



天津泰达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)



Third Quarterly
Report 2014

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

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The information set out in this report, for which the directors of Tianjin TEDA Biomedical Engineering Company Limited (“the Company”) collectively and individually accept full responsibility, is given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report 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 report or any statement herein misleading.

HIGHLIGHTS

- Consolidated turnover of the Group for the nine months ended 30 September 2014 amounted to RMB425,368,520, representing a decrease of 8.68% as compared to the same period of last year (30 September 2013: RMB465,818,840).
- Consolidated gross profit of the Group for the nine months ended 30 September 2014 amounted to RMB81,455,652, representing a decrease of 14.30% as compared to the same period of last year (30 September 2013: RMB95,051,440).
- Profit attributable to the equity owners of the Company for the nine months ended 30 September 2014 was RMB13,561,369 (30 September 2013: RMB14,659,912); the earnings per share of the Company was RMB0.96 cents (30 September 2013: RMB1.03 cents).
- The Board does not recommend the payment of dividend for the nine months ended 30 September 2014.

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “Board”) of Tianjin TEDA Biomedical Engineering Company Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (hereafter collectively referred to as the “Group”) for the nine months ended 30 September 2014, together with the comparative figures of the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the nine months ended 30 September		For the three months ended 30 September	
		2014 (Unaudited) RMB	2013 (Unaudited) RMB	2014 (Unaudited) RMB	2013 (Unaudited) RMB
Turnover	2	425,368,520	465,818,840	148,412,312	146,453,787
Cost of sales		(343,912,868)	(370,767,400)	(118,810,195)	(116,273,650)
Gross profit		81,455,652	95,051,440	29,602,117	30,180,137
Other income and net gains		378,990	774,400	45,325	240,718
Selling and distribution costs		(31,346,582)	(30,254,613)	(12,911,619)	(10,470,132)
R&D and administrative expenses		(30,410,241)	(43,741,209)	(10,516,634)	(14,036,247)
Finance costs		(5,999,408)	(4,995,938)	(2,279,379)	(2,025,553)
Profit before taxation		14,078,411	16,834,080	3,939,810	3,888,923
Income tax	3	(554,489)	(572,404)	-	(18,980)
Profit and comprehensive income for the period		13,523,922	16,261,676	3,939,810	3,869,943
Attributable to:					
Owners of the Company		13,561,369	14,659,912	4,015,852	2,487,066
Non-controlling interests		(37,447)	1,601,764	(76,042)	1,382,877
		13,523,922	16,261,676	3,939,810	3,869,943
Earnings per share – Basic (RMB)		0.96 cents	1.03 cents	0.28 cents	0.18 cents

Notes:

1. BASIS OF PRESENTATION

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 RMB12,198,022 as at 30 September 2014. The validity of the Group's ability to continue as a going concern depends on the success of the Group's future operations and the ability of the Group to renew or replace the banking facilities as they fall due. Consequently, the directors have prepared the unaudited quarterly results for the nine months ended 30 September 2014 on the going concern basis.

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"). 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 2013.

2. TURNOVER

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

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

	For the nine months ended 30 September		For the three months ended 30 September	
	2014	2013	2014	2013
	RMB	RMB	RMB	RMB
Turnover				
Fertilizer products	360,698,945	396,760,019	120,954,205	117,125,736
Health care products	64,669,575	69,058,821	27,458,107	29,328,051
	425,368,520	465,818,840	148,412,312	146,453,787

3. TAXATION

(a) Enterprise income tax ("EIT")

In accordance with the new PRC Enterprise Income Tax Law which became effective from 1 January 2008, a unified enterprise income tax rate of 25% will be applied to both domestic-invested enterprises and foreign-invested enterprises. Enterprises established prior to 16 March 2007 eligible for preferential tax treatment in accordance with the currently prevailing tax laws and administrative regulations shall, under the regulations of the State Council, gradually be subject to the new tax rate over a five-year transitional period until 2012. Accordingly, the Company and Tianjin Alpha HealthCare Products Co., Ltd ("Tianjin Alpha") and Shandong Hidersun Fertilizer Co., Ltd ("Shandong Hidersun") are subject to EIT rate of 25% for the year (2013: 25%).

The Company has not provided for any EIT (2013: nil) since it has no taxable income for the period.

Tianjin Alpha has not provided for any EIT since it has no taxable income for the period (2013: 25%).

Shandong Hidersun has not provided for any EIT since it has no taxable income for the period (2013: nil).

On 27 February 2012, Guangdong Fulilong Compound Fertilizers Co., Ltd. ("GD Fulilong") was approved as a new and high technology enterprise and was therefore entitled to a preferential tax rate of 15% (2013: 15%).

(b) Income tax expense

	For the nine months ended 30 September	
	2014	2013
	RMB'000	RMB'000
Current Tax		
Hong Kong	Nil	Nil
Other Jurisdictions	554	572

The income tax charge in Hong Kong is Nil for the period ended 30 September 2014 (September 2013: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is RMB554,489 for the period ended 30 September 2014 (September 2013: RMB572,404).

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

	For the nine months ended 30 September	
	2014	2013
	RMB'000	RMB'000
Profit before tax	14,078	16,834
Tax calculated at the EIT rate of 25%	3,520	4,209
Tax rate differential	(1,551)	(1,114)
Effect of tax holiday exemption	-	-
Effect of the tax losses on consolidation	(1,415)	(2,523)
Tax effect of expenses that are not deductible in determining taxable profit	-	-
Tax expense for the period	554	572

4. PROFIT PER SHARE

For the nine months ended 30 September 2014, the calculation of profit per share is based on the Group's profit attributable to equity holders of RMB13,561,369 (September 2013: profit of RMB14,659,912), divided by the total number of shares issued by the Company of 1,420,000,000 shares (September 2013: 1,420,000,000 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 nine months ended 30 September 2014 (September 2013: Nil).

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital		Share premium		Surplus reserve		Capital reserve		Accumulated Losses		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as at 1 January	142,000,000	142,000,000	75,816,410	75,816,410	6,831,045	4,604,647	2,541,404	2,541,404	(25,759,391)	(44,906,598)	201,429,468	180,055,863
Net profit attributable to equity holders of the Company for the three months ended 31 March	-	-	-	-	-	-	-	-	4,157,162	10,270,291	4,157,162	10,270,291
Balance as at 31 March	142,000,000	142,000,000	75,816,410	75,816,410	6,831,045	4,604,647	2,541,404	2,541,404	(21,602,229)	(34,636,307)	205,586,630	190,326,154
Net profit attributable to equity holders of the Company for the three months ended 30 June	-	-	-	-	-	-	-	-	5,388,355	1,902,555	5,388,355	1,902,555
Balance as at 30 June	142,000,000	142,000,000	75,816,410	75,816,410	6,831,045	4,604,647	2,541,404	2,541,404	(16,213,874)	(32,733,752)	210,974,985	192,228,709
Net profit/(loss) attributable to equity holders of the Company for the three months ended 30 September	-	-	-	-	-	-	-	-	4,015,852	2,487,066	4,015,852	2,487,066
Balance as at 30 September	142,000,000	142,000,000	75,816,410	75,816,410	6,831,045	4,604,647	2,541,404	2,541,404	(12,198,022)	(30,246,686)	214,990,837	194,715,775

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is mainly engaged in two sectors: biological compound fertilizer products, including series of biological compound fertilizer products under the brand of “Fulilong” used for the promotion of balanced growth of grains and fruit and vegetables, and health care products, including series of health care products under the brand of “Alpha”, covering diabetic healthcare products with the function of regulating the blood sugar level and sugar-free products beneficial to the health of human body.

Finance Review

For the nine months ended 30 September 2014, the Group achieved total turnover of RMB425,368,520, representing a decrease of 8.68% as compared to the same period of last year (30 September 2013: RMB465,818,840). In the aspect of business, for the nine months ended 30 September 2014, the Group recorded a sales turnover of RMB360,698,945 for compound fertilizer products, representing a decrease of 9.09% as compared to the same period of last year (30 September 2013: RMB396,760,019); the Group recorded a sales turnover of RMB64,669,575 for health care products, representing a decrease of 6.36% as compared to the same period of last year (30 September 2013: RMB69,058,821).

For the nine months ended 30 September 2014, the consolidated gross profit of the Group's two major businesses was RMB81,455,652, representing a decrease of 14.30% as compared to the same period of last year (30 September 2013: RMB95,051,440); the consolidated gross profit margin of the Group slightly decreased to 19.15% as compared to the same period of last year (30 September 2013: the consolidated gross profit margin was 20.41%).

Facing the tough market situation this year, the management of the Group further enhanced its marketing efforts as well as moderately increased selling expense. For the nine months ended 30 September 2014, selling and distribution expenses of the Group were RMB31,346,582, representing an increase of 3.61% as compared to the same period of last year (30 September 2013: RMB30,254,613); research and development and administrative expenses were RMB30,410,241, representing a substantial decrease of 30.48% as compared to last year (30 September 2013: RMB43,741,209), which is mainly because of the further reduction of administrative expenses and part of research and development expenses of the Group under the adverse market situation. During the period under review, finance costs of the Group were RMB5,999,408, representing an increase of 20.09% as compared to the same period of last year (30 September 2013: RMB4,995,938). For the nine months ended 30 September 2014, the profit attributable to the owners of the Company was RMB13,561,369, representing a decrease of 7.49% as compared to the same period of last year (30 September 2013: RMB14,659,912); earnings per share of the Company were RMB0.96 cents, while earnings per share of the same period of last year were RMB1.03 cents.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2014, the Group and the Company had contingent liabilities amounting to RMB79,000,000 (31 December 2013: RMB65,000,000) and RMB59,000,000 (31 December 2013: RMB45,000,000) respectively in connection with the guarantee provided by the Group and the Company to secure the bank loans granted to its subsidiaries.

FOREIGN CURRENCY RISK

As all the sales of the Group were domestic sales settled in RMB and most of the payables to suppliers were also settled in RMB, the Group was not exposed to substantial foreign currency risk.

TREASURY POLICY

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

FUTURE OUTLOOK

The development of agriculture in China has entered a new era. To enhance agricultural modernization and change its model of growth, innovation of agricultural technology must focus on two aspects; namely, the speeding up of fertilizer production technology and the application and promotion of technology. The Chairman of the Chinese Society of Plant Nutrition and Fertilizer Science, Bai Youlu pointed out that, modern agriculture requires fertilizer to be developed along the direction of being efficient, fine-tuned, functional, convenient and user-friendly; while there will be changes in the corresponding systems of fertilizer production, operation and application. With the help of the successfully developed new active fertilizer that matches with international advance level, Guangdong Fulilong Compound Fertilizers Co., Ltd., a subsidiary of the Company, will, in the future, focus on brand nurturing, development of marketing channels and product innovation in accordance to the requirement of modern agriculture.

With the enhancement of people's living standard and faster rhythm of life, the consumers are more concerned about their health, which creates a favourable business opportunity for the development of health care food. As far as the format is concerned, the development of future health care food will focus on satisfying the needs of different age profile and different consumer groups resulting in a range of various kinds of health care food. The market will be standardized; marketing channels will be diversified; marketing will be professionalised and consumers will become rationalised. With the opening of the new factory, Tianjin Alpha, a subsidiary of the Company, will further control production costs, actively ride on the market influence of the "Alpha" brand, endeavour to maintain and expand marketing channels in order to remain successful amid fierce market competition.

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

As at 30 September 2014, the interests of the directors and supervisors of the Company and their respective associates in the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) were as follows:

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

Directors/Supervisors/ Executive Officers	Personal	Family	Corporate	Other	Percentage of the issued share capital	
					Total	
Mr. Chen Yingzhong	-	-	170,000,000 (Note)	-	170,000,000	11.97%

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

Save as disclosed in this paragraph, as at 30 September 2014, none of the directors, the supervisors and other executive officers of the Company had interests in any securities, underlying shares and debentures of the Company or any of its associated corporations, which were required (a) to be notified to the Company and the 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 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 Exchange.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

At no time during the period under review was the Company, its subsidiaries or its holding company a party to any arrangement to enable the directors and the supervisors of the Company or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares of the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2014, the following persons (other than the directors and the supervisors of the Company) had interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

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

Name of shareholder	Capacity	Number of ordinary shares	Percentage of the share capital
Tianjin TEDA International Incubator ("TTII")	Beneficial owner	200,000,000 (Note)	14.08%
Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment")	Beneficial owner	180,000,000 (Note)	12.68%
Shandong Zhinong Fertilizers Company Limited ("Zhinong Fertilizers")	Beneficial owner	170,000,000 (Note)	11.97%
Dongguan Luye Fertilizers Company Limited ("Luye Fertilizers")	Beneficial owner	120,000,000 (Note)	8.45%

Note: All of the shares represent domestic shares

Save as disclosed above, as at 30 September 2014, 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.

APPOINTMENT OF DIRECTORS

Reference is made to the announcement of the Company dated 19 March 2014, the Board of the Company proposed to appoint Mr. Chen Yingzhong as an executive Director for a term expiring on 31 December 2016, and the appointment was approved by the Shareholders by way of an ordinary resolution at the annual general meeting on 13 May 2014.

TRANSFER OF LISTING

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

Disposals of equity interests

As the applicable percentage ratios (as defined in the GEM Listing Rules) of disposal of a 49.84% equity interest in Tianjin Alpha Health-Care Products Co., Ltd, a wholly-owned subsidiary of the Company, exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under the GEM Listing Rules. On 31 August 2014, the Company entered into the Agreement with the Purchasers, pursuant to which the Company has agreed to sell and the Purchasers have agreed to purchase a 49.84% equity interest in Tianjin Alpha at a consideration of RMB22,000,000 (equivalent to approximately HK\$27,759,600). Reference is made to the announcement of the Company dated 1 September 2014.

COMPETING INTERESTS

During the nine months ended 30 September 2014, none of the directors, the supervisors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) competes or may compete with the business of the Group nor has or may have any other conflicts of interest with the Group required to be disclosed pursuant to the GEM Listing Rules.

AUDIT COMMITTEE

The Company has prepared and adopted written terms of reference for the Audit Committee with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants, which set out the authorities and duties of the Audit Committee. The Audit Committee of the Company provides an important link between the Board and the Company's auditors for the audit matters of the Group. It also reviews the effectiveness of both external and internal audit, internal controls and risk evaluation. The Audit Committee of the Company comprises three independent non-executive directors, namely Mr. Guan Tong, Mr. Wu Chen and Mr. Peter K. S. Chan, among whom, Mr. Guan Tong has been appointed as the chairman of the committee due to his professional qualifications in accounting and auditing experience.

The Audit Committee has reviewed the results and the third quarterly report of the Group for the nine months ended 30 September 2014.

SHARE OPTION SCHEME

During the period ended 30 September 2014, the Company has not approved any new share option scheme.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the period ended 30 September 2014.

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 30 September 2014.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company has endeavored to apply the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules of the Stock Exchange of Hong Kong Limited to the internal of the Group. The corporate governance principles which the Company complies emphasize on an efficient board of directors and sound internal control, as well as the transparency presented to all of the shareholders. The Directors are of the view that, the Company had complied with all the provisions of the Code except A.2.1 of the Code during the period under review.

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

Wang Shuxin
Chairman

Tianjin, the PRC
13 November 2014

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

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