



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)

THIRD QUARTERLY REPORT FOR 2008

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

HIGHLIGHT

- For the three months ended 30 September 2008, the turnover of the Group increased by 50.80% from the corresponding period of last year to RMB131,114,261. Gross profit amounted to RMB23,340,420, up 25.91% as compared to the corresponding period last year.
- For the nine months ended 30 September 2008, the turnover of the Group increased by 52.79% from the corresponding period of last year, amounting to RMB376,926,925. Gross profit surged 58.26% as compared to the corresponding period last year to RMB60,541,497.
- The consolidated gross profit margin of the Group increased slightly from 15.51% recorded in the corresponding period last year to 16.06%.
- The profit and loss attributable to equity holders turned from a loss of RMB1,301,152 (loss per share of 0.21 cents) in the corresponding period of last year to a gain of RMB3,216,286 (profit per share of 0.53 cents).

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 and three months ended 30 September 2008, together with the comparative figures of the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	For the nine months ended 30 September		For the three months ended 30 September	
		2008	2007	2008	2007
		(Unaudited) RMB	(Unaudited) RMB	(Unaudited) RMB	(Unaudited) RMB
Turnover	2	376,926,925	246,689,089	131,114,261	86,948,411
Less: sales tax					
Cost of sales		<u>(316,385,428)</u>	<u>(208,435,612)</u>	<u>(107,773,841)</u>	<u>(68,410,688)</u>
Gross profit		60,541,497	38,253,477	23,340,420	18,537,723
Other (expenditure)/revenue		(1,120,790)	(249,720)	(664,105)	(233,502)
Distribution and selling expense		(24,875,182)	(19,187,270)	(8,743,047)	(6,287,612)
R&D and administrative expenses		<u>(22,668,167)</u>	<u>(12,024,112)</u>	<u>(8,518,305)</u>	<u>(3,326,062)</u>
Operating profit		11,877,358	6,792,375	5,414,963	8,690,547
Finance costs		(8,368,418)	(7,652,913)	(2,576,282)	(3,295,044)
Gain on disposal of subsidiaries		2,947,319	–	2,947,319	–
Profit/(loss) before taxation		6,456,259	(860,538)	5,786,000	5,395,503
Taxation	3	(1,546,580)	(753,221)	(924,931)	(606,636)
Profit/(loss) for the period		<u>4,909,679</u>	<u>(1,613,759)</u>	<u>4,861,069</u>	<u>4,788,867</u>
Attributable to:					
Equity holders of the Company		3,216,286	(1,301,152)	3,983,569	4,713,967
Minority interests		<u>(1,693,393)</u>	<u>312,607</u>	<u>(877,500)</u>	<u>(74,900)</u>
		<u>4,909,679</u>	<u>(1,613,759)</u>	<u>4,861,069</u>	<u>4,788,867</u>
Profit/(loss) per share	4	<u>0.53 cents</u>	<u>(0.21) cents</u>	<u>0.65 cents</u>	<u>0.77 cents</u>

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 RMB79,172,448 as at 30 September 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 its intention to extend and commit banking facility of up to RMB98 million to the Company. Drawdowns from this facility will be subject to the bank's normal approval procedures. Consequently, the directors have prepared the unaudited quarterly results for the nine months ended 30 September 2008 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 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 nine months ended 30 September		For the three months ended 30 September	
	2008 RMB	2007 RMB	2008 RMB	2007 RMB
Turnover				
Fertilizer products	329,274,734	207,998,182	110,467,874	70,105,980
Medical & health products	47,652,191	38,690,907	20,646,387	16,842,431
	<u>376,926,925</u>	<u>246,689,089</u>	<u>131,114,261</u>	<u>86,948,411</u>

3. Taxation

(a) Enterprise income tax ("EIT")

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.

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 nine months ended 30 September	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Current Tax		
Hong Kong	Nil	Nil
Other Jurisdictions	1,547	753

The income tax charge in Hong Kong is Nil for the period ended 30 September 2008 (September 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 1,546,580 for the period ended 30 September 2008 (September 2007: 753,221).

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

	For the nine months ended 30 September	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) before tax	6,456	(861)
Tax calculated at the EIT rate of 25%	1,614	(284)
Tax rate differential	(1,348)	(1,214)
Effect of tax holiday exemption	–	–
Effect of the tax losses on consolidation	1,281	2,251
Tax effect of expenses that are not deductible in determining taxable profit	–	–
	<hr/>	<hr/>
Tax expense for the period	<u>1,547</u>	<u>753</u>

4. Profit/(Loss) per share

For the nine months ended 30 September 2008, the calculation of profit per share is based on the Group’s profit attributable to equity holders of RMB3,216,286 (September 2007: loss of RMB1,301,152), divided by the total number of shares issued by the Company of 610,000,000 shares (September 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 nine months ended 30 September 2008 (September 2007: Nil).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2008

	Share Capital		Share premium		Accumulated Losses		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)	3,329,676	2,541,404	57,030,513	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)	3,329,676	2,541,404	56,490,500	65,761,745
Net profit/(loss) attributable to equity holders of the Company for the three months ended 30 June	—	—	—	—	(227,270)	(3,368,942)	—	—	(227,270)	(3,368,942)
Balance as at 30 June	61,000,000	61,000,000	75,089,571	75,089,571	(83,156,017)	(76,238,172)	3,329,676	2,541,404	56,263,230	62,392,803
Net profit/(loss) attributable to equity holders of the Company for the three months ended 30 September	—	—	—	—	3,983,569	4,713,967	—	—	3,983,569	4,713,967
Balance as at 30 September	<u>61,000,000</u>	<u>61,000,000</u>	<u>75,089,571</u>	<u>75,089,571</u>	<u>(79,172,448)</u>	<u>(71,524,205)</u>	<u>3,329,676</u>	<u>2,541,404</u>	<u>60,246,799</u>	<u>67,106,770</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the nine months ended 30 September 2008, the Group is principally engaged in (1) biological compound fertilizer products, including a series of products under the brands of “Fulilong” and “Lvzhou” and (2) medical and health products, including a series of health products for diabetics, a series of sugar-free products which are beneficial to the health of human body and medical device products.

For the nine months ended 30 September 2008, the two major products also achieved double-digit growth in turnover. In particular, the production bases of the Group, which are located at Dongguan, Guangdong Province and Weifang, Shandong Province, have recorded substantial growth in scales of manufacturing and sales, the total turnover of the Group increased by 52.79% over the corresponding period in 2007 to RMB376,926,925. Meanwhile, the gross profit margin increased slightly from 15.51% to 16.06%. Since the turnover and gross profit margin of different products produced by the Group have increased, and at the same time the gross profit margin of biological compound fertilizer products, which represent a higher portion of the Group’s total turnover, has also increased significantly, the Group’s overall gross profit rose by 58.26% over the corresponding period in 2007 to RMB60,541,497.

For the nine months ended 30 September 2008, the Company achieved a profit attributable to the equity holders of RMB3,216,286 (representing an earning per share of RMB0.53 cents) as compared with a loss of RMB1,301,152 (representing a loss per share of RMB0.21 cents) incurred for the corresponding period last year.

For the nine months ended 30 September 2008, approximately 87.36% of the total turnover was generated from the sales of the compound fertilizer products. The remaining was generated from the medical and health products.

Fertilizer Products

For the nine months ended 30 September 2008, the sales of the Group’s fertilizer products were RMB329,274,734, and the sales gross profit was RMB38,460,917 (the sales gross profit of fertilizer products for the nine months ended 30 September 2007: RMB20,684,230). The difficulty faced by the fertilizer products operation was enormous. The overall demand from customers continued to shrink with the passing of cost burdens to end-users under the impact of worldwide skyrocketing of prices in energy, resources and raw materials as well as national macro-control policies in the first half of 2008. In view of such market changes in the third quarter, the Group adhered to the marketing policies of concentrating on customer groups that cultivate high value-added commercial crops and promoting products with higher gross profit margin while expanding the market share. For the nine months ended 30 September 2008, sales of GD Fulilong increased by 16.04% from that of the corresponding period last year, while the production base in Shandong achieved a sales revenue of RMB130,749,143, representing a rise of nearly four times from the corresponding period last year, with its unremitting efforts in expanding production scale and sales.

Medical and Health Products

For the nine months ended 30 September 2008, the sales of the Group's medical and health products was RMB47,652,191, representing an increase of approximately 23.16% as compared with the corresponding period last year. The increase was mainly attributable to the growth of the sales of diabetic health food and sugar-free food under the brand name of "Alpha". The gross profit margin of "Alpha" products for the nine months ended 30 September 2008 was 47.39 % (for the nine months ended 30 September 2007: 46.47%).

Distribution and selling

For the nine months ended 30 September 2008, the Group's distribution and selling expenses amounted to approximately RMB24,875,182, representing an increase of approximately 29.64% as compared with that recorded in the corresponding period of last year (2007: RMB19,187,270). The increase was mainly due to a rise in sales expenses resulting from the expansion of sales achieved by the production base in Shandong. However, the proportion of distribution and selling expenses to sales had dropped from 7.78% in the first three quarters of last year to 6.60% in the first three quarters of this year.

Research and development and administration

During the nine months ended 30 September 2008, the Group's research and development and administrative expenses amounted to approximately RMB22,668,167, representing an increase of 88.52% as compared with such expenses recorded in the corresponding period of last year (2007: RMB12,024,112). The proportion of such expenses to sales had increased from 4.87% in the period last year to 6.01% in the period this year, and this was mainly due to the relatively larger extent in the rise of administrative and research and development expenses as compared with the corresponding period last year upon the commencement of full operation of SD Fulilong, a subsidiary of the Company, an increase in the investment in the research and development by GD Fulilong as well as an increase in the coverage of provision for bad debts under the Group's prudent financial policy. The Group will continue to adopt stringent cost control measures, and ensure necessary investment in research and development. It will also strive to control the research and development and administrative expenses reasonably while continuously expanding the scale of sales.

The total number of employees of the Group decreased from 733 as at 30 September 2007 to 688 as at 30 September 2008.

DISCLOSEABLE TRANSACTION IN RESPECT OF DISPOSAL OF AN ASSOCIATE

In the report dated 14 August 2008 published on the GEM website and the circular dated 1 September 2008 issued by the Company, it was announced that GD Fulilong, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement on 13 August 2008, pursuant to which, it has agreed to dispose of 40% equity interests in Shaanxi Xing Fu Fertilizer Company Limited ("Shaanxi Xingfu") to Shaanxi Xinghua Chemistry Company Limited ("Shaanxi Xinghua"), at a cash consideration of RMB21,927,960 (approximately HK\$24,974,897). Shaanxi Xinghua, the purchaser, is a PRC company listed on the Shenzhen Stock Exchange and is an independent third party to the Company. The disposal of the 40% equity interests in Shaanxi Xingfu by GD Fulilong constituted a discloseable transaction to the Company and was completed in the third quarter.

Future Outlook

The cost burdens to the compound fertilizer industry under the impact of the hike in the prices of raw materials have been shifted to lower-stream players. The price of fertilizer products has been affected by the purchasing power of the end-users and, ultimately, prices of agricultural products. Although prices of agricultural products in the PRC have been on a steady surge over the years, the growth in the purchasing power of the end-users of fertilizers still lags far behind the rise in consumer price index and fertilizer price in the current year.

On 1 September 2008, the PRC government adjusted the rate of special export tariff for chemical fertilizers, pursuant to which the export tariff rate on compound fertilizers and their raw materials has been increased to 130%-185% and 125%-130%, respectively. The implementation of such special export tariff has restricted the export of chemical fertilizers by the PRC enterprises and under such impact, an adjustment and a fall in both the prices of raw materials, such as nitrogen and phosphorous fertilizers, and compound fertilizer products were seen. With no significant change in the domestic market demand and supply, coupled with the fact that market players have become more conservative, the industry is facing a hard time in the marketing of compound fertilizers.

The Group believes that opportunities come along with challenges. Encountering recent market fluctuations, our Company enjoys several competitive edges in terms of its considerable scale of operation, market share and technological edges, and it will closely examine the government policies in relation to the fertilizer industry in order to identify and mitigate policy risks and improve the Company's capability in analyzing and predicting the market trends, in particular the bulk raw materials market. To capture the opportunities and to perfect its organic growth plan, the Company will distinguish itself from the small enterprises by adopting differentiation strategies such as boosting technological advancement for its major products, reducing production cost by capitalizing its technical edges and economies of scale, improving professional services for agricultural customers, emphasizing the environmental-friendly characteristics of its products and expanding prime customer base.

In the face of the ever-expanding domestic medical and health product market, the Group will sustain the growth of its medical and health product business through maintaining its existing relatively stable product portfolio and prudent market strategy and broadening its market share in leading products, especially the sugar-free food.

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

As at 30 September 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:

Director	Number of shares held and nature of interests					Total	Percentage of the issued share capital
	Personal (note)	Family	Corporate	Other			
Mr. Xie Kehua	9,000,000	–	–	–	9,000,000	1.48%	

Note: All represented domestic shares.

Save as disclosed in this paragraph, as at 30 September 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 GEM 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 30 September 2008, 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 30 September 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.

COMPETING INTERESTS

During the nine months ended 30 September 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.

AUDIT COMMITTEE

The Audit Committee of the Company clearly states its rights and responsibilities in a written document of which the terms are prepared and implemented with reference to "A Guide for the Formation of an Audit Committee" issued by Hong Kong Society of Accountants. The Audit Committee of the Company is the essential bridge between the board of directors and the auditors of the Company regarding matters relating to auditing. It also reviews the outer and inner effects of auditing as well as the inner monitoring and risk assessment. The Audit Committee of the Company consists of three independent non-executive directors, being Professor Xian Guoming, Mr. Guan Tong and Mr. Wu Chen.

The Committee has reviewed the Group's unaudited consolidated results for the nine months ended 30 September 2008 and report for the same period.

SHARE OPTION SCHEME

During the nine months ended 30 September 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.

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 nine months ended 30 September 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 with all the code provisions.

By order of the Board
Wang Shuxin
Chairman

Tianjin, the PRC
6 November 2008

As at the date of this report, the Board comprises of three executive Directors, being Mr. Wang Shuxin, Mr. Zhang Songhong and Mr. Xie Kehua; 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.