



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)

FIRST QUARTERLY REPORT FOR 2011

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

- Turnover of the Group for the three months ended 31 March 2011 amounted to RMB115,783,107, representing an increase of 22.92% as compared to the corresponding period of last year.
- Gross profit of the Group for the three months ended 31 March 2011 increased by 20.31% from the corresponding period of last year to RMB24,060,874. Gross profit margin recorded at 20.78%.
- Profit attributable to the equity owners of the Group for the three months ended 31 March 2011 was RMB797,921 (first quarter of 2010, profit attributable to the equity owners: RMB34,183) and the earning per share was RMB0.056 cents (first quarter of 2010: earnings per share: RMB0.0024 cents).

QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “Board”) of Tianjin TEDA Biomedical Engineering Company Limited (the “Company”) is pleased to announce the unaudited quarterly results of the Company and its subsidiaries (hereafter collectively referred to as the “Group”) for the three months ended 31 March 2011, together with the comparative figures of the corresponding period in 2010 as follows:

		For the three months ended 31 March	
		2011	2010
		RMB	RMB
	<i>Notes</i>	(Unaudited)	(Unaudited)
Turnover	2	115,783,107	94,191,736
Cost of sales		<u>(91,722,233)</u>	<u>(74,193,282)</u>
Gross profit		24,060,874	19,998,454
Other income less other expenses		223,556	653,817
Selling and distribution costs		(10,900,928)	(10,466,801)
R&D and administrative expenses		(9,802,257)	(9,253,591)
Finance costs		<u>(1,559,264)</u>	<u>(1,157,291)</u>
Profit/(loss) before taxation		2,021,981	(225,412)
Income tax	3	<u>(382,211)</u>	<u>(454,315)</u>
Profit/(loss) and comprehensive income for the period		<u>1,639,770</u>	<u>(679,727)</u>
Attributable to:			
Owners of the Company		797,921	34,183
Minority interests		<u>841,849</u>	<u>(713,910)</u>
		<u>797,921</u>	<u>(679,727)</u>
Earnings per share – Basic (<i>RMB</i>)	4	<u>0.056 cents</u>	<u>0.0024 cents</u>

Notes:

1. Basis of presentation and accounting policies

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"). In the current period, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKAS") (collectively "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants which are relevant to its operations and effective for accounting periods beginning on or after 1 January 2010. The application of the new HKFRSs has had no material impact on the Group's unaudited results of operations and financial position. 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 RMB80,014,322 as at 31 March 2011. 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 three months ended 31 March 2011 on the going concern basis. 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 2010.

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 three months ended 31 March	
	2011	2010
	RMB	RMB
Turnover		
Fertilizer products	84,773,061	68,739,300
Medical & health products	31,010,046	25,452,436
	115,783,107	94,191,736

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 24% for the year (2010: 22%).

The Company has not provided for any EIT (2010: 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% (2010: 15%) for the period from 8 June 2009 to 7 June 2012.

SD Hidersun has not provided for any EIT since it has no taxable income for the period (2010: 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 % (2010: 15%) for the period from 8 June 2009 to 7 June 2012.

(b) *Income tax expense*

	For the three months ended 31 March	
	2011	2010
	RMB'000	RMB'000
Current Tax		
Hong Kong	Nil	Nil
Other jurisdictions	382	454

The profit tax charge in Hong Kong is Nil for the three months ended 31 March 2011 (first quarter 2010: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is RMB382,211 for the three months ended 31 March 2011 (first quarter 2010: RMB454,315).

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

	For the three months ended 31 March	
	2011	2010
	RMB'000	RMB'000
Profit before tax	2,022	(225)
Tax calculated at the EIT rate of 25%	506	(56)
Tax rate differential	(330)	(302)
Effect of tax holiday exemption	-	-
Effect of the tax losses on consolidation	206	812
Tax effect of expenses that are not deductible in determining taxable profit	-	-
	<hr/>	<hr/>
Tax expense for the period	382	454
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4. Earnings per share

For the three months ended 31 March 2011, the calculation of earnings per share is based on the Group’s profit attributable to owners of the Company of RMB797,921 (first quarter 2010: RMB34,183), divided by the total number of shares issued by the Company of 1,420,000,000 shares (first quarter 2010: 1,420,000,000 shares). Diluted earnings 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 three months ended 31 March 2011 (first quarter 2010: Nil).

MOVEMENT OF RESERVES

	Share Capital		Share premium		Accumulated Losses		Capital reserve		Surplus reserve		Total	
	2011 RMB	2010 RMB	2011 RMB	2010 RMB	2011 RMB	2010 RMB	2011 RMB	2010 RMB	2011 RMB	2010 RMB	2011 RMB	2010 RMB
Balance as at 1 January	142,000,000	142,000,000	75,816,410	75,816,410	(80,812,243)	(86,435,451)	2,541,404	2,541,404	1,515,000	996,166	141,060,571	134,918,529
Net profit attributable to equity holders of the Company for the three months ended 31 March	-	-	-	-	797,921	34,183	-	-	-	-	797,921	34,183
Balance as at 31 March	142,000,000	142,000,000	75,816,410	75,816,410	(80,014,322)	(86,401,268)	2,541,404	2,541,404	1,515,000	996,166	141,858,492	134,952,712

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the three months ended 31 March 2011, the Group is principally engaged in (1) biological fertilizer products, and (2) health products, including a series of diabetic health products and sugar-free products which are beneficial to the health of human body.

Under the influence of the severe inflation and the austerity macro-economic controls by the State, the liquidity of currency continued to shrink, causing increased difficulty in financing and capital strain to the operation of the small to medium enterprises. While manufacturing companies faced cash flow pressure, distributors were more conservative. Albeit such unfavorable condition, the Group was able to actively overcome all difficulties. For the three months ended 31 March 2011, the consolidated turnover of the Group was RMB115,783,107, up 22.92% as compared to the corresponding period of 2010, while the consolidated gross profit margin slightly decreased from 21.23% to 20.78%. The overall gross profit of the Group increased by 20.31% to RMB24,060,874. The profit or loss attributable to the shareholders of the Group increased from the earnings of RMB34,183 (earnings per share of RMB0.0024 cents) for the corresponding period of last year to RMB797,921 (earnings per share of RMB0.056 cents).

For the three months ended 31 March 2011, approximately 73.22% of the total turnover was generated from the biological fertilizer products and the remaining was from the medical and health products.

Biological Fertilizer Products

Following an extreme drought, cold wave from the North and severe rainstorms and floods, an ongoing drought in the Northern China spanning from autumn last year to spring this year had caused the affected area to reach half of the planting area among the main production regions

like Shandong and Henan, and has resulted to a frostbite, low temperature in the Southern China, both affecting the growth of the agricultural products such as winter wheat and paddy. The tardiness of farmers in fertilization and the conservative market atmosphere have further dampened the sales of biological fertilizers. The Group actively studied the market features in the first quarter of this year, during which there was a sluggish market demand in fertilizers, endeavoring to realize a sales of biological fertilizer products to RMB84,773,061 during the period under review, representing an increase of 23.33% as compared to the corresponding period of last year. During the period under review, the gross profit margin of the fertilizer products remained flat at approximately 13% as compared to the first quarter of 2010.

Health Products

The sales of diabetic health food and sugar-free food of the Group increased to RMB31,010,046, representing an increase of approximately 21.84% as compared to the corresponding period of last year. For the three months ended 31 March 2011, the gross profit margin of such products was approximately 42.30% (first quarter of 2010: 43.47%).

Distribution and Sales

During the period under review, distribution and sales expenses of the Group were approximately RMB10,900,928, up approximately 4.15% as compared to the corresponding period of last year (first quarter of 2010: RMB10,466,801). The Group devoted further marketing effort despite such unfavorable market conditions so as to lay a strong foundation for the market development of its production in 2011.

R&D and Administration

During the period under review, the R&D and administration expenses of the Group were approximately RMB9,802,257, representing a rise of 5.93% as compared to the corresponding period of 2010. The Group will continue to place reasonable control on the R&D and administration expenses with appropriate increase in the R&D expenses.

As at 31 March 2011, the Group had a total of 708 employees (31 December 2010: 715 employees).

Future Outlook

During the press conference in relation to the economic trends of the petroleum and petrochemical industry of the PRC, it is estimated that there would be approximately 7% increase in the production capacity of the chemical fertilizer in 2011. The International Fertilizer Association has also anticipated an increase of 4.7% in the global fertilizer consumption during the planting season in 2011. In the Fourth Session of the Eleventh National People's Congress of the PRC this year, Premier of the State Council Wen Jiabao has in the "Report on the Works of the Government" proposed to invest RMB988.45 billion in 'the agriculture, rural areas and farmers' this year, representing an increase of RMB130.48 billion as compared to last year. The State will continue to grant additional production subsidies to the farmers and control the farming areas for food supplies. All these encouraging and preferential agricultural policies will bring positive effect on the biological fertilizer market.

In spite of an unsatisfactory start of the development of the biological fertilizer during Spring caused by the State's macro-economic control and the severe climate, and the numerous uncertainties subsisting in the coming seasons, particularly the adverse effects on the distributors under such unfavorable condition, the Group intends to adopt necessary measures to foster brand loyalty of the distributors, increase regional marketing efforts, improve agrochemical services, aiming at driving sales, strengthening existing presence and developing new markets.

In respect of the health products, the health product industry was for the first time being included in the Overall Strategy of National Industry Development under the "Twelfth Five Year Plan", demonstrating high emphasis of the PRC government on health industry. The rising consumption level of the PRC has brought along a rapid growth of the health product industry, leading it to become a focus of economic growth and strategic industry and also one of the key industries in supporting the development of the national economy.

The Group will continue to improve internal management and reduce operating costs so as to enhance the operating results.

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

As at 31 March 2011, 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	Numbers of shares held and nature of interests					Total	Percentage of the issued share capital
	Personal (note)	Family	Corporate	Others			
Mr. Xie Kehua	9,000,000	-	-	-	9,000,000	0.63%	

Note: All represented domestic shares.

Save as disclosed in this paragraph, as at 31 March 2011, 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) otherwise 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, 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 31 March 2011, 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 (“Incubator”)	Beneficial owner	200,000,000 <i>(Note 1)</i>	14.08%
Shenzhen Xiangyong Investment Company Limited (“Xiangyong Investment”)	Beneficial owner	180,000,000 <i>(Note 2)</i>	12.68%
Shandong Zhinong Fertilizers Company Limited (“Zhinong Fertilizer”)	Beneficial owner	170,000,000 <i>(Note 3)</i>	11.97%
Dongguan Lvye Fertilizers Company Limited (“Lvye Fertilizers”)	Beneficial owner	120,000,000 <i>(Note 4)</i>	8.45%

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

Save as disclosed above, as at 31 March 2011, 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 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.

CONTINGENT LIABILITIES

As at 31 March 2011, the Company had contingent liabilities amounting to RMB34,000,000 (as at 31 March 2010: RMB1,000,000) in respect of guarantee provided as security for bank loans granted to its subsidiaries.

AUDIT COMMITTEE

The Company has prepared and adopted a 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 authority and duty of the Audit Committee. The Audit Committee 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.

The Committee has reviewed the first quarterly results and the first quarterly report of the Group for the three months ended 31 March 2011.

SHARE OPTION SCHEME

During the period ended 31 March 2011, none of the directors or supervisors or employees of the Company or other participants of the share option scheme of the Company was granted any option 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 exited during the period under review.

COMPETING INTERESTS

During the three months ended 31 March 2011, none of the directors, the supervisors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) competes or may compete with the business of the Group or has 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

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 sound internal control, as well as the transparency presented to all of the shareholders. For the three months ended 31 March 2011, 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 and, if applicable, the recommended best practices.

By order of the Board
Wang Shuxin
Chairman

Tianjin, the PRC
11 May 2011

As at the date of this report, the Board comprises of three executive Directors, being Mr. Wang Shuxin, Mr. Hao Zhihui and Mr. Xie Kehua; three non-executive Directors, being Mr. Feng Enqing, Mr. Xie Guangbei and Mr. Wei Jingquan ; and three independent non-executive Directors, being Mr. Guan Tong, Mr. Wu Chen and Mr. Cao Kai.