



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 2009

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 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

- For the nine months ended 30 September 2009, the adverse effect of the financial crisis on biological compound fertilizer and its raw material market prolongs, the market was still weak while prices still fluctuate. Through the Group's effort in exploring potential in the market and strengthening internal management, despite under a difficult situation where turnover decreased by 9.48% compared with the corresponding period last year (amounting to RMB341,195,792), the Group has enhanced the competitive edges of its products and implemented stringent cost control on products, increasing gross profit by 12.04% to RMB67,829,895 compared with the corresponding period last year.
- For the nine months ended 30 September 2009, the consolidated gross profit margin of the Group increased to 19.88% from 16.06% of the corresponding period last year.
- For the three months ended 30 September 2009, although the Group's turnover decreased by 26.24% from the corresponding period last year to RMB96,708,874, through effective measures, the Group had maintained the gross profit for the third quarter at about the same level of the corresponding period last year, just slightly decreased by 1.02% to RMB23,103,093, while gross profit margin substantially increased to 23.89% from 17.8% of the corresponding period last year.
- For the nine months ended 30 September 2009, equity attributable to equity holders decreased from profit of RMB3,216,286 (profit per share 0.53 cents) of the corresponding period last year to profit of RMB2,088,207 (profit per share 0.22 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 ended 30 September 2009, together with the comparative figures of the corresponding period in 2008 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	
		2009 (Unaudited) <i>RMB</i>	2008 (Unaudited) <i>RMB</i>	2009 (Unaudited) <i>RMB</i>	2008 (Unaudited) <i>RMB</i>
Turnover	2	341,195,792	376,926,925	96,708,874	131,114,261
<i>Less: sales tax</i>					
Cost of sales		(273,365,897)	(316,385,428)	(73,605,781)	(107,773,841)
Gross profit		67,829,895	60,541,497	23,103,093	23,340,420
Other revenue/(expenditure)		507,314	(1,120,790)	612,951	(664,105)
Distribution and selling expense		(31,679,534)	(24,875,182)	(11,221,222)	(8,743,047)
R&D and administrative expenses		(26,415,782)	(22,668,167)	(7,691,176)	(8,518,305)
Operating profit		10,241,893	11,877,358	4,803,646	5,414,963
Finance costs		(5,052,525)	(8,368,418)	(1,452,006)	(2,576,282)
Gain on disposal of subsidiaries		–	2,947,319	–	2,947,319
Profit before taxation		5,189,368	6,456,259	3,351,640	5,786,000
Taxation	3	(1,616,014)	(1,546,580)	(622,048)	(924,931)
Profit for the period		3,573,354	4,909,679	2,729,592	4,861,069
Attributable to:					
Equity holders of the Company		2,088,207	3,216,286	2,607,254	3,983,569
Minority interests		(1,485,147)	(1,693,393)	(122,338)	(877,500)
		3,573,354	4,909,679	2,729,592	4,861,069
Profit per share	4	0.22 cents	0.53 cents	0.27 cents	0.65 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 RMB89,633,494 as at 30 September 2009. 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 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 result for the nine months ended 30 September 2009 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 2008.

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	
	2009 RMB	2008 RMB	2009 RMB	2008 RMB
Turnover				
Fertilizer products	280,598,358	329,274,734	72,773,832	110,467,874
Medical & health products	60,597,434	47,652,191	23,935,042	20,646,387
	341,195,792	376,926,925	96,708,874	131,114,261

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 20%. The Company has not provided for any EIT (2008: 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. EIT has been provided at 20% (2008: 18%) of taxable income for the period.

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 concessionary EIT rate 24%. SD Fulilong has not provided for any EIT since it has no taxable income for the period (2008: 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	
	2009	2008
	RMB’000	RMB’000
Current Tax		
Hong Kong	Nil	Nil
Other Jurisdictions	1,616	1,547

The income tax charge in Hong Kong is Nil for the period ended 30 September 2009 (September 2008: Nil) as the Company did not carry on any business in Hong Kong during the period .The income tax charge in the PRC is 1,616,014 for the period ended 30 September 2009 (September 2008: 1,546,580).

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

	For the nine months ended 30 September	
	2009	2008
	RMB’000	RMB’000
Profit/(loss) before tax	5,189	6,456
Tax calculated at the EIT rate of 25%	1,297	1,614
Tax rate differential	(962)	(1,348)
Effect of tax holiday exemption	–	–
Effect of the tax losses on consolidation	1,281	1,281
Tax effect of expenses that are not deductible in determining taxable profit	–	–
	1,616	1,547
Tax expense for the period	1,616	1,547

4. Profit per share

For the nine months ended 30 September 2009, the calculation of profit per share is based on the Group’s profit attributable to equity holders of RMB2,088,207 (September 2008: profit of RMB3,216,286), divided by the total number of shares issued by the Company of 950,000,000 shares (September 2008: 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 2009 (September 2008: Nil).

MOVEMENT OF RESERVES

	Share Capital		Share premium		Accumulated Losses		Reserve		Total	
	2009 RMB	2008 RMB	2009 RMB	2008 RMB	2009 RMB	2008 RMB	2009 RMB	2008 RMB	2009 RMB	2008 RMB
Balance as at 1 January	95,000,000	61,000,000	74,869,185	75,089,571	(91,721,701)	(82,388,734)	3,675,041	3,329,676	81,822,525	57,030,513
Net profit/(loss) attributable to equity holders of the Company for the three months ended 31 March		-			1,350,148	(540,013)	-	-	1,350,148	(540,013)
Balance as at 31 March	95,000,000	61,000,000	74,869,185	75,089,571	(90,371,553)	(82,928,747)	3,675,041	3,329,676	83,172,673	56,490,500
Net profit/(loss) attributable to equity holders of the Company for the three months ended 30 June		-			(1,869,195)	(227,270)	-	-	(1,869,195)	(227,270)
Balance as at 30 June	95,000,000	61,000,000	74,869,185	75,089,571	(92,240,748)	(83,156,017)	3,675,041	3,329,676	81,303,478	56,263,230
Net profit/(loss) attributable to equity holders of the Company for the three months ended 30 September		-			2,607,254	3,983,569	-	-	2,607,254	3,983,569
Balance as at 30 September	95,000,000	61,000,000	74,869,185	75,089,571	(89,633,494)	(79,172,448)	3,675,041	3,329,676	83,910,732	60,246,799

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the nine months ended 30 September 2009, the Group has been principally engaged in (1) biological fertilizer products, including a series of biological compound fertilizer products under the brands of “Fulilong” and “Lvzhou”; and (2) medical and health products, including a series of health products for diabetes and sugar-free products beneficial to the health of the human body.

For the nine months ended 30 September 2009, turnover of our medical and health products increased by 27.17% to RMB60,597,434, while the turnover of our biological compound fertilizer products decreased by 14.78%. Overall turnover of the Group decreased by 9.48% to RMB341,195,792 compared with the corresponding period in 2008, while consolidated gross profit margin increased from 16.06% to 19.88%. Although there was a slight decrease in the turnover of our biological compound fertilizer products, as the turnover and gross profit margin of our medical and health products both increased, and the gross profit of our biological compound fertilizer products, which account for a large portion of the Group’s total turnover, also increased, uplifting the Group’s overall gross profit by 12.04% to RMB67,829,895.

For the nine months ended 30 September 2009, equity attributable to equity holders of the Company decreased from profit of RMB3,216,286 (profit per share of 0.53 cents) of the corresponding period last year to profit of RMB2,088,207 (profit per share of 0.22 cents).

For the nine months ended 30 September 2009, approximately 82.24% of total turnover was contributed by the sales of biological compound fertilizer products, while the remaining was derived from the sales of medical and health products.

Fertilizer products

For the nine months ended 30 September 2009, sales of the Group's fertilizer products amounted to RMB280,598,358, while gross profit from sales reached RMB37,379,500 (gross profit from sales of fertilizer products for the nine months ended 30 September 2008: RMB38,460,917). As global economy has yet to fully recover, the market condition of the international as well as domestic fertilizer markets were still not optimistic. Demand for fertilizer products was still weak as a result of price fluctuation. Through the Group's effort in exploring potential in the fertilizer market and fine-tuning our internal operation management, despite under a difficult situation where turnover of our biological compound fertilizer products decreased by 14.78% compared with the corresponding period last year (amounting to RMB280,598,358), the Group has enhanced the competitive edges for its products and implemented stringent cost control on products, increasing gross profit margin to 13.32%.

In order to overcome the huge pressure on sales growth caused by the weak sentiment in the domestic biological compound fertilizer market, the Group's first priority was to make additional investment to the relatively weaker northern market and actively maintain market share, so as to fully prepare for the recovery of the fertilizer market.

Medical and health products

For the nine months ended 30 September 2009, sales of the Group's medical and health products amounted to RMB60,597,434, representing an increase of approximately 27.17% compared with the corresponding period last year. The increase in sales was mainly attributed to the increase in the sales of sugar-reducing health foods and sugar-free foods under the "Alpha" brand, in particular during the third quarter, when the 60th Anniversary of the foundation of China and Mid-Autumn Festival eve significantly drove up the consumer market. The gross profit margin of "Alpha" products for the nine months ended 30 September 2009 was 50.25% (for the nine months ended 30 September 2008: 47.39%).

Distribution and Sales

For the nine months ended 30 September 2009, the Group's distribution and sales expenses amounted to approximately RMB31,679,534, representing an increase of approximately 27.35% compared with the corresponding period last year (2008: RMB24,875,182). The increase was mainly due to the need for exploring the medical and health products market, and the additional investment made to the northern biological compound fertilizer market to overcome the weak market sentiment.

R&D and Administration

For the nine months ended 30 September 2009, R&D and administration expenses of the Group amounted to approximately RMB26,415,782, representing an increase of 16.53% compared with the corresponding period last year (2008: RMB22,668,167). The increase was mainly due to the R&D expenses of the Group's subsidiaries increased significantly compared with the corresponding period last year; and as the Group has adopted a prudent treasury policy, the provision rate and scope for bad debt and inventory have increased and expanded respectively. The Group will continue to adhere to its stringent cost control policy ensuring necessary R&D investment.

The total number of employees of the Group increased from 688 as at 30 September 2008 to 714 as at 30 September 2009.

Future Outlook

Owing to the impact of the of financial crisis, prices of raw materials increase substantially at first and then dropped back down dramatically. Huge fluctuation in the prices of raw materials and products has caused the weak sentiment in the global fertilizer market to continue to overcast. The "wait and see" attitude of the fertilizer users caused by the cost pressure during the period when the prices of fertilizers rose had converted into weak consumption, and the situation had fully spread to the upstream and downstream markets. At present, the market has shown signs of gradual stabilization, and fertilizer enterprises are becoming increasingly optimistic towards the market.

On 24 August 2009, the State Council issued document "Guo Fa (2009) No.31" "Decision about Further Deepening the Reformation of the Chemical Fertilizer System" ("國發(2009) 31號"文件《關於進一步深化化肥流通體制改革的決定》), it is clearly stated that the operating restriction for the fertilizer business should be released; enterprises' operation behavior should be regulated; chain operation should be encouraged; and market supervision management should be strengthened. Following the issue of "Guo Fa (1998) No.39" (國發(1998) 39號), the above document is another important document to preliminary rationalizing various relationships within the fertilizer market. It has important meanings towards building a more prosperous, regulated and stable fertilizer market. During the current market downturn, the above document can help to promote healthy development of the fertilizer market, thus bring higher value to the society.

Under the current market condition, besides actively adjusting our product mix and developing new potential products, the Group also needs to conduct analysis and research on the complicated and changing fertilizer end-market in different stages. The Group will adopt different sales boosting policy and place effort into the market according to different regions and maturity. In the meantime, the Group will put effort in exploring niche markets. While perfecting a reasonable arrangement for the nationwide market, the Group will take advantage of the distinctive technology platform "Land Specialist Hospital (土地專家醫院)" to optimize our agricultural chemical fertilizer network and consolidate our brand advantage, so as to position itself to capture emerging business opportunities as soon as the market recovers.

With years of stable growth, the Group's medical and health products are now ready to enter into a rapid development phase. The Group will base on the current product mix and the actual results of our marketing strategy, place additional resources to products with competitive edges. In particular, we will try to capture a larger market share for our sugar-free foods during special festivals and holidays, driving a faster growth in the sales and profit of the Group's health products.

PROPOSED ISSUE OF DOMESTIC SHARES, PROPOSED SPECIFIC MANDATE AND PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

(RESULTS OF EXTRAORDINARY GENERAL MEETING AND CLASS MEETINGS)

The Company issued an announcement on 12 June 2009 and a circular (the “Circular”) on 23 June 2009, in relation to the proposed issue of 470,000,000 new domestic shares pursuant to the subscription agreement, the proposed specific mandate and the proposed amendment to the Articles of Association. The Company has issued the notices of the extraordinary general meeting, the class meeting of the holders of domestic shares and the class meeting of the holders of H shares (the “Notices”) together with the Circular, and all the resolutions set out in the Notices were duly passed by poll at the extraordinary general meeting and the class meetings held on 10 August 2009. The registration procedure for the changes at the relevant department is under process.

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

As at 30 September 2009, the interests of the directors and the 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 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	0.95%	

Note: All represented domestic shares.

Save as disclosed in this paragraph, as at 30 September 2009, none of the directors and the supervisors of the Company had any 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) to be notified to the Company and the Stock Exchange pursuant to the requirements set out in GEM Listing Rules 5.46 to 5.67 relating to securities transactions by directors required 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 that enables 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 acquiring shares in the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2009, 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 issued share capital
Tianjin TEDA International Incubator	Beneficial owner	200,000,000 <i>(Note 1)</i>	21.05%

Note:

1. All represented domestic shares.

The Company issued an announcement on 12 June 2009 and a circular (the “Circular”) on 23 June 2009, in relation to the proposed issue of 470,000,000 new domestic shares pursuant to the subscription agreement, the proposed specific mandate and the proposed amendment to the Articles of Association. The Company has issued the notices of the extraordinary general meeting, the class meeting of the holders of domestic shares and the class meeting of the holders of H shares (the “Notices”) together with the Circular, and all the resolutions set out in the Notices were duly passed by poll at the extraordinary general meeting and the class meetings held on 10 August 2009. The registration procedure for the changes at the relevant department is under process.

Save as disclosed above, as at 30 September 2009, the directors of the Company were not aware of any other person (other than the directors and the supervisors of the Company) who had any 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 of the Company carrying rights to vote in all circumstances at its general meetings.

COMPETING INTERESTS

During the nine months ended 30 September 2009, 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 that are required to be disclosed pursuant to the GEM Listing Rules.

AUDIT COMMITTEE

The rights and responsibilities of the audit committee of the Company were clearly set out in a written terms of reference, the provisions of which were prepared and implemented with reference to “A Guide for the Formation of an Audit Committee” issued by the Hong Kong Institute of Certified Public Accountants. The audit committee of the Company is the essential bridge between the Board and the auditors of the Company regarding matters relating to auditing about the Group. It also reviews the efficiency of the external and internal auditing as well as the internal management 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 third quarter results for the nine months ended 30 September 2009 and report for the third quarter of the year.

SHARE OPTION SCHEME

During the nine months ended 30 September 2009, 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 into or existed in the nine months ended 30 September 2009.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption of shares of the Company made by the Company or any of its subsidiaries during the nine months ended 30 September 2009.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry to all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the nine months ended 30 September 2009.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to establishing and maintaining good corporate governance practice code and procedures. The corporate governance principles with which the Company complies emphasize on an efficient board of directors and perfect internal control, as well as the transparency to all of the shareholders. For the nine months ended 30 September 2009, the Company has adopted the principles of the Code on Corporate Governance Practices (“CG Code”) as set out in 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, 5 November 2009

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