



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 2010**

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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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

- Turnover of the Group for the three months ended 30 September 2010 amounted to RMB137,448,013, representing an increase of 42.13% compared with corresponding period of last year; while the sales revenue of the Group for the nine months ended 30 September 2010 amounted to RMB327,236,524, representing a decrease of 4.09% compared with corresponding period of last year.
- Gross profit of the Group for the nine months ended 30 September 2010 amounted to RMB56,226,642, representing a decrease of 17.11% compared with corresponding period of last year. The consolidated gross profit margin of the Group has decreased to 17.18% from 19.88% of the corresponding period of last year.
- Profit attributable to owners of the Company for the nine months ended 30 September 2010 has increased 62.33% compared with the corresponding period of last year to RMB3,389,685.
- For the nine months ended 30 September 2010, the earnings per share of our Company was RMB0.24 cents. (For the nine months ended 30 September 2009: earnings per share of RMB0.22 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 2010, together with the comparative figures of the corresponding period in 2009 as follows:

#### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the nine months ended 30 September		For the three months ended 30 September	
		2010 (Unaudited) RMB	2009 (Unaudited) RMB	2010 (Unaudited) RMB	2009 (Unaudited) RMB
Turnover	2	<b>327,236,524</b>	341,195,792	<b>137,448,013</b>	96,708,874
Cost of sales		<b>(271,009,882)</b>	(273,365,897)	<b>(116,977,080)</b>	(73,605,781)
Gross profit		<b>56,226,642</b>	67,829,895	<b>20,470,933</b>	23,103,093
Other income less other expenses		<b>9,910,974</b>	507,314	<b>6,212,792</b>	612,951
Selling and distribution costs		<b>(29,422,834)</b>	(31,679,534)	<b>(9,795,452)</b>	(11,221,222)
Administrative expenses		<b>(16,527,178)</b>	(20,346,324)	<b>(7,379,263)</b>	(5,243,543)
Research and development expenses		<b>(11,337,517)</b>	(6,069,458)	<b>(4,978,443)</b>	(2,447,633)
Finance costs		<b>(3,948,220)</b>	(5,052,525)	<b>(1,369,107)</b>	(1,452,006)
Profit before taxation		<b>4,901,867</b>	5,189,368	<b>3,161,460</b>	3,351,640
Income tax	3	<b>(1,052,773)</b>	(1,616,014)	<b>(598,458)</b>	(622,048)
Profit and comprehensive income for the period		<b>3,849,094</b>	3,573,354	<b>2,563,002</b>	2,729,592
Attributable to :					
Owners of the Company		<b>3,389,685</b>	2,088,207	<b>1,324,086</b>	2,607,254
Minority interests		<b>(459,409)</b>	(1,485,147)	<b>(1,238,916)</b>	(122,338)
		<b>3,849,094</b>	3,573,354	<b>2,563,002</b>	2,729,592
Earnings per share					
– Basic (RMB)	4	<b>0.24 cents</b>	0.22 cents	<b>0.09 cents</b>	0.27 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 RMB83,045,766 as at 30 September 2010. 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 2010 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 2009.

## 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	
	2010 RMB	2009 RMB	2010 RMB	2009 RMB
Turnover				
Fertilizer products	<b>260,733,760</b>	280,598,358	<b>110,817,663</b>	72,773,832
Medical & health products	<b>66,502,764</b>	60,597,434	<b>26,630,350</b>	23,935,042
	<b>327,236,524</b>	341,195,792	<b>137,448,013</b>	96,708,874

## 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 Shandong Fulilong Fertilizer Co. LTD. can continue to enjoy the preferential tax rates during the transitional period and are subject to EIT rate of 22% for the year (2009: 20%).

The Company has not provided for any EIT since it has no taxable income for the period of 2010 (2009: nil).

On 8 June 2009, Tianjin Alpha HealthCare Products Co., Ltd ("Alpha"), was approved as a new and high technology enterprise and was therefore entitled to a preferential tax rate of 15% (2009: 15%) for the period from 8 June 2009 to 7 June 2012.

SD Fulilong has not provided for any EIT since it has no taxable income for the period (2009: nil).

On 16 December 2008, 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% (2009: 15%) for the period from 8 June 2009 to 7 June 2012.

**(b) Income tax expense**

	<b>For the nine months ended 30 September</b>	
	<b>2010</b>	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Current Tax		
Hong Kong	<b>Nil</b>	Nil
Other Jurisdictions	<b>1,053</b>	1,616

The income tax charge in Hong Kong is Nil for the period ended 30 September 2010 (September 2009: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is 1,052,773 for the period ended 30 September 2010 (September 2009: 1,616,014).

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

	<b>For the nine months ended 30 September</b>	
	<b>2010</b>	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<b>4,902</b>	5,189
Tax calculated at the EIT rate of 25%	<b>1,226</b>	1,297
Tax rate differential	<b>(1,041)</b>	(962)
Effect of tax holiday exemption	-	-
Effect of the tax losses on consolidation	<b>868</b>	1,281
Tax effect of expenses that are not deductible in determining taxable profit	-	-
	<hr/>	<hr/>
Tax expense for the period	<b>1,053</b>	1,616

**4. EARNINGS PER SHARE**

For the nine months ended 30 September 2010, the calculation of earnings per share is based on the Group’s profit attributable to equity holders of RMB3,389,685 (September 2009: profit of RMB2,088,207), divided by the total number of shares issued by the Company of 1,420,000,000 shares (September 2009: 1,022,222,222 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 2010 (September 2009: Nil).

## MOVEMENT OF RESERVES

	Share Capital		Share premium		Accumulated Losses		Reserve		Total	
	2010 RMB	2009 RMB	2010 RMB	2009 RMB	2010 RMB	2009 RMB	2010 RMB	2009 RMB	2010 RMB	2009 RMB
Balance as at 1 January	<u>142,000,000</u>	<u>95,000,000</u>	<u>75,816,410</u>	<u>74,869,185</u>	<u>(86,435,451)</u>	<u>(91,721,701)</u>	<u>3,537,570</u>	<u>3,675,041</u>	<u>134,918,529</u>	<u>81,822,525</u>
Net profit attributable to equity holders of the Company for the three months ended 31 March	-	-	-	-	<u>34,183</u>	<u>1,350,148</u>	-	-	<u>34,183</u>	<u>1,350,148</u>
Balance as at 31 March	<u>142,000,000</u>	<u>95,000,000</u>	<u>75,816,410</u>	<u>74,869,185</u>	<u>(86,401,268)</u>	<u>(90,371,553)</u>	<u>3,537,570</u>	<u>3,675,041</u>	<u>134,952,712</u>	<u>83,172,673</u>
Net profit/(loss) attributable to equity holders of the Company for the three months ended 30 June	-	-	-	-	<u>2,031,416</u>	<u>(1,869,195)</u>	-	-	<u>2,031,416</u>	<u>(1,869,195)</u>
Balance as at 30 June	<u>142,000,000</u>	<u>95,000,000</u>	<u>75,816,410</u>	<u>74,869,185</u>	<u>(84,369,852)</u>	<u>(92,240,748)</u>	<u>3,537,570</u>	<u>3,675,041</u>	<u>136,984,128</u>	<u>81,303,478</u>
Net profit attributable to equity holders of the Company for the three months ended 30 September	-	-	-	-	<u>1,324,086</u>	<u>2,607,254</u>	-	-	<u>1,324,086</u>	<u>2,607,254</u>
Balance as at 30 September	<u>142,000,000</u>	<u>95,000,000</u>	<u>75,816,410</u>	<u>74,869,185</u>	<u>(83,045,766)</u>	<u>(89,633,494)</u>	<u>3,537,570</u>	<u>3,675,041</u>	<u>138,308,214</u>	<u>83,910,732</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the nine months ended 30 September 2010, the Group was principally engaged in (1) biological fertilizer products, including certain series of biological compound fertilizer products, and (2) medical and health products, including series of diabetic health products and sugar-free products which are beneficial to the health of human body.

For the nine months ended 30 September 2010, turnover from medical and health products amounted to RMB66,502,764, representing a year-to-year growth of 9.75%. Turnover from biological compound fertilizer products decreased by 7.08% year-to-year, amounting to RMB260,733,760. The total turnover of the Group slightly decreased by 4.09% over the corresponding period in 2009 to RMB327,236,524. Meanwhile, the consolidated gross profit margin slightly decreased from 19.88% to 17.18%. The Group's overall gross profit decreased by 17.11% to RMB56,226,642.

During the nine months ended 30 September 2010, profit attributable to the holders of the Company was RMB3,389,685, representing an increase of 62.33% compared with the corresponding period of last year. This was mainly attributable to our stringent management and control over the expenses, and the growth of income of other businesses. Earnings per share of the Company was 0.24 cents (for the nine months ended 30 September 2009: earnings per share of RMB0.21 cents).

For the nine months ended 30 September 2010, approximately 20.32% of the total turnover was generated from the sales of the medical and health products while the sales of the biological compound fertilizer products accounted for the rest.

### **Fertilizer products**

The whole fertilizer product market remained sluggish for the first half of the year, resulting in an extreme difficult environment for the Group's expansion of its fertilizer products market. On the basis of the market changes, the Group took proactive measures such as adjusting its product structure and differentiating the strategies for the markets in the south and in the north, to allow the Company to take the initiative in promptly grasping the market opportunities arising from the slight improvement in the third quarter of the year, and expanding the sales volume of each distributor in key districts. For the three months ended 30 September 2010, the sales income of fertilizer products of the Group amounted to RMB110,857,492, representing a 52.33% increase as compared to the corresponding period of last year. Therefore, the sales volume of fertilizer products of the Group for the nine months ended 30 September 2010 has only has recorded a year-to-year decrease of 7.08% to RMB260,733,760.

During the early period of the third quarter this year, the utilization rate of the enterprises in the compound fertilizer industry was less than 50%, and such rate was improved in the later period of the quarter. The Group endeavoured to overcome the adverse impacts of the market downturn on the growth of sales and proactively maintained its market share. Meanwhile, the Group has also established a foundation for exploring market potential in the fourth quarter while grasping the market opportunities.

### **Medical and health products**

For the three months ended 30 September 2010, the sales of the Group's medical and health products was RMB26,590,521, representing an increase of approximately 11.09% as compared with the corresponding period last year; while the sales of the Group's medical and health products for the nine months ended 30 September 2010 was RMB66,502,764, representing an increase of approximately 9.75% as compared with the corresponding period last year. The gross profit margin of medical and health products of the Group for the nine months ended 30 September 2010 was 43.81% (for the nine months ended 30 September 2010: 50.25%).

## **Distribution and selling**

For the nine months ended 30 September 2010, the Group's distribution and selling expenses were approximately RMB29,422,834, representing a decrease of 7.12% as compared with the corresponding period last year (2009: RMB31,679,534). Such slight decrease was mainly attributable to the fact that the Group has reasonably adjusted and appropriately controlled the expenses on marketing based on the characteristics of our products and the differences of the markets in the south and in the north.

## **Research and development and administration**

For the nine months ended 30 September 2010, administrative expenses of the Group amounted to approximately 16,527,178, representing a decrease of 18.77% compared with the corresponding period last year (2009: RMB20,346,324). The Group has adopted a prudent treasury policy while maintaining a stringent control over the administrative expenses, and has mildly increased the provision for bad debts in the third quarter. On the other hand, in order to persistently improve the market competitiveness of the Group's technology and products, the Group has incurred an expense of RMB11,337,517 for R&D for the nine months ended 30 September 2010, and this represented a year-to-year growth of 86.80% (2009: RMB6,069,458).

The total number of the employee of the Group increased from 714 as at 30 September 2009 to 753 as at 30 September 2010.

## **Future Outlook**

Although the fertilizer market was sluggish during the first half of this year, yet a gradual rebound was witnessed in the third quarter. In July, the overall utilization rate of domestic compound fertilizer enterprises was about 50%, it was subsequently improved since August following the recovery of the downstream market. The fertilizer enterprises, distributors and end-users have become more optimistic towards the market. In the near future, the domestic compound fertilizer market will grow in a steady manner.

On top of the prior adjustment in the product structure adjustment, the Group will strengthen the implementation of its established fertilizer end-market strategy, endeavor to achieve its market target of putting equal emphasis on increasing the number of sales terminals and sales capacity of store, so as to expand its market while enhancing efficiency of sales of its market network.

In September, the Ministry of Agriculture of China convened the meeting of China's measuring ground, filling a prescription and fertilizing work and set the popularization of the technique of measuring ground, filling a prescription and fertilizing work as the top priority. This allowed a wider application of such technique. The Group will, supported by the "Land Specialist Hospital", diversify its agricultural services, including the measuring ground prescription, for establishing a larger and more professional agricultural chemistry team, further integrating the work on agriculture with its work in market promotion and the R&D of new products, and developing new products which demonstrate strong market potential and required by end-users.

As a huge country with a traditional philosophy of maintaining a healthy life, China has a growing demand over health products. By the end of 2008, China has examined and approved 11,275 health products, of which 10,639 were domestic health products and 618 were imported ones, and there were more than 1,600 health product manufacturing enterprises in the PRC. In 2009, the scale of the health product market in China reached RMB91.1 billion. In recent years, the output value of the China's healthcare industry accounted for approximately 2% of the GDP, which was lower than many developing countries, and even 15% lower than the developed countries. China has become the country with the largest population of diabetics, with approximately one out of ten Chinese adults is a diabetic. In Japan, the incidence rate of diabetes is about 4%, and a rapid development of its sugar reducing health product industry is observed. In 2002, the total sales has exceeded 1000 billion yen, of which sugar reducing/weight losing health products have shared about 50% of the total sales. By the end of 2000, the average incidence rate of diabetes in China was 3.4%. Currently, the incidence rates of diabetes in Beijing and Shanghai have even reached 8% and 11% respectively. This provides a large room for the development of sugar reducing health product market. In September 2004, among the approved health products, there were 241 food products for controlling blood sugar level, only accounted for 4.2% of health products. The Group's segment on medical and health products grew steadily in line with the development of industry towards professionalism for years. The Group will also grasp the opportunities to develop sugar reducing health product and sugar-free product markets, in order to deliver a higher sales turnover of the health products of the Group.

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

As at 30 September 2010, 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	0.63%

Note: All represented domestic shares.

Save as disclosed in this paragraph, as at 30 September 2010, 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) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors relating to securities transactions by directors 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 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 2010, 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 shareholders	Capacity	Number of ordinary shares	Percentage of the issued share capital
Tianjin TEDA International Incubator ("TTII")	Beneficial owner	200,000,000 (Note 1)	14.08%
Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment")	Beneficial owner	180,000,000 (Note 2)	12.68%
Shandong Zhinong Fertilizers Company Limited ("Zhinong Fertilizers")	Beneficial owner	170,000,000 (Note 3)	11.97%
Dongguan Lvye Fertilizers Company Limited ("Lvye Fertilizer")	Beneficial owner	120,000,000 (Note 4)	8.45%

Notes: 1, 2, 3, 4 All represented domestic shares.

Save as disclosed above, as at 30 September 2010, 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 2010, 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. 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 2010 and report for the third quarter of the year.

## **SHARE OPTION SCHEME**

During the nine months ended 30 September 2010, 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 during the nine months ended 30 September 2010.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

There was no purchase, sale or redemption of shares in the Company made by the Company or any of its subsidiaries during the nine months ended 30 September 2010.

## **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 2010.

## 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 2010, the Company has adopted the principles of the Code on Corporate Governance Practices (“Code on Corporate Governance Practices”) 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, 4 November 2010

*As at the date of this report, the Board comprises 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.*