



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)

ANNOUNCEMENT ON THIRD QUARTERLY RESULTS FOR 2019

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This announcement, for which the directors of Tianjin TEDA Biomedical Engineering Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement 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 any statement herein or this announcement misleading.

HIGHLIGHTS

- Consolidated turnover of the Group for the nine months ended 30 September 2019 amounted to RMB284,497,765 representing an increase of 5.76% as compared to the same period of last year (30 September 2018: RMB268,996,084).
- Consolidated gross profit of the Group for the nine months ended 30 September 2019 amounted to RMB30,848,000, representing a decrease of 19.07% as compared to the same period of last year (30 September 2018: RMB38,118,816).
- Loss attributable to the equity owners of the Company for the nine months ended 30 September 2019 was RMB14,158,779 (30 September 2018: loss of RMB59,054,824); and loss per share of the Company was RMB0.75 cents (30 September 2018: loss per share of RMB3.366 cents).
- The Board does not recommend the payment of dividend for the nine months ended 30 September 2019.

RESULTS OF THE THIRD QUARTERLY (UNAUDITED)

The board of directors (the “Board”) of Tianjin TEDA Biomedical Engineering Company Limited (the “Company”) is pleased to announce the unaudited third quarterly results of the Company and its subsidiaries (hereafter collectively referred to as the “Group”) for the nine months ended 30 September 2019, together with the comparative figures of the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		(Unaudited)		(Unaudited)	
		For the nine months		For the three months	
		ended 30 September		ended 30 September	
		2019	2018	2019	2018
	Notes	RMB	RMB	RMB	RMB
Continuing operation					
Revenue	2	284,484,546	268,996,084	83,728,997	92,784,990
Cost of sales		<u>(253,636,546)</u>	<u>(230,877,268)</u>	<u>(78,333,825)</u>	<u>(83,176,937)</u>
Gross profit		30,848,000	38,118,816	5,398,866	9,608,053
Other expenses and net loss		545,819	(15,104,516)	(157,963)	(14,208,477)
Selling and distribution costs		(13,472,729)	(16,839,040)	(3,836,666)	(4,878,443)
R&D and administrative expenses		(29,011,540)	(32,525,176)	(8,566,381)	(13,286,048)
Finance costs		(2,494,206)	(362,130)	(808,868)	1,465,641
Impairment loss of intangible assets		<u>0</u>	<u>(30,000,000)</u>	<u>0</u>	<u>(30,000,000)</u>
Loss before taxation		(13,584,656)	(56,712,046)	(7,537,375)	(51,299,274)
Income tax	3	<u>36,006</u>	<u>(182,060)</u>	<u>82,308</u>	<u>–</u>
Loss for the period		<u>(13,548,651)</u>	<u>((56,894,106)</u>	<u>(7,455,067)</u>	<u>(51,299,274)</u>
Attributable to:					
Owners of the Company					
– Loss for the period		<u>(14,158,779)</u>	<u>(59,054,824)</u>	<u>(7,323,700)</u>	<u>(50,869,225)</u>
Non-controlling interests					
– Profit/(Loss) for the period		<u>610,128</u>	<u>2,160,718</u>	<u>(131,367)</u>	<u>(430,049)</u>
Loss per share-Basic (RMB)	4	<u>(0.75)cents</u>	<u>(3.366)cents</u>	<u>(0.389)cents</u>	<u>(2.899)cents</u>

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 2011. 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. The validity of the Group’s ability to continue as a going concern depends on the success of the Group’s future operations. Consequently, the Directors have prepared the unaudited quarterly results for the nine months ended 30 September 2019 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 2018.

2. REVENUE

Revenue, which is also the Group’s revenue, represents the invoiced value of goods sold to customers after any allowance an discounts and is analysed as follows:

	For the nine months ended 30 September		For the three months ended 30 September	
	2019	2018	2019	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Fertilizer products	281,383,267	260,162,494	83,632,535	92,262,681
Elderly care and health care services	3,101,279	8,833,590	96,462	522,309
	<u>284,484,546</u>	<u>268,996,084</u>	<u>83,728,997</u>	<u>92,784,990</u>

3. TAXATION

(a) Enterprise income tax (“EIT”)

Pursuant to the income tax rules and regulations of the PRC, the income tax of the company and subsidiaries of the Group is calculated based on the statutory tax rate of 25% (2019: 25%), except for the following company.

Guangdong Fulilong Compound Fertilizers Co., Ltd. is recognized as a High and New-Tech enterprise according to the PRC tax regulations and is entitled to a preferential tax rate of 15% (2019: 15%).

Hongkong Teda Biomedical Investment Limited is calculated based on the Hongkong profits tax rate of 16.5% (2019: Nil).

Shu Ju Ku Greater China, Ltd. (“SJKGC”), an exempted company limited by shares incorporated in Cayman Islands (registration number:308468). Therefore, exemption from profits tax (2019: Nil).

(b) Income tax expense

	For the nine months ended 30 September	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Current Tax		
Hong Kong	Nil	Nil
Other Jurisdictions	(36)	182

The income tax charge in Hong Kong is Nil for the period ended 30 September 2019 (September 2018: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is RMB(36,006) for the period ended 30 September 2019(September 2018: RMB182,060).

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

	For the nine months ended 30 September	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Loss before income tax expense	<u>(13,585)</u>	<u>(56,712)</u>
Tax calculated at the EIT rate of 25%	(3,396)	(14,178)
Tax rate differential	(670)	302
Effect of tax holiday exemption	–	–
Effect of the tax losses on consolidation	4,030	14,058
Tax effect of expenses that are not deductible in determining taxable profit	<u>–</u>	<u>–</u>
Tax expense for the period	<u><u>(36)</u></u>	<u><u>182</u></u>

4. LOSS PER SHARE

The calculation of the basic earnings per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	For the nine months ended 30 September	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the purpose of basic earnings per share	<u>(14,159)</u>	<u>(59,055)</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u><u>1,894,500</u></u>	<u><u>1,754,577</u></u>

DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2019 (30 September 2018:Nil).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital		Share premium		Surplus reserve		Capital reserve		Other reserve		Accumulated Losses		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as at 1 January	189,450,000	169,500,000	275,317,438	255,466,214	3,717,696	3,717,696	2,541,404	2,541,404	(22,032,403)	(22,032,403)	(175,988,230)	13,761,051	273,005,905	422,953,962
Issue of shares	-	19,950,000	-	20,350,400	-	-	-	-	-	-	-	-	-	40,300,400
Net profit attributable to equity holders of the Company for the three months ended 31 March	-	-	-	-	-	-	-	-	-	-	(3,209,427)	(6,864,776)	(3,209,427)	(6,864,776)
Balance as at 31 March	189,450,000	189,450,000	275,317,438	275,816,614	3,717,696	3,717,696	2,541,404	2,541,404	(22,032,403)	(22,032,403)	(179,197,757)	6,896,275	269,796,378	456,389,586
Net profit attributable to equity holders of the Company for the three months ended 30 June	-	-	-	-	-	-	-	-	-	-	3,625,652	(1,320,823)	(3,625,652)	(1,320,823)
Issue of shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June	189,450,000	189,450,000	275,317,438	275,816,614	3,717,696	3,717,696	2,541,404	2,541,404	(22,032,403)	(22,032,403)	(175,572,005)	5,575,452	273,422,130	455,068,763
Net profit attributable to equity holders of the Company for the three months ended 30 September	-	-	-	-	-	-	-	-	-	-	(7,323,700)	(50,869,225)	(7,323,700)	(50,869,225)
Balance as at 30 September	189,450,000	189,450,000	275,317,438	275,816,614	3,717,696	3,717,696	2,541,404	2,541,404	(22,032,403)	(22,032,403)	(182,895,705)	(45,293,773)	266,098,430	404,199,538

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Currently, the Group is principally engaged in two industry sectors: on one hand, it is the biological compound fertiliser business, which mainly includes a series of biological compound fertiliser products that are used for the facilitation of balanced growth of grains, fruits and vegetables. On the other hand, it is the elderly care and health care business, which principally includes the comprehensive layout of elderly care services that integrate medical services and elderly care services, and operation and management business that have strong demand with focus on the public with complete or partial disability or dementia. Such business mainly includes nationwide operation management development of elderly care institutions, integration of elderly care service resources, supervision and consultancy on elderly care service management and other related old-aged service businesses. The Group has the world's exclusive quantitative EEG detection and analysis technology which is used for detecting children's dominant talents and mental diseases.

Fulfillment of Profit Guarantee of SJK Greater China Ltd. (“SJKGC”) for the Year Ended 31 December 2018

The Company would like to provide an update in relation to its acquisition (the “Acquisition”) of the 51% stake of SJKGC:

As disclosed in the circular of the Company dated 25 July 2016 regarding the Acquisition, profit guarantees were provided to the Company by Shu Ju Ku Inc. (“SJK”), the vendor, that the audited profit after tax of SJKGC in each of the three financial years of 2017, 2018 and 2019 (from 1 January to 31 December of each year) would not be less than US\$5,390,000, pursuant to the agreement (the “Agreement”) dated 16 April 2016 (as amended and supplemented by the supplemental agreement dated 25 April 2016) entered into among the Company, SJK and SJKGC.

In view of the fact that the audited net profit after tax of SJKGC for the year ended 31 December 2018 was US\$305,000, the aforesaid profit guarantee for the year ended 31 December 2018 had not been fulfilled. Accordingly, the Company has been communicating with SJK, requesting SJK to fulfill its obligations pursuant to the Agreement. On 1 August 2019, the Company has instructed its legal attorney to issue a letter to SJK requesting SJK to pay to the Company (i) the shortfall or (ii) the unpaid guaranteed cash dividends on or before 15 August 2019, failure of which the Company may institute an arbitration proceeding against SJK pursuant to the Agreement. As we received no reply from SJK before 15 August 2019 regarding the legal letter, the Company initiated an arbitration proceeding subsequently and issued a written application for arbitration to Hong Kong International Arbitration Centre and SJK on 3 September 2019, the arbitration proceeding is still in progress. Please refer to the voluntary announcement of the Company dated 4 September 2019 for further information.

Finance Review

For the nine months ended 30 September 2019, the Group achieved a total turnover of RMB284,497,765 from its operation, representing an increase of 5.76% as compared to the same period of last year (30 September 2018: RMB268,996,084). The Group achieved a consolidated gross profit of RMB30,848,000 from its operation, representing a decrease of 19.07% as compared to the same period of last year (30 September 2018: RMB38,118,816). The consolidated gross profit margin of the Group was 10.84%, which was 3.33% lower than the same period of last year (30 September 2018: consolidated gross profit margin was 14.17%). For the nine months ended 30 September 2019, selling and distribution expenses of the Group were RMB13,472,729 representing a decrease of 20.00% as compared to the same period of last year (30 September 2018: RMB16,839,040); research and development and administrative expenses were RMB29,011,540, representing a decrease of 10.80% as compared to the same period of last year (30 September 2018: RMB32,525,176). During the period under review, finance costs of the Group were RMB2,494,206, representing an increase of 588.76% as compared to the same period of last year (30 September 2018: RMB362,130). For the nine months ended 30 September 2019, loss attributable to the owners of the Company was RMB14,158,779 (30 September 2018: loss of RMB59,054,824); loss per share of the Company were RMB0.75 cents, while loss per share of the same period of last year were RMB3.366 cents.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2019, the Group and the Company had contingent liabilities amounting to RMB15,000,000 (31 December 2018: RMB17,500,000) and RMB15,000,000 (31 December 2018: RMB17,500,000) respectively in connection with the guarantee provided by the Group and the Company to secure the bank loans granted to its subsidiaries.

EXPOSURE TO FOREIGN CURRENCY RISK

The Group has relatively low foreign currency risk since all the sales of the Group are domestic sales in China primarily denominated in Renminbi and all payables to suppliers are also primarily denominated in Renminbi.

TREASURY POLICIES

The Group's bank borrowings are denominated in Renminbi and are usually renewed for one year upon maturity. Any surplus cash will be placed as deposits with the licensed banks in China.

FUTURE OUTLOOK

“Food is the basic necessity of people”, this ancient saying in China, has revealed that food is the most fundamental substance of human beings. The foundational position of agriculture in national economy is predominantly manifested in grain production, while compound fertilizer is a major material input for agricultural production. Therefore, the compound fertilizer business is still an important industry that exerts an impact on national economy and people's livelihood. The Company's subsidiaries which are engaging in compound fertilizer production have constantly adjusted its product structure based on market demand, and persisted in green development. They further optimize and adjust their internal organizational structure, and adopt all necessary measures to reduce production costs and various expenses, so as to ensure a stable and sustainable development for our compound fertilizer business through strengthening the marketing efforts of the brand advantages of “Fulilong”. With the adjustment of social structure and the improvement of people's income standard, the elderly health-care industry has turned into a sunrise industry. The Company adheres to its innovative and open operation principles, constantly optimizes its internal resources and industrial structure, and vigorously develops the elderly health-care industry to become a new profit-growth point for the Company, thereby completes the strategic transformation and upgrading of the Company gradually. In terms of elderly care business, the Company is constantly seeking for suitable properties in a proactive manner as well as cooperative partners to expand the elderly care market as quickly as possible. For the EEG detection business, we have conducted cooperation with private medical institutions and will continue to expand our business model in multiple directions in the future.

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

As at 30 September 2019, the interests of the directors and 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 position in ordinary shares of RMB0.1 each in the Company:

Directors/Supervisors/Executive Officers	Personal	Family	Corporate	Others	Total	Percentage of issued share capital
Ms. Sun Li	–	–	300,000,000 (Note)	–	300,000,000	15.83%

Note: Out of these shares, 180,000,000 shares are held by Shenzhen Xiangyong Investment Company Limited (“Xiangyong Investment”) and 120,000,000 shares are held by Dongguan Lvyte Fertilizers Company Limited (“Lvyte Fertilizers”). Ms. Sun Li is the beneficial owner Beijing Yingguxinye Investment Co., Ltd. (“Yingguxinye”) holding its 15% equity interest, while Yingguxinye holds 100% equity interest in Xiangyong Investment and Lvyte Fertilizers respectively. All of the shares represent domestic shares.

Save as disclosed in this paragraph, as at 30 September 2019, none of the directors, the supervisors or other chief executives 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 companies a party to any arrangement to enable the directors and supervisors of the Company or their respective spouses or children under 18 years of age, to gain profit through the acquisition of the Company's shares.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2019, the following persons (other than the directors and 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 notify 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 share capital
Tianjin TEDA International Incubator	Beneficial owner	182,500,000 (Note)	9.63%
Shenzhen Xiangyong Investment Company Limited	Beneficial owner	180,000,000 (Note)	9.50%
Shandong Zhinong Fertilizers Company Limited	Beneficial owner	180,000,000 (Note)	9.50%
Dongguan Lvye Fertilizers Company Limited	Beneficial owner	120,000,000 (Note)	6.33%

Note: All of the shares represent domestic shares.

Save as disclosed above, as at 30 September 2019, the directors of the Company were not aware of any other person (other than the directors and supervisors of the Company) who 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 notify the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

GENERAL MANDATE TO ISSUE SHARES

On 17 May 2019, the Company issued an announcement of results of annual general meeting, among others, to announce that a special resolution was duly passed at the annual general meeting of the Company on 17 May 2019 granting to the Board a general mandate to issue, allot and deal with additional domestic shares/H shares not exceeding 20% of the domestic shares in issue and 20% of the H shares in issue of the Company, and authorizing the Board to make such amendments to the articles of association of the Company as it thinks fit to reflect the new share capital structure subsequent to the allotment or issue of additional shares. For details, please refer to the notice of the annual general meeting and circular of the Company both dated 29 March 2019 published on the GEM website, and the announcement of results of the annual general meeting dated 17 May 2019 published on the GEM website.

CHANGE OF CHIEF EXECUTIVE OFFICER

The Company announced on 1 February 2019 that Ms. Sun Li (“Ms. Sun”) had resigned as the chief executive officer of the Company (“CEO”) with effect from 1 February 2019 so that she can dedicate more efforts and spend more time in deciding and dealing with the Company’s corporate policies and major matters. Ms. Sun will remain as the Chairman of the Board, executive director, Chairman of the nomination committee and member of the remuneration committee of the Company. Meanwhile, the Board announced to appoint Mr. Yang Junmin to replace Ms. Sun as the chief executive officer of the Company with effect from 1 February 2019. For details, please refer to the announcement of the Company published at the GEM website on 1 February 2019.

COMPETING INTERESTS

During the nine months ended 30 September 2019, none of the directors, the supervisors, or the management shareholders and their respective associates of the Company (as defined under 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.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules and by reference to the “Guidelines for The Establishment of An Audit Committee” published by the Hong Kong Institute of Certified Public Accountants. The audit committee provides an important link between the Board and the Company’s auditor in matters coming within the scope of the Group’s audit. The primary duties of the committee are to review and supervise the financial reporting process of the Group. It also reviews the effectiveness of the external audit, internal controls and risk evaluation. The audit committee of the Company comprises three independent non-executive directors, namely Mr. Li Xudong, Mr. Wang Yongkang and Ms. Gao Chun, among whom, Mr. Li Xudong 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 third quarter results and the third quarter report of the Group for the nine months ended 30 September 2019.

SHARE OPTION SCHEME

The Company had not approved any new share option scheme during the period under review ended 30 September 2019.

MANAGEMENT CONTRACTS

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered or existed during the period under review ended 30 September 2019.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not redeem 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 ended 30 September 2019.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company have always endeavored to apply the code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 15 of the GEM Listing Rules to the internal operations of the Group. The corporate governance principles with which the Company is complying emphasize on an efficient board of directors and sound internal control, as well as the transparency presented to all of the shareholders. The directors are of the view that, the Company had complied with all the provisions of the Code except A.2.1 of the Code which stipulates that the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual during the period under review.

Since September 2015 to 31 January 2019, as Ms. Sun Li (“Ms. Sun”) serves as the Chairman and Chief Executive Officer (the “CEO”) of the Company, such practice deviates from code provision A.2.1 of the Code. On 1 February 2019, Ms. Sun resigned as the CEO and Mr. Yang Junmin (“Mr. Yang”) was appointed as the new CEO. For details, please refer to the announcement of the Company dated 1 February 2019 published on the GEM website. Upon the appointment of Mr. Yang as the new CEO with effect from 1 February 2019, the Group has complied with code provision A.2.1 of the Code as well as all the other provisions of the Code during the period under review.

By order of the Board

Tianjin TEDA Biomedical Engineering Company Limited

Sun Li

Chairman

Tianjin, the PRC

11 November 2019

As at the date of this announcement, the executive directors of the Company are Sun Li, Hao Zhihui and He Xin; the non-executive directors of the Company are Cao Aixin, Li Ximing and Gai Li; the independent non-executive directors of the Company are Li Xudong, Wang Yongkang and Gao Chun.

This announcement will remain at the “Latest Listed Company Information” page on the GEM website at <http://www.hkgem.com> for at least seven days from the date of its posting. This announcement will also be published on the website of the Company at www.bioteda.com.