泰 达

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

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

(Stock Code: 8189)

FIRST QUARTERLY 2006

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

HIGHLIGHTS

- Turnover for the three months ended 31 March 2006 increased to approximately RMB93,467,000, representing an increase of approximately 446% over that recorded in the corresponding period of last year.

- The increase in sales turnover is mainly attributable to the sales of fertilizer products contributed by Fulilong, a subsidiary of the Group since January 2006.

- Due to the low gross profit margin derived from the sale of fertilizer products, the gross profit margin of the Group for the three months ended 31 March 2006 was lowered from 40.4% to 14.9% as compared with that recorded in the corresponding period of last year. However, with the larger increase in sales turnover, gross profit of the Group for the same period increased by approximately 100.7% over that recorded in the corresponding period of last year to approximately RMB13,890,000.

- Profit attributable to equity holders was approximately RMB101,000 during the period of the first quarter in 2006 (first quarter 2006: profit per share of RMB0.017 cents) while there was loss attributable to equity holders of approximately RMB3,963,000 in the corresponding period of 2005 (first quarter 2005: loss per share of RMB0.991 cents).

QUARTERLY RESULTS (UNAUDITED)

The board of directors (the "Board") of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") is pleased to announce the unaudited quarterly results of the Company and its subsidiaries (hereafter collectively referred to as the "Group") for the three months ended 31 March 2006, together with the comparative figures of the corresponding period in 2005 as follows:

		For the three months ended 31 March	
		2006	**2005**
	Notes	*RMB* (Unaudited)	*RMB* (Unaudited)
Turnover	*2*	93,467,234	17,109,777
Less: sales tax		(1,251)	(48,034)
Cost of sales		(79,576,379)	(10,142,070)
Gross profit		13,889,604	6,919,673
Distribution and selling expenses		(5,561,229)	(5,789,357)
R&D and administrative expenses		(4,554,512)	(4,357,182)
Operating profit/(loss)		3,773,863	(3,226,866)
Finance costs		(1,285,124)	(825,073)
Other income less other expenses		301,985	(3,378)
Amortisation on goodwill		–	(63,064)
Profit/(loss) before tax		2,790,724	(4,118,381)
Taxation	*3*	–	(12,406)
Profit/(loss) for the period		2,790,724	(4,130,787)
Attributable to:			
Equity holders of the Company		101,361	(3,963,018)
Minority interests		2,689,363	(167,769)
		2,790,724	(4,130,787)
Profit/(loss) per share	*4*	0.017 cents	(0.991) 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 2005. 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 RMB73,156,110 as at 31 March 2006. 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. Drawdowns from this facility will be subject to the bank's normal approval procedures. In January 2006, the Company received RMB30 million of new loan against this facility within its intention to extend and commit. As at 31 March 2006, about RMB23 million of these facilities still remain unused. Consequently, the Directors have prepared the unaudited quarterly results for the three months ended 31 March 2006 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 2005.

2. Turnover

The Group's turnover is derived principally from the sales of fertilizer products and medical and health products.

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

	For the three months ended 31 March	
	2006	**2005**
	RMB	*RMB*
Turnover		
Fertilizer products	80,745,096	3,739,595
Medical & health products	12,722,138	13,370,182
	93,467,234	17,109,777

3. Taxation

(a) Enterprise income tax ("EIT")

In 2003, the Company changed its tax status to that of a Foreign Investment Enterprise ("FIE"). In accordance with the relevant tax regulations, as a production FIE located in TEDA, Tianjin, the People's Republic of China (the "PRC"), the Company is eligible to enjoy the concessionary EIT of 15%. It is further entitled to exemption from EIT for two years commencing from its first profit-making year after its offsetting prior years' losses, followed by a 50% reduction of EIT for the three years thereafter. In addition, the Company shall enjoy exemption from 3% local EIT during its actual operational period in TEDA, Tianjin, the PRC. The Company has not provided for any EIT since the tax loss brought forward exceeds the taxable income for the period.

Tianjin Alpha HealthCare Products Co., Ltd. ("Alpha"), being a Sino-foreign joint-venture enterprise located in TEDA, Tianjin, the PRC 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 its first profit-making year after offsetting its prior years' losses, followed by a 50% reduction of state EIT for the three years thereafter. In addition, Alpha is also entitled to exemption from 3% local EIT during its actual operational period in TEDA, Tianjin, the PRC. 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.

Tianjin Wan Tai Bio-Development Company Limited ("Wan Tai"), being limited company in the PRC, is subject to the statutory 30% EIT and 3% local EIT. Wantai has not provided for any EIT since it has no taxable income for the period under review.

Beiijing TEDAX^{2} Medical Engineering Company Limited ("TEDAX^{2}") and Beijing Xinxing Bio-medical Engineering Research and Development Institute (" Xinxing"), being limited liability companies established in Beijing High and New Technology Development Provisional Zone, Beijing, the PRC are entitled to a concessing EIT rate of 15% and shall also be entitled to exemption from EIT for three years commencing from their operating year followed by a 50% reduction of EIT for the three years thereafter. TEDAX^{2} has been operating for more than 6 years. Therefore, it is subject to EIT and local EIT at a rate of 15%. Year 2006 is the fifth operating year for Xinxing. Therefore, it is subject to EIT and local EIT at a rate of 7.5%. TEDAX^{2} and Xinxing have not provided for any EIT since they have no taxable income for the period under review.

Shangdong TEDA Bioengineering Co., Ltd ("STEDA"), being a non-production FIE incorporated in the PRC, is subject to the statutory 30% EIT and 3% local EIT. STEDA has not provided for any EIT since it has no taxable income for the period under review.

Fulilong was exempted from EIT as it was qualified as a welfare enterprise as approved by the Guangdong Local Tax Bureau during the three years ended 31 December 2004. In the opinion of the Directors, Fulilong has complied with the qualification requirements of a welfare enterprise at the first quarter 2006 and accordingly Fulilong should also be exempted from EIT for the quarter.

(b) Income tax expense

	For the three months ended 31 March	
	2006	**2005**
	RMB'000	*RMB'000*
Current Tax		
Hong Kong	Nil	Nil
Other jurisdictions	Nil	12

The income tax charge in Hong Kong is Nil for the period ended 31 March 2006 (first quarter 2005: 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 period ended 31 March 2006 (first quarter 2005: RMB12,406).

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

	For the three months ended 31 March	
	2006	**2005**
	RMB'000	*RMB'000*
Profit/(loss) before tax	2,791	(4,055)
Tax calculated at the EIT rate of 33%	921	(1,338)
Tax rate differential	(1,440)	779
Effect of tax holiday exemption	–	–
Effect of the tax losses on consolidation	(519)	571
Tax effect of expenses that are not deductible in determining taxable profit	–	–
Tax expense for the period	–	12

4. Profit/(Loss) per share

For the three months ended 31 March 2006, the calculation of profit/(loss) per share is based on the Group's profit attributable to equity holders of RMB101,361 (first quarter 2005: loss of RMB3,963,018), divided by the total number of shares issued by the Company of 610,000,000 shares (first quarter 2005:400,000,000 shares). Diluted profit per share is not presented as there are no dilutive potential shares during the period.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2006 (first quarter 2005: Nil).

MOVEMENT OF RESERVES

	Share Capital		Share premium		Accumulated Losses		Capital reserve		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Balance as at 1 January	61,000,000	40,000,000	75,089,571	62,031,951	(73,257,471)	(74,030,217)	2,541,404	2,541,404	65,373,504	30,543,138
Net profit/(loss) attributable to equity holders of the Company for the three months ended 31 March	–	–	–	–	101,361	(3,963,018)	–	–	101,361	(3,963,018)
Balance as at 31 March	61,000,000	40,000,000	75,089,571	62,031,951	(73,156,110)	(77,993,235)	2,541,404	2,541,404	65,474,865	26,580,120

MANAGEMENT DISCUSSION & ANALYSIS

Business review

The Group is principally engaged in the research and development and commercialization of fertilizer products and medical and health products.

For the three months ended 31 March 2006, sales turnover of the Group amounted to approximately RMB93,467,000, representing an increase of approximately 446% over that recorded in the corresponding period in 2005. The increase is mainly due to the consolidation of the results from Guangdong Fulilong Compound Fertilizers Company Limited (“Fulilong”), a subsidiary of the Group since January 2006.

The demand for fertilizer products will be steadily increased in the foreseeable future due to the fact that the PRC central government continues to encourage the farmers to increase their income by investing in new technology and using effective fertilizer products.

For the first quarter of 2006, approximately 86.4% of the total turnover were derived from the sales of fertilizer products produced and distributed by Fulilong.

Gross profit margin was decreased from 40.4% to 14.9%. This was due to the low gross profit margin derived from the sale of fertilizer products by Fulilong. However, due to the increase in sales turnover, the gross profit was increased to approximately RMB13,890,000, representing an increase of approximately 100.7% from that achieved in the corresponding period in 2005.

The Group has successfully achieved turnaround since third quarter of 2005. Profit attributable to equity holders was approximately RMB101,000 during the period of the first quarter in 2006 while there was loss attributable to equity holders of approximately RMB3,963,000 in the corresponding period of 2005.

Fertilizer products

After the completion of the subscription of the enlarged 51% equity interest in Fulilong in December 2005, the Group has become a sizeable fertilizer manufacturer to capture the business of production and distribution of fertilizer products.

During the period under review, the sales turnover of Fulilong in fertilizer products arrived at approximately RMB80,745,000, representing about 86.4% of the total sales turnover of the Group in the first quarter of 2006. The gross profit derived from the sale of fertilizer products during the three months ended 31 March 2006 arrived at approximately RMB8,415,000 (2005: RMB174,000). With the continually using effective fertilizer products to increase the income level by the farmers in the PRC, the Group expects that the demand of fertilizer products in the PRC market will continue to rise for the coming quarters in 2006.

Medical and health products

The Group's medical and health products include diabetic health food, medical equipments and intraocular lens products ("IOLs").

The Group's diabetic health food continued its steady growth in sales under the brand name of "Alpha" in the PRC market. There was an increase by approximately 36.7% in sales turnover for "Alpha" products over that recorded for the three months ended 31 March 2005. "Alpha" products contributed approximately RMB12,244,000 to the Group's turnover in the first quarter of 2006 as it compared with that of approximately RMB8,960,000 recorded in the corresponding period of last year.

The increase in sales was mostly contributed by the increase in sale of sugar free almond juice which is widely accepted as one of the health drinks in the PRC market, particularly during the period of Chinese new year. The gross profit margin of "Alpha" products maintained at about 43.8% for the period of three months ended 31 March 2006 (first quarter 2005: 45%).

The Group is currently applying for ISO 13485: 2003 and ISO 9001: 2000 Medical Equipment Quality System (醫療器材質量體系) certification for IOLs and is expected to be completed in the first half of 2006. Through the Group's subsidiary, Tianjin Wan Tai Bio-Development Company Limited ("Wan Tai"), continued to sell medical equipment products such as IOLs products which are sold throughout 19 provinces, cities and autonomous regions in the PRC. For the three months ended 31 March 2006, there were 2,014 pieces of IOLs sold, arriving at around RMB99,000 (first quarter 2005: RMB112,000) although the competition in the PRC market is fierce.

The Group continues to launch medical equipment under the "TEDA" brand name through its subsidiary, Beijing TEDAX^2 Medical Engineering Company Limited ("TEDAX^2") and sold a series of new models of sleeping status monitoring equipment and multi-parameter monitoring equipment products through TEDAX^2. During the first quarter of 2006, TEDAX^2 contributed approximately RMB105,906 (2005: RMB1,023,000) to the Group's sales turnover. The decrease was due to the alternation of the model of product lines.

Operation of a new subsidiary

As at 31 March 2006, Fulilong owned five production lines located at Dongguan of Guangdong Province, the PRC and another one located at Xingping of Shaanxi Province, the PRC. The one in Xingping of Shaanxi Province adopts the advanced technology of "Melt Granulation Methods with High Tower". The six production lines totally with an annual production capacity reach approximately 800,000 tones of fertilizer products. During the period under review, Guizhou Guihua project (貴州貴化項目) is smoothly under construction and is expected to commerce trial production by the end of September 2006.

The Group is currently applying for three professional skill certification for production of fertilizer products and two of three certificates are advanced high tower technology.

Currently, Fulilong is focusing its sales of fertilizer products in Guangdong, Southern and Western China. The products are distributed to eight provinces, cities and autonomous regions in Southern China as well as to eleven provinces, cities and autonomous regions in Western China.

As at 31 March 2006, there was an increase by approximately 40% in the number of Fulilong's sales team for promotion of fertilizer products over that as at 31 December 2005. With a view to supporting the Guizhou Guihua project (貴州貴化項目) to push the fertilizer products smoothly to the Western China market on time, Fulilong increased six wholesale channels with around 120 retail points closed to the Guizhou Guihua project (貴州貴化項目) in Guangxi. Fulilong also increased more than ten wholesale channels with around 200 retail points in the west of Guangdong as well as continued to expand the sales network in the PRC. As a result, the number of establishment of sale channels of Fulilong in Zhejiang, Jiangxi, Hunan Provinces, the PRC was speedily increased.

In the future development process, Fulilong will deeply leverage on the existing production lines and sales channel of fertilizer products under the "Fulilong" brand to develop and to expand the market channel all over the area in the PRC and position its products as one of the best fertilizer products in the high-end market.

Distribution and selling

For the period under review, the Group's distribution and selling expenses amounted to approximately RMB5,561,000, representing approximately 5.9% of the total turnover of the Group for the same period. This recorded an decrease of approximately 28.1% as compared with that recorded in the corresponding period of last year (first quarter 2005: RMB5,789,000). The decrease was due to the Group's success in implementing cost control measures to minimize operating expenses.

Research and development and administration

For the period under review, the Group's research and development and administrative expenses amounted to approximately RMB4,555,000, representing an increase of approximately 4.5% as compared with such expenses recorded in the corresponding period in 2005.

The Group continued to maintain stringent cost control policy to lower the increasing research and development and administrative expenses. The total employees of the Group were increased from 293 by the end of December 2005 to 702 as at 31 March 2006. The increase was due to the inclusion of the staff of Fulilong after the subscription.

Future Outlook

According to forecast of the Chinese Phosphorus Compound Fertilizers Association in November 2004, the consumption of fertilizer products in the PRC will be doubled in the next 10 years, gradually reaching the level of semi-developed countries. Hence, there is a huge room for development in the market. The Group has successfully tapped into the fertilizer product market and is dedicated to build up a brand name of high quality fertilizer products with the application of high technology through Fulilong.

With the new establishment of production lines all adopting the advanced high tower technology to increase the efficiency and the volume in the production of high quality fertilizer products, the Group intends to secure a considerable number of direct distributors in the PRC market, as well as to increase the training, construction, management and service of the terminal sales network, and to build up an extensive sales network to distribute the fertilizer products under the Group's brand name in three years, with an aim to become one of the top biological fertilizer product suppliers in the PRC.

Recently, with more and more people becoming aware of the importance of health, the growth of the sales of "Alpha" sugar reducing and sugar-free health products continues to be a source of turnover and revenue to ensure stable growth for the Group.

The reputation of Group's IOLs products has been gradually built up throughout the PRC. The Group expects that the sales of IOLs products will steadily rise although facing with the keen PRC market competition.

Although the Group confronts the keen competition in the industry of medical equipment, the Group will alter the model of trade pattern to cope with the changing PRC market situation to increase the sales of the medical equipment products under the "TEDA" brand name. The Group expects that the sales of medical equipment products will be improved by implementation of change program in the coming quarters of 2006. In the foreseeable development process, the Group will penetrate its biological engineering technologies into the frontier of the PRC market, providing high quality products and services to the most consumers in the PRC.

Under the environment of fast economic growth in the PRC and together with the sound business development strategies and management expertise, the Directors believe that the Group will bring fruitful returns to its shareholders.

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

As at 31 March 2006, 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**
Director						
Mr. Xie Kehua	9,000,000	–	–	–	9,000,000	1.48%

Save as disclosed in this paragraph, as at 31 March 2006, 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 2006, 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 notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO:

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

Name of shareholders	Capacity	Number of ordinary shares	Percentage of the issued share capital
Tianjin TEDA International Incubator	Beneficial owner	234,000,000 *(Note 1)*	38.36%
Dai Shi Hua	Beneficial owner	32,180,000 *(Note2)*	5.28%

Notes:

1. All represented domestic shares.

2. All represented H shares.

Save as disclosed above, as at 31 March 2006, the directors of the Company were not aware of any other person (other than the directors and the supervisors of the Company) who had an interest and short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

CONTINGENT LIABILITIES

As at 31 March 2006, the Company had contingent liabilities amounting to RMB1.0 million in connection with the provision of guarantee as security for bank loans granted to its subsidiaries.

Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee of the Company were prepared and adopted with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants (previously known as "the Hong Kong Society of Accountants"). The Audit Committee of the Company provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of both the external and internal audit and the internal controls and risk evaluation. The Audit Committee of the Company comprises three non-executive independent Directors, namely Professor Xian Guoming, Mr. Chan Yip Kai Philip and Mr. Guan Tong.

The Committee has reviewed the first quarterly results and the first quarterly report of the Group for the three months ended 31 March 2006.

SHARE OPTION SCHEME

During the period ended 31 March 2006, none of the directors or supervisors or employees of the Company or other participants of the share option scheme of the Company was granted with options to subscribe for the H shares of the Company.

MANAGEMENT CONTRACTS

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

COMPETING INTERESTS

During the three months ended 31 March 2006, none of the directors, the supervisors, or the management shareholders and their respective associates (as defined in the GEM Listing Rules) of the Company competes or may compete with the business of the Group or has or may have any other conflicts of interest with the Group required to be disclosed pursuant to the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

Except for the deviations disclosed hereof, the Company has complied with all the code provisions on Corporate Governance Practices as set out in the GEM Listing Rules during the period under review:–

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The chairman and chief executive officer of the Company were only segregated on 4 January 2006. Before 4 January 2006, the chairman and chief executive officer of the Company were Mr. Wang Shuxin. Since 4 January 2006, Mr. Wang Shuxin has remained as the chairman of the Company whereas Mr. Zhang Songhong has been appointed as the chief executive officer of the Company.

Under the code provision A.4.4, a listed issuer should establish a nomination committee with specific written terms of reference which deal clearly with its authority and duties.

Although the Company has not set up any nomination committee, the Company will set up such committee by the second quarter of 2006.

By Order of the Board
Wang Shuxin
Chairman

Tianjin, PRC, 12 May 2006

As at the date of this report, the Board of Directors of the Company comprises two executive directors, being Mr. Wang Shuxin and Mr. Xie Kehua; three non-executive directors, being Mr. Feng Enqing, Mr. Liu Zhenyu and Mr. Xie Guangbei; and three independent non-executive directors, being Professor Xian Guoming, Mr. Chan Yip Kai Philip and Mr. Guan Tong.