience and research and development capabilities, the management believes that the Group will set on the right track for fruitful returns to the shareholders.

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

As at 31 March 2005, the interests of the directors and the supervisors of the Company and their respective associates in the shares of the Company and its associated corporations were as follows:

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

	Number of shares held and nature of interests					
	Personal *(note)*	**Family**	**Corporate**	**Other**	**Total**	**Percentage of the issued share capital**
Directors						
Mr. Xie Kehua	9,000,000	–	–	–	9,000,000	2.25%

Note: All represented domestic shares.

Save as disclosed in this paragraph, as at 31 March 2005, none of the directors and the supervisors of the Company had interest in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) 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) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies 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 in the Company.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2005, the following persons (other than the directors and the supervisors of the Company) had interests in the shares of the Company 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	Beneficial owner	255,000,000 *(Note 1)*	63.75%
Mr. Wu Xiaofang	Beneficial owner	10,000,000 *(Note 1)*	2.5%
	Interest of a controlled Corporation	10,000,000 *(Notes 1 & 2)*	2.5%

Notes:

1. All represented domestic shares.

2. The 10,000,000 shares are owned by Tianjin TEDA Shuang You Technology Development Company Limited, 50% of the share capital of which is owned by Mr. Wu Xiaofang and he is deemed to have interest in such 10,000,000 shares pursuant to the provisions of the SFO.

Save as disclosed above, as at 31 March 2005, 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 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 2005, the Company had contingent liabilities amounting to RMB3.5 million in connection with the provision of guarantee as security for bank loans granted to its subsidiaries.

AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") with written terms of reference in compliance with "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The primary duties of the Committee are to review and monitor the Company's financial reporting process and internal control system. The Committee comprises three independent non-executive directors, namely Professor Xiao Zhuoji, Professor Xan Guoming and Ms. Zhao Xiuying.

The Committee has reviewed the first quarterly results and the first quarterly report of the Group for the three months ended 31 March 2005.

SHARE OPTION SCHEME

During the period ended 31 March 2005, 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.

PLACING ARRANGEMENT

On 3 December 2003, the Company signed a placing mandate with Sun Hung Kai International Limited ("SHK"), after the approval by the Board of directors of the Company, under which SHK was authorized to place not more than 35% or less than 30% of the entire issued share capital to raise gross proceeds of not less than HK$40,000,000 for the Company.

On 19 December 2003, a Circular was issued to all shareholders of the Company in connection with the proposed major transaction relating to the proposed placing of new H shares of the Company and the proposed specific mandate ("Specific Mandate") for the issue of new H shares of the Company. Under the Circular, notice were given to the shareholders of the Company for holding of an extraordinary general meeting ("EGM") for passing of the special resolution of allotting, issuing and dealing of such new H shares subject to the terms and conditions of the above placing mandate.

At the EGM held on 2 February 2004, the shareholders of the Company passed the resolutions in respect of : (i) the Specific Mandate; (ii) the use of the proceeds raised under the placing; (iii) the amendments to the Articles of Association of the Company and (iv) the placing as a possible major transaction of the Company within the meaning of the GEM Listing Rules. At each of the Domestic Shareholders' meeting and the H Shareholders' meeting held on the same day, the holders of Domestic Shares and of H Shares respectively have also passed the resolutions in respect of (i) the Specific Mandate; (ii) the use of the proceeds raised under the placing; and (iii) the amendments to the Articles of Association of the Company.

Pursuant to the State-owned Shares Reduction Regulations, TTII is required to convert such number of its Domestic shares equivalent to 10% of the Company's proceeds from the placing into new H Shares for sale. All the proceeds from the placing of such H Shares will be turned over to the National Society Security Fund. On 3 February 2004, the State-owned Assets Supervision and Administration Commission of the State Council of the PRC ("SASAC") issued a confirmation letter to China Securities Regulatory Commission ("CSRC") of the PRC for the approval of the shares reduction plan submitted by TTII and the turnover of 10% of the Company's proceeds to the National Society Security Fund.

At the EGM held on 18 June 2004, the shareholders of the Company passed the resolution to change the time for completion of the Placing to within six months after 18 June 2004.

On 29 October 2004, the Company entered into a Supplemental Agreement with SHK for the granting of the new placing mandate to SHK subject to the following terms:

(i) The removal of the requirement for minimum gross proceeds of HK$40,000,000 to be raised under the placing;

(ii) The removal of the requirement for the new H shares under the placing to be not less than 30% of the entire issued capital of the Company; and

(iii) The lowering of the placing price range from HK$0.186 and HK$0.233 be changed to HK$0.161 and HK$0.186.

The reason for the above changes was to provide for greater flexibility for the placing to proceed in light of the then market condition. The remaining terms and conditions of the placing mandate signed between the Company and SHK dated 3 December 2003 remained unchanged.

At the EGM held on 21 December 2004, the shareholders of the Company passed the resolutions for granting of the new placing mandate to SHK as described under the above terms (i), (ii) and (iii) and the effective period of the further specific mandate will be for a period of six months from 21 December 2004.

Once the Underwriting Agreement with SHK is finalized, the amount of the placing price will be set out in the relevant Underwriting Agreement and announced in accordance with the GEM Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company has been made during the period under review.

COMPETING INTERESTS

None of the directors, supervisors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the businesses of the Company.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the three months ended 31 March 2005, the Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE

The Company has complied throughout the period under review with the provisions on board practice and procedures in the GEM Listing Rules, which was substantially revised with effect from 1 January 2005. Subject to the transitional arrangements, the Company will comply with the revised GEM Listing Rules, in particular the Code on Corporate Governance practices set out in Appendix 15 of the GEM Listing Rules, from the financial year commencing on 1 January 2005.

By Order of the Board
Wang Shu Xin
Chairman

Tianjin, PRC, 11 May 2005

As at the date of this report, the Board of Directors of the Company comprises three executive directors, being Wang Shuxin, Xie Kehua and Zheng Dan; three non-executive directors, being Feng Enqing, Liu Zhenyu and Xie Guangbei; and three independent non-executive directors, being Xian Guoming, Xiao Zhuoji and Zhao Xiuying.