



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)

ACCOMPLISHING A NEW MILESTONE



THIRD QUARTERLY REPORT 2012

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The information set out in this report, for which the directors of Tianjin TEDA Biomedical Engineering Company Limited 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 Tianjin TEDA Biomedical Engineering Company Limited. The directors of Tianjin TEDA Biomedical Engineering Company Limited, 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

- Turnover of the Group for the nine months ended 30 September 2012 amounted to RMB484,777,199, representing an increase of 14.1% as compared to the same period of last year.
- Consolidated gross profit of the Group for the nine months ended 30 September 2012 amounted to RMB82,449,554, representing an increase of 4.9% as compared to the same period of last year.
- Profit attributable to the equity owners of the Company for the nine months ended 30 September 2012 was RMB5,332,885 (30 September 2011: RMB7,569,907); the earnings per share was RMB0.38 cents (30 September 2011: RMB0.53 cents).
- The Board does not recommend the payment of dividend for the nine months ended 30 September 2012.

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 2012, together with the comparative figures of the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the nine months ended 30 September		For the three months ended 30 September	
		2012 (Unaudited) RMB	2011 (Unaudited) RMB	2012 (Unaudited) RMB	2011 (Unaudited) RMB
Turnover	2	484,777,199	425,044,315	162,683,800	171,054,978
Cost of sales		(402,327,645)	(346,441,380)	(131,168,442)	(138,616,083)
Gross profit		82,449,554	78,602,935	31,515,358	32,438,895
Other income and net gains		798,937	829,270	313,389	102,354
Selling and distribution costs		(35,606,293)	(29,805,966)	(14,027,902)	(9,593,690)
R&D and Administrative expenses		(36,000,497)	(32,188,315)	(12,384,554)	(14,759,457)
Finance costs		(5,376,244)	(5,089,281)	(1,870,490)	(1,594,125)
Profit before taxation		6,265,457	12,348,643	3,545,801	6,593,977
Income tax	3	(352,060)	(628,763)	(333,639)	(103,982)
Profit and comprehensive income for the period		5,913,397	11,719,880	3,212,162	6,489,995
Attributable to:					
Owners of the Company		5,332,885	7,569,907	2,627,402	4,441,088
Non-controlling interests		(580,512)	(4,149,973)	(584,760)	(2,048,907)
		5,913,397	11,719,880	3,212,162	6,489,995
Earnings per share					
– Basic (RMB)		0.38 cents	0.53 cents	0.19 cents	0.31 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 RMB61,371,866 as at 30 September 2012. 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 2012 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 2011.

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	
	2012 RMB	2011 RMB	2012 RMB	2011 RMB
Turnover				
Fertilizer products	423,415,890	347,830,399	134,235,419	140,714,717
Health care products	61,361,309	77,213,916	28,448,381	30,340,261
	484,777,199	425,044,315	162,683,800	171,054,978

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 Hidersun Fertilizer Co., Ltd ("SD Hidersun") can continue to enjoy the preferential tax rates during the transitional period and are subject to EIT rate of 25% for the year (2011: 24%).

The Company has not provided for any EIT (2011: nil) since it has no taxable income for the period.

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% (2011: 15%) for the period from 8 June 2009 to 7 June 2012. As from 8 June 2012, Alpha has begun to pay the EIT at the united tax rate of 25%. Since Alpha had no taxable income during the period, it did not provide for any EIT.

SD Hidersun has not provided for any EIT since it has no taxable income for the period (2011: nil).

On 13 October 2011, 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% (2011: 15%) for the period from 1 January 2011 to 31 December 2013.

(b) Income tax expense

	For the nine months ended 30 September	
	2012	2011
	RMB'000	RMB'000
Current Tax		
Hong Kong	Nil	Nil
Other jurisdictions	352	629

The income tax charge in Hong Kong is Nil for the period ended 30 September 2012 (September 2011: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is RMB352,060 for the period ended 30 September 2012 (September 2011: RMB628,763).

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

	For the nine months ended 30 September	
	2012	2011
	RMB'000	RMB'000
Profit before tax	6,265	12,349
Tax calculated at the EIT rate of 25%	1,566	3,087
Tax rate differential	(555)	(875)
Effect of tax holiday exemption		
Effect of the tax losses on consolidation	(659)	(1,583)
Tax effect of expenses that are not deductible in determining taxable profit	-	-
Tax expense for the period	352	629

4. PROFIT PER SHARE

For the nine months ended 30 September 2012, the calculation of profit per share is based on the Group's profit attributable to equity holders of RMB5,332,885 (September 2011: profit of RMB7,569,907), divided by the total number of shares issued by the Company of 1,420,000,000 shares (September 2011: 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 2012 (September 2011: Nil).

MOVEMENT OF RESERVES

	Share Capital		Share premium		Surplus reserve		Capital reserve		Accumulated Losses		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	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	2,385,483	1,515,000	2,541,404	2,541,404	(66,704,751)	(80,812,243)	156,038,546	141,060,571
Net profit attributable to equity holders of the Company for the three months ended 31 March	-	-	-	-	-	-	-	-	1,100,197	797,921	1,100,197	797,921
Balance as at 31 March	142,000,000	142,000,000	75,816,410	75,816,410	2,385,483	1,515,000	2,541,404	2,541,404	(65,604,554)	(80,014,322)	157,138,743	141,858,492
Net profit attributable to equity holders of the Company for the three months ended 30 June	-	-	-	-	-	-	-	-	1,605,286	2,330,898	1,605,286	2,330,898
Balance as at 30 June	142,000,000	142,000,000	75,816,410	75,816,410	2,385,483	1,515,000	2,541,404	2,541,404	(63,999,268)	(77,683,424)	158,744,029	144,189,390
Net profit/(loss) attributable to equity holders of the Company for the three months ended 30 September	-	-	-	-	-	-	-	-	2,627,402	4,441,088	2,627,402	4,441,088
Balance as at 30 September	142,000,000	142,000,000	75,816,410	75,816,410	2,385,483	1,515,000	2,541,404	2,541,404	(61,371,866)	(73,242,336)	161,371,431	148,630,478

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 health care 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 2012, the Group achieved total turnover of RMB484,777,199, representing an increase of 14.1% as compared to the same period of last year (30 September 2011: RMB425,044,315); for the three months ended 30 September 2012, the Group achieved total turnover of RMB162,683,800, representing a decrease of 4.9% as compared to the same period of last year. From the classification of businesses, for the nine months ended 30 September 2012, the Group recorded turnover of RMB423,415,890 for compound fertilizer products, representing an increase of 21.7% as compared to the same period of last year (30 September 2011: RMB347,830,399); the Group recorded turnover of RMB61,361,309 for health care products, representing a decrease of 20.5% as compared to the same period of last year (30 September 2011: RMB77,213,916), mainly due to the decrease of market supply resulting from the significant restrictions on the outsource product processing under increasingly stringent national regulations on health care products.

For the nine months ended 30 September 2012, the overall gross profit in two sectors of the Group was RMB82,449,554, representing an increase of 4.9% as compared to the same period of last year (30 September 2011: RMB78,602,935); the consolidated gross profit margin of the Group was 17.0%, representing a decrease as compared to the same period of last year (30 September 2011: the consolidated gross profit margin was 18.5%), mainly due to the increase in the purchase price of raw materials and the production cost.

Facing up to the severe economic environment and market trend of this year, the management of the Group proactively developed certain new products and put them on the market, while making further efforts on marketing and promotion. For the nine months ended 30 September 2012, selling and distribution costs of the Group were RMB35,606,293, representing an increase of 19.5% as compared to the same period of last year (30 September 2011: RMB29,805,966); research and development and administrative expenses were RMB36,000,497, representing an increase of 11.8% as compared to the same period of last year (30 September 2011: RMB32,188,315). For the nine months ended 30 September 2012, the profit attributable to the owner of the Company was RMB5,332,885, representing a decrease of 29.6% as compared to the same period of last year (30 September 2011: RMB7,569,907); earnings per share of the Company were RMB0.38 cents as compared to RMB0.53 cents in the same period of last year.

Business Outlook

The market price of fertilizers remained stable in the rising trend in the first half of this year and a downturn was observed in the second half of the year. Given the fact that the growth of China's economy slows down, the issue of oversupply continued to puzzle the whole fertilizer industry. The problem of serious imbalance between supply and demand will become more apparent in the second half of this year and this may cause a plunge of the domestic fertilizer market in autumn and winter and the fertilizer industry face the pressures from various aspects such as high inventories, high costs, low selling prices, low sale volumes and shortage of capital. In face of the unfavorable market situation, the Group will take the initiatives in the technical innovation of new types of fertilizers represented by Zhilong active fertilizers, promote the modification and effectiveness of traditional fertilizers to differentiate the fertilizers for meeting the different requirements of different crops in different regions, so as to further expand our share in the fertilizer market.

Furthermore, the health care product industry in China is expected to be booming and has great potential for further development in the future. With the greater improvement in the technological development and the further optimization of the policy environment of the health care product industry in China, the development of the health care product industry will be well promoted. The youngsters, being the frequent consumers, will gradually become the major group of consumers for the health care products in China in the future and the health care product market is expected to be further expanded by such group on the basis of the aged population. The Group will seize the opportunities of market development and, on top of being in compliance with the relevant laws and regulations of the PRC, further optimize the allocation of resources and conduct foreign cooperation in various forms with a view to further stabilizing and expanding its market share.

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

As at 30 September 2012, 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:

Directors/Supervisors	Personal	Family	Corporate	Other	Total	Percentage of the issued share capital
Mr. Zhang Chunsheng	-	2,415,000 (Note 1)	180,000,000 (Note 2)	-	182,415,000	12.85%

Note 1: Mr. Zhang Chunsheng is deemed to be interested in 2,415,000 H shares due to his wife's, Jin Ling, personal interest in such H shares.

Note 2: Such shares are held by Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment"), and Mr. Zhang Chunsheng is the beneficial owner of 100% interest in Xiangyong Investment. All the shares represent domestic shares.

Save as disclosed in this paragraph, as at 30 September 2012, none of the directors, the supervisors and other executive officers of the Company had interests in any securities and 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 Stock 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 Stock 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 Stock Exchange.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

At no time during the period under review was the Company, any of 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 2012, 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 positions 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 Fertilizer")	Beneficial owner	170,000,000 (Note)	11.97%
Dongguan Lvye Fertilizers Company Limited ("Lvye Fertilizers")	Beneficial owner	120,000,000 (Note)	8.45%

Note: All shares represent domestic shares

Save as disclosed above, as at 30 September 2012, 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 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 and/or who was 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.

THE PLACING

Reference is made to the announcement of the Company dated 17 February 2012 and the notice and circular of the extraordinary general meeting of the Company (the “EGM”) dated 24 May 2012 (the “Circular”) in relation to the proposed placing of New Placing H Shares, proposed granting of a specific mandate and proposed amendments of articles of association of the Company. According to the poll results of the EGM, the above resolutions had been duly passed. Please refer to the results announcement of the EGM and the class meetings of the Company dated 10 July 2012 for details. Accordingly, the placing agent (Guosen Securities (Hong Kong) Capital Co., Ltd) has conditionally agreed to place, on a best efforts basis, not more than 192,500,000 H Shares at the placing price.

Investors should be aware that, apart from the Shareholders’ approvals at the EGM and the class meetings, the placing is still subject to the satisfaction of a number of conditions which are more particularly set out in the paragraph headed “Conditions of the Placing Agreement” in the Circular.

CONTINGENT LIABILITIES

As at 30 September 2012, the Company had contingent liabilities amounting to RMB43,000,000 (30 September 2011: RMB34,000,000) in connection with the guarantee provided by the Company to secure the bank loans granted to its subsidiaries.

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 Professor Cao Kai, 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 quarter report of the Group for the nine months ended 30 September 2012.

SHARE OPTION SCHEME

The Company’s share option scheme (the “Scheme”) was approved by a resolution of the shareholders of the Company dated 25 May 2002 and was remained in force for ten years until 24 May 2012. Upon expiry of the Scheme, the Company has not approved any new share option scheme.

During the nine months ended 30 September 2012, none of the directors or supervisors or employees of the Company or other participants of the Scheme were granted any option to subscribe for the H-shares of the Company in the remaining period of validity of the 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 or exited during the period under review.

COMPETING INTERESTS

During the nine months ended 30 September 2012, none of the directors, the supervisors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) competed or may compete with the business of the Group, or had or may have any other conflicts of interest with the Group required to be disclosed pursuant to the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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 emphasize on an efficient board of directors and sound internal control, as well as the transparency presented to all of the shareholders. For the nine months ended 30 September 2012, the Company has adopted the principles as set out in the Code on Corporate Governance 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, 8 November 2012

As at the date of this report, the Board comprises three executive directors, being Mr. Wang Shuxin, Mr. Hao Zhihui and Mr. Zhang Chunsheng; 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. Cao Kai.

This report will remain on the "Latest Company Announcements" page of the Growth Enterprise Market website at www.hkgem.com for at least 7 days from the day of its posting and on the Company's website at www.bioteda.com.