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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)

FIRST QUARTERLY REPORT 2008

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

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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 2008 amounted to RMB120,642,642, representing an increase of approximately 37.88% over that recorded in the corresponding period of last year. The increase in sales is mainly attributable to the official commencement of production of the Group's production base in Shandong and the continuous expansion in its sales network in Shandong.

- Gross profit of the Group for the three months ended 31 March 2008 increased 80.98% to RMB19,619,405. Gross profit margin also rose from 12.39% to 16.26% as compared with that recorded in the corresponding period of last year. The increases are mainly attributable to the adoption of a series of long established measures by the Group which are aimed to reduce the purchasing cost of raw materials to confront with the difficult environment resulted from the escalating prices of raw materials. The measures included strengthening the management and control of its procurement channels, making efforts to increase its bargaining power in the procurement.

- Loss attributable to equity holders was approximately RMB540,013 for the first quarter of 2008 (first quarter of 2007: loss attributable to equity holders of RMB2,646,177) whilst there was loss per share of approximately RMB0.09 cents for the same period (first quarter of 2007: loss per share of RMB0.43 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 2008, together with the comparative figures of the corresponding period in 2007 as follows:

		For the three months ended 31 March	
		2008	**2007**
	Notes	*RMB*	*RMB*
		(Unaudited)	(Unaudited)
Turnover	*2*	120,642,642	87,500,708
Less: sales tax			
Cost of sales		(101,023,237)	(76,659,829)
Gross profit		19,619,405	10,840,879
Distribution and selling expenses		(8,270,496)	(7,095,456)
R&D and administrative expenses		(7,428,440)	(4,246,618)
Operating profit/(loss)		3,920,469	(501,195)
Finance costs		(3,068,125)	(1,959,007)
Other income less other expenses		(409,000)	(72,493)
Amortisation on goodwill		–	–
Profit/(loss) before tax		443,344	(2,532,695)
Taxation	*3*	(621,649)	(146,585)
Profit/(loss) for the period		(178,305)	(2,679,280)
Attributable to:			
Equity holders of the Company		(540,013)	(2,646,177)
Minority interests		361,708	(33,103)
		(178,305)	(2,679,280)
Profit/(loss) per share	*4*	(0.09) cents	(0.43) 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 RMB82,928,747 as at 31 March 2008. 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 that it will continue to extend banking facility of up to RMB200 million to the Company. Renewal of this facility will be subject to the bank's normal approval procedures. Consequently, the Directors have prepared the unaudited quarterly results for the three months ended 31 March 2008 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 2007.

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	
	2008	**2007**
	RMB	*RMB*
Turnover		
Fertilizer products	103,377,082	73,243,575
Medical & health products	17,265,560	14,257,133
	120,642,642	87,500,708

3. Taxation

(a) Enterprise income tax ("EIT")

Company:

In 2003, the Company changed its tax status to that of a Foreign Investment Enterprises ("FIE"). In accordance with the relevant tax regulations, as a production FIE located in Tianjin Economic and Technological Development Area ("TEDA"), the Company is eligible to enjoy the concessionary EIT of 18%. It is further entitled to exemption from EIT for two years commencing from the first profit-making year after offsetting prior years' losses, followed by a 50% reduction for the next three years thereafter. The Company has not provided for any EIT (2007: nil) since it has no taxable income for the period.

Subsidiaries:

Tianjin Alpha HealthCare Products Co., Ltd ("Alpha"), being a production FIE located in TEDA, is also eligible for all the benefits enjoyed by the Company as described above. Year 2008 is Alpha's seventh profit making year, consequently EIT has been provided at 18% (2007: 15%) of taxable income for the period.

Tianjin Wan Tai Bio-Development Co., Ltd. ("Wantai"), being a limited liability company incorporated in the PRC, is subject to the statutory 25% EIT. Wantai has not provided for any EIT since it has no taxable income for the period (2007: nil).

Shandong Fulilong Fertilizer Industry Co., Ltd. ("SD Fulilong"), being a FIE incorporated in PRC located in a new and high technology zone, is subject to the statutory 25% EIT. It is further entitled to exemption from EIT for two years commencing from the first profit-making year after offsetting prior years' losses, followed by a 50% reduction for the next three years thereafter. SD Fulilong has not provided for any EIT since it has no taxable income for the period (2007: nil).

Guangdong Fulilong Compound Fertilizers Co., Ltd. ("GD Fulilong"), has been approved as a new and high technology enterprise and is therefore subject to the statutory 15 % EIT and exemption from local income tax.

On 16 March 2007, the National People's Congress approved the PRC Enterprise Income Tax Law, which became effective from 1 January 2008. In accordance with the new law, 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 Alpha can continue to enjoy the preferential tax rates during the transitional period.

(b) *Income tax expense*

	For the three months ended 31 March	
	2008	**2007**
	RMB'000	*RMB'000*
Current Tax		
Hong Kong	Nil	Nil
Other jurisdictions	622	147

The income tax charge in Hong Kong is Nil for the three months ended 31 March 2008 (first quarter 2007: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is RMB621,649 for the three months ended 31 March 2008 (first quarter 2007: RMB146,585).

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

	For the three months ended 31 March	
	2008	**2007**
	RMB'000	*RMB'000*
Profit/(loss) before tax	443	(2,533)
Tax calculated at the EIT rate of 25%	111	(836)
Tax rate differential	(282)	(390)
Effect of tax holiday exemption	–	–
Effect of the tax losses on consolidation	793	1,373
Tax effect of expenses that are not deductible in determining taxable profit	–	–
Tax expense for the period	622	147

4. (Loss)/profit per share

For the three months ended 31 March 2008, the calculation of (loss)/profit per share is based on the Group's loss attributable to equity holders of RMB540,013 (first quarter 2007: loss of RMB2,646,177), divided by the total number of shares issued by the Company of 610,000,000 shares (first quarter 2007: 610,000,000 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 2008 (first quarter 2007: Nil).

MOVEMENT OF RESERVES

	Share Capital		Share premium		Accumulated Losses		Capital reserve		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Balance as at 1 January	61,000,000	61,000,000	75,089,571	75,089,571	(82,388,734)	(70,223,053)	2,541,404	2,541,404	56,242,241	68,407,922
Net profit/(loss) attributable to equity holders of the Company for the three months ended 31 March	–	–	–	–	(540,013)	(2,646,177)	–	–	(540,013)	(2,646,177)
Balance as at 31 March	61,000,000	61,000,000	75,089,571	75,089,571	(82,928,747)	(72,869,230)	2,541,404	2,541,404	55,702,228	65,761,745

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the three months ended 31 March 2008, the Group is principally engaged in (1) biological compound fertilizer products, including a series of biological compound fertilizer products under the brands of "Fulilong" and "Lvzhou", which have been granted "exemption from product quality inspection" by the General Administration of Quality Supervision, Inspection and Quarantine of PRC; and (2) medical and health products, including a series of diabetic health products, such as sugar reducing health foods developed in various forms such as noodles, flour, biscuits, etc.; a series of sugar-free products beneficial to the health of human body, such as sugar-free drinks and sugar-free biscuits, etc.; and medical device products, such as intraocular lens.

For the three months ended 31 March 2008, the turnover was RMB120,642,642, representing an increase of approximately 37.88% as compared with that recorded in the corresponding period of last year.

The gross profit of the Group increased approximately 80.98% to RMB19,619,405 from that recorded in the corresponding period of last year. The gross profit margin increased from 12.39%, as recorded in the corresponding period of last year, to 16.26%.

During the period under review, loss attributable to equity holders was approximately RMB540,013 (first quarter 2007: loss attributable to equity holders: RMB2,646,177).

In the first quarter of 2008, approximately 85.69% of the total turnover was generated from the sales of the biological fertilizer products sold under the brand of "Fulilong". The remaining 14.31% was generated from the medical and health products.

Biological Fertilizer Products

During the period under review, the raw materials prices were driven up by the increasing trend of last year. By adopting a series of effective measures such as strengthening the management and control of its procurement channels, making efforts to increase its bargaining power in the procurement, the Group effectively controlled the production cost of compound fertilizer products. The gross profit margin for compound fertilizer products has substantially increased from 6.65% in the corresponding period of last year to 11.73% in the first quarter of 2008. The gross profit for compound fertilizer products has also drastically increased from RMB4,870,726 in the corresponding period of year to RMB12,125,084.

Influenced by the low temperature snowstorm in the Southern China, the purchasing powers and logistics and transportation in the southern markets were in great difficulties. But the Group actively implemented target market strategies adjustment. It strengthened its selling capability in the existing market network within the southern market regions radiated by Guangdong Fulilong Compound Fertilizers Company Limited ("GD Fulilong"). Under the temporary restriction over its scale of sales, the Group enlarged the proportion in sales of the products of high gross profit to ensure a growth in the Company's gross profit. Despite the slight decrease of 4.68% in the sales income of GD Fulilong of RMB64,068,763 in the first quarter of 2008, its gross profit margin rose from 7.29% in the corresponding period of last year to 14.23% and the gross profit has increased 86.11%.

Meanwhile, with the commencement of mass production of the Group's production base in Shandong, the radiation radius of the logistics area of the northern market was reduced significantly. Capitalizing the sales opportunities in the northern markets, the Group substantially expanded the sales scale of Shandong Fulilong Fertilizer Industry Co. Ltd. ("SD Fulilong") in the northern markets. In the first quarter of 2008, SD Fulilong has recorded a sales income of RMB39,308,321.

Medical and Health Products

The sales of the Group's diabetic health food and sugar-free food under the brand name of "Alpha" in the PRC market maintained steady growth. During the period under review, there was an increase by approximately 19.8% to RMB16,852,008 in sales turnover for "Alpha" products over that recorded for the corresponding period in last year.

The increase in sales was mostly contributed by the significant increase in sale of the sugar free food series, particularly during the period of Chinese New Year.

The gross profit margin of "Alpha" products was about 46.28% for the three months ended 31 March 2008 (first quarter of 2007: 43.13%).

Production

The Shandong production base at Weifang, Shandong Province of SD Fulilong has a production line with an annual production capacity of 300,000 tonnes of highly condensed biological compound fertilizer and adopting the technology known as "Melt Granulation Method with High Tower" (高塔熔融造粒). The production line has commenced mass production.

Distribution and selling

During the period under review, the Group's distribution and selling expenses amounted to approximately RMB8,270,496, representing an increase of approximately 16.56% as compared with that recorded in the corresponding period of last year (first quarter of 2007: RMB7,095,456). The proportion of such expenses to the total turnover of the Group during the same period dropped from 8.11% to 6.8%. Such effective control over the distribution and selling expenses was resulted from the optimization adjustment made to the market network which aimed at catering to the market changes.

Research and development and administration

During the period under review, the Group's research and development and administrative expenses amounted to approximately RMB7,428,440, representing an increase of approximately 74.93% as compared with such expenses recorded in the corresponding period in 2007. The Group will continue to ensure necessary investment in research and development. It will strive to reasonably control the research and development and administrative expenses while continuously expanding the scale of sales.

As at 31 March 2008, the total number of employees of the Group was 714 (31 December 2007: 703).

Future Outlook

The global rising trend of prices starts with the increase in raw materials prices. The pressure to increase the prices of agricultural products and economic crops, being part of the end of the industry chain, becomes significantly greater. The PRC government has introduced a number of adjustment measures to maintain stability in food prices. Nevertheless, the surge in international food prices and food shortage will definitely exert further pressure to increase the domestic food prices. The escalating prices of agricultural products, particularly economic crops, will enhance the profitability of such products and provide condition for further increase in the demand for fertilizer, particularly the compound fertilizer. The room for development for the compound fertilizer industry of China, being the world's largest fertilizer producer and consumer, will be further expanded under the new economic environment. Capitalizing its technological edge in production of compound fertilizer by the "Melt Granulation Method with High Tower" and its own advantage in the market network, the Group will adopt an active manner to adjust to the new environment, in order to generate greater profits for the shareholders and contribute to the development of the agricultural production standard in China at the same time.

After undergoing a stage of stable development, Tianjin Alpha HealthCare Products Co., Ltd. ("Tianjin Alpha") has proceeded to a stage of relatively rapid development. It has now become a leading domestic enterprise which specializes in the development and production of sugar reducing and sugar-free food. It was granted with the certificate of approval for the six major categories of sugar reducing health food approved by the Ministry of Health of the State. In order to enrich the recipe for the diabetics, it has also developed a series of functional sugar-free food. Leveraging on its own technological edge and in response to the market demand, Tianjin Alpha will continue to launch more new sugar reducing and sugar-free food products, in order to capture a greater market share and provide the Group with a stable source of profit growth.

The Group will overcome the difficulties with team spirit. Relying on its own stable productivity, the Group will satisfy the increasing demand in the domestic market. It will enhance its own marketing capability and optimize and consolidate the expansion of its market and distribution network. The Group will make efforts to improve it's overall sales scale and profit level in 2008 significantly as compared with 2007.

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

As at 31 March 2008, 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 (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) 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%

Note: All represented domestic shares.

Save as disclosed in this paragraph, as at 31 March 2008, none of the directors and the supervisors of the Company had interest in any securities, underlying shares and debentures of the Company or any of its associated corporations 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 as set out in Listing Rules 5.46 to 5.67.

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 2007, 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 *(Note 2)*	5.28%

Notes:

1. All represented domestic shares.

2. All represented H shares.

Save as disclosed above, as at 31 March 2008, 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 2008, the Company had contingent liabilities amounting to RMB1 million (as at 31 March 2007: RMB0.8 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. Wu Chen 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 2008.

SHARE OPTION SCHEME

During the three months ended 31 March 2008, 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 2008, 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.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to establishing and maintaining good corporate governance practice code and procedure. The corporate governance principles which the Company complies emphasizes on an efficient board of directors and perfect internal control, as well as the transparency presented to all of the shareholders. For the three months ended 31 March 2008, the Company has adopted the principles as set out in the Code on Corporate Governance Practices ("Code on CG Practices") of Appendix 15 to the GEM Listing Rules and has complied all the code provisions and the best practices recommended (if applicable).

By Order of the Board
Wang Shuxin
Chairman

Tianjin, PRC, 8 May 2008

As at the date of this report, the Board comprises of three executive Directors, being Mr. Wang Shuxin, Mr. Xie Kehua and Mr. Zhang Songhong; three non-executive Directors, being Mr. Feng Enqing, Mr. Xie Guangbei and Mr. Wang Xiaofa and three independent non-executive Directors, being Professor Xian Guoming, Mr. Wu Chen and Mr. Guan Tong.