



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 HALF-YEARLY RESULTS FOR 2020

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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 (the “GEM Listing Rules”) 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 six months ended 30 June 2020 amounted to RMB165,271,920, representing a drop of 17.68% as compared to the same period of last year (30 June 2019: RMB200,755,549).
- Consolidated gross profit of the Group for the six months ended 30 June 2020 amounted to RMB14,562,341, representing a drop of 42.78% as compared to the same period of last year (30 June 2019: RMB25,449,134).
- Loss attributable to equity owners of the Company for the six months ended 30 June 2020 was RMB5,266,120, representing a decrease of 22.95% as compared to the same period of last year (30 June 2019: loss of RMB6,835,079); loss per share of the Company was RMB0.278 cents (30 June 2019: loss per share of RMB0.361 cents).
- The Board does not recommend the payment of dividends for the six months ended 30 June 2020.

HALF-YEARLY RESULTS (UNAUDITED)

The board of directors (the “Board”) of Tianjin TEDA Biomedical Engineering Company Limited (the “Company”) is pleased to announce the unaudited half-yearly results of the Company and its subsidiaries (hereafter collectively referred to as the “Group”) for the six months ended 30 June 2020, together with the comparative figures of the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	(Unaudited) For the six months ended 30 June		(Unaudited) For the three months ended 30 June	
		2020 <i>RMB</i>	2019 <i>RMB</i>	2020 <i>RMB</i>	2019 <i>RMB</i>
Revenue	2	165,271,920	200,755,549	96,748,040	87,660,597
Cost of sales		<u>(150,736,113)</u>	<u>(175,302,721)</u>	<u>(86,095,050)</u>	<u>(76,669,728)</u>
Gross profit		14,562,341	25,449,134	10,679,524	10,982,595
Other expenses and net loss/Income		5,028,656	703,782	5,110,431	443,419
Selling and distribution costs		(9,339,918)	(9,636,063)	(5,579,697)	(4,579,631)
R&D and administrative expenses		(13,713,407)	(20,445,159)	(8,144,777)	(9,099,684)
Finance costs	3	<u>(663,362)</u>	<u>(1,685,338)</u>	<u>(245,331)</u>	<u>(928,061)</u>
(Loss)/profit before taxation		(4,125,690)	(6,047,281)	1,820,149	(3,122,862)
Income tax	5	<u>(269,779)</u>	<u>(46,302)</u>	<u>(269,779)</u>	<u>(62,248)</u>
(Loss)/profit for the period		<u><u>(4,395,469)</u></u>	<u><u>((6,093,584)</u></u>	<u><u>1,550,370</u></u>	<u><u>(3,185,111)</u></u>
Attributable to:					
Owners of the Company					
– Loss for the period		<u>(5,266,120)</u>	<u>(6,835,079)</u>	<u>325,264</u>	<u>(3,209,427)</u>
Non-controlling interests					
– Profit for the period		<u>(870,651)</u>	<u>741,495</u>	<u>(516,196)</u>	<u>24,316</u>
Loss per share-Basic (<i>RMB</i>)		<u><u>(0.278) cents</u></u>	<u><u>(0.361) cents</u></u>	<u><u>0.016 cents</u></u>	<u><u>(0.017) cents</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June	31 December
		2020	2019
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB	RMB
Non-current assets			
Property, plant and equipment	7	63,099,056	69,321,099
Goodwill		8,281,247	8,400,000
Intangible asset		2,214,376	3,896,964
Interest in an associate		13,642,335	13,642,335
Prepaid land lease payments		–	
Prepayments and other receivables		10,749,950	12,514,676
Amount due from an associate		–	–
Other financial assets		–	
		<hr/>	<hr/>
Total non-current assets		97,986,964	107,775,074
Current assets			
Inventories		113,530,378	88,933,060
Trade and bills receivables	8	68,115,734	60,340,201
Prepayments and other receivables	9	89,340,891	66,218,178
Amount due from an associate		13,596,825	14,399,019
Financial assets at fair value through profit or loss		–	–
Cash and bank balances		11,769,698	24,247,304
		<hr/>	<hr/>
Total current assets		296,353,527	254,137,762
		<hr/>	<hr/>
Total assets		394,340,491	361,912,836

		30 June	31 December
		2020	2019
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB	RMB
Current liabilities			
Trade payables	<i>10</i>	22,365,796	19,283,679
Contract liabilities	<i>11</i>	34,195,406	37,463,275
Other payables and accruals	<i>11</i>	46,700,734	55,476,202
Amount due to a director		–	–
Amount due to shareholders		–	–
Amount due to non-controlling interests		1,120,528	1,120,528
Other financial liabilities		7,908,238	11,818,453
Current tax liabilities		24,883	43,764
Bank borrowings		17,693,750	31,200,000
		<u>130,009,335</u>	<u>156,405,901</u>
Total current liabilities			
		<u>166,344,192</u>	<u>97,731,861</u>
Net current assets			
		<u>264,331,156</u>	<u>205,506,935</u>
Total assets less current liabilities			
		<u>264,331,156</u>	<u>205,506,935</u>
Net Assets			
		<u>264,331,156</u>	<u>205,506,935</u>
Capital and reserves attributable to owners of the Company			
Share capital	<i>12</i>	189,450,000	189,450,000
Reserves		47,522,146	1,584,098
		<u>236,972,146</u>	<u>191,034,098</u>
Equity attributable to owners of the company		236,972,146	191,034,098
Non-controlling interests		25,973,186	14,472,837
		<u>25,973,186</u>	<u>14,472,837</u>
Total equity		<u>262,945,332</u>	<u>205,506,935</u>

CONDENSED CONSOLIDATED CASH STATEMENT

	For the six months ended	
	30 June	
	2020	2019
	Unaudited	Unaudited
	<i>RMB</i>	<i>RMB</i>
Cash flows from operating activities		
Cash used in operation	(9,180,338)	(24,515,277)
Interests received	85,465	708,528
Income tax paid	-	-
Interests paid	(941,617)	(1,014,845)
	<u>(10,036,490)</u>	<u>(24,821,594)</u>
Net cash used in operating activities		
	<u>(10,036,490)</u>	<u>(24,821,594)</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(212,492)	(438,131)
Payment of construction in progress	-	(81,131)
Sales of property, plant and equipment	-	-
Interest received	-	-
Purchase of subsidiaries	-	-
	<u>(212,492)</u>	<u>(519,262)</u>
Net cash used in investing activities		
	<u>(212,492)</u>	<u>(519,262)</u>
CASH FLOWS FINANCING ACTIVITIES		
Issue of shares	-	-
Capital injection from a minority shareholder	-	-
Proceeds from short-term/long-term bank borrowing	22,200,000	15,000,000
Repayment of short-term bank borrowings	(24,400,000)	(17,500,000)
	<u>(2,200,000)</u>	<u>(2,500,000)</u>
Net cash used in financing activities		
	<u>(2,200,000)</u>	<u>(2,500,000)</u>
NET DECREASE IN CASH AND BANK BALANCES	(12,448,982)	(27,840,855)
CASH AND BANK BALANCES		
AT THE BEGINNING OF THE PERIOD	<u>24,218,681</u>	<u>43,129,493</u>
CASH AND BANK BALANCES AT THE END OF THE PERIOD	<u><u>11,769,699</u></u>	<u><u>15,288,638</u></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 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 three months ended 30 June 2020 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 2019.

2. REVENUE

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

	For the six months		For the three months	
	ended 30 June		ended 30 June	
	2020	2019	2020	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Fertilizer products	165,061,211	197,750,732	96,587,459	110,373,153
Elderly care and health care services	210,709	3,004,817	160,581	2,721,798
	<u>165,271,920</u>	<u>200,755,549</u>	<u>96,748,040</u>	<u>113,094,951</u>

3. FINANCE EXPENSE

	For the six months		For the three months	
	ended 30 June		ended 30 June	
	2020	2019	2020	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Interest expense on bank loans and bank changes	663,362	1,685,338	728,465	757,277
	<u>663,362</u>	<u>1,685,338</u>	<u>728,465</u>	<u>757,277</u>

4. LOSS BEFORE TAX

	For the six months ended 30 June	
	2020	2019
	RMB	RMB
		(re-presented)
Depreciation of property, plant and equipment	<u>3,524,056</u>	<u>3,195,037</u>
	<u>3,524,056</u>	<u>3,195,037</u>
Amortization of intangible asset	<u>9,369,395</u>	<u>1,000,405</u>
	<u>9,369,395</u>	<u>1,000,405</u>

5. 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: 16.5%).

Shu Ju Ku Greater China, Ltd., 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 six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current Tax		
Hong Kong	Nil	Nil
Other Jurisdictions	<u>270</u>	<u>46</u>

The income tax charge in Hong Kong is Nil for the period ended 30 June 2020 (June 2019: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is RMB269,779 for the period ended 30 June 2020 (June 2019: RMB46,302).

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

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/Profit before income tax expense	<u>(4,126)</u>	<u>(6,047)</u>
Tax calculated at the EIT rate of 25%	(1,032)	(1,512)
Tax rate differential	(310)	(224)
Effect of tax holiday exemption	-	-
Effect of the tax losses on consolidation	1,612	1,782
Tax effect of expenses that are not deductible in determining taxable profit	<u>-</u>	<u>-</u>
Tax expense for the period	<u>270</u>	<u>46</u>

6. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the purpose of basic loss per share	(5,266,120)	(6,835,079)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>1,894,500,000</u>	<u>1,894,500,000</u>

7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB3,862,103 (2019: RMB438,131) on the acquisition of property, plant and equipment.

8. TRADE AND BILLS RECEIVABLES

The Group's trade receivable relates to sales of goods to third party customers. The Group performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral on trade receivable.

	30 June 2020 (Unaudited) RMB	31 December 2019 (Audited) RMB
Trade receivables	125,827,340	117,551,807
Less: Allowance for doubtful debts	<u>(57,711,606)</u>	<u>(57,711,606)</u>
	68,115,734	59,840,201
Bills receivables	<u>—</u>	<u>500,000</u>
Trade receivable, net	<u><u>68,115,734</u></u>	<u><u>60,340,201</u></u>

The aging analysis of trade receivable, current assets is as follows:

	30 June 2020 (Unaudited) RMB	31 December 2019 (Audited) RMB
Within 3 months	26,927,385	23,900,405
Over 3 months but within 6 months	15,396,471	14,298,938
Over 6 months	<u>25,791,878</u>	<u>21,640,858</u>
	<u><u>68,115,734</u></u>	<u><u>59,840,201</u></u>

9. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2020 (Unaudited) RMB	31 December 2019 (Audited) RMB
Other receivables	29,769,410	12,910,478
Less: allowance for doubtful debts	(2,663,378)	(2,663,378)
	27,106,032	10,247,100
Deposits and prepayments	62,234,859	55,971,078
	89,340,891	66,218,178

10. TRADE PAYABLES

The aging analysis of trade payable is as follows:

	30 June 2020 (Unaudited) RMB	31 December 2019 (Audited) RMB
Within 3 months	11,996,625	11,276,484
Over 3 months but within 6 months	937,473	719,847
Over 6 months	9,431,698	7,287,348
	22,365,796	19,283,679

11. OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

	30 June 2020 (Unaudited) RMB	31 December 2019 (Audited) RMB
Other payables (note a)	33,949,769	38,262,444
Accruals	9,816,952	14,350,241
Contract liabilities	34,195,406	37,463,275
Payables to Social Security Fund	2,934,013	2,863,517
	80,896,140	92,939,477

(a) The amounts due to ex-shareholders of a subsidiary and the other payables that the company's subsidiaries paid was increased.

12. SHARE CAPITAL

	30 June 2020		31 December 2019	
	Number of shares	Nominal value <i>RMB'000</i>	Number of shares	Nominal value <i>RMB'000</i>
Registered	<u>1,894,500,000</u>	<u>189,450</u>	<u>1,894,500,000</u>	<u>189,450</u>
Issued and fully paid				
Domestic shares of RMB0.1 each	<u>697,500,000</u>	<u>69,750</u>	<u>697,500,000</u>	<u>69,750</u>
H shares of RMB0.1 each	<u>1,197,000,000</u>	<u>119,700</u>	<u>1,197,000,000</u>	<u>119,700</u>
	<u>1,894,500,000</u>	<u>189,450</u>	<u>1,894,500,000</u>	<u>189,450</u>

13. CAPITAL COMMITMENTS

As of 30 June 2020, the Group had no significant capital commitments which were not provided for in the condensed consolidated financial statements of the Group.

14. CONTINGENT LIABILITIES

The Company guaranteed the banking facilities granted to certain of its subsidiaries amounting to RMB10,893,750 (June 2019: RMB15,000,000)

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (June 2019: Nil).

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital		Share premium		Surplus reserve		Capital reserve		Other reserve		Accumulated Losses		Total	
	2020 RMB	2019 RMB	2020 RMB	2019 RMB	2020 RMB	2019 RMB	2020 RMB	2019 RMB	2020 RMB	2019 RMB	2020 RMB	2019 RMB	2020 RMB	2019 RMB
Balance as at 1 January	189,450,000	189,450,000	275,317,438	275,317,438	3,717,696	3,717,696	2,541,404	2,541,404	(19,382,403)	(22,032,403)	(260,610,037)	(175,988,230)	191,034,098	273,005,905
Issue of shares	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net profit attributable to equity holders of the Company for the three months ended 31 March	0	0	0	0	0	0	0	0	0	0	(5,591,384)	(3,209,427)	(5,591,384)	(3,209,427)
Balance as at 31 March	<u>189,450,000</u>	<u>189,450,000</u>	<u>275,317,438</u>	<u>275,317,438</u>	<u>3,717,696</u>	<u>3,717,696</u>	<u>2,541,404</u>	<u>2,541,404</u>	<u>(19,382,403)</u>	<u>(22,032,403)</u>	<u>(266,201,421)</u>	<u>(179,197,657)</u>	<u>185,442,714</u>	<u>269,796,478</u>
Net profit attributable to equity holders of the Company for the three months ended 30 June	0	0	0	0	0	0	0	0	0	0	77,502,618	(3,625,652)	77,502,618	(3,625,652)
Issue of shares	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance as at 30 June	<u>189,450,000</u>	<u>189,450,000</u>	<u>275,317,438</u>	<u>275,317,438</u>	<u>3,717,696</u>	<u>3,717,696</u>	<u>2,541,404</u>	<u>2,541,404</u>	<u>(19,382,403)</u>	<u>(22,032,403)</u>	<u>(188,698,803)</u>	<u>(182,823,309)</u>	<u>262,945,332</u>	<u>266,170,826</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Currently, the Group is principally engaged in two industry sectors: on one hand, it is the biological compound fertilizer business, which principally includes a series of biological compound fertilizer products that are used for the facilitation of balanced growth of grains, fruit 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 integrating 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 (service facilities), integration of elderly care service resources, supervision and consultancy on elderly care service management and other related elderly care service businesses. For the EEG detection business, expanding the EEG detection market in the PRC still needed a certain period of time, which had led to slower development in the EEG detection business. However, the Group is still proactively expanding its customer base and seeking new cooperative partners, and endeavors to advance the development of EEG detection business.

During the period under review, the novel coronavirus pneumonia pandemic (the “COVID-19”) spread across the country in the first half of the year which imposed certain impact on the work resumption, production and operation, logistics and sales of compound fertilizer business. However, with the pandemic situation in the PRC gradually becoming under control and the increasing demand for fertilizer in spring, the development of compound fertilizer business has gradually recovered. In general, the overall market showed a downward trend, the shipment of distributors decreased as compared to that of the same period last year while the price fluctuation of the compound fertilizer market was insignificant. In order to achieve a breakthrough in the current dilemma in the fertilizer industry and enhance the market competitiveness of the Company, the Group insists on continuously adjusting the product structure through technological innovation and comprehensively carrying out smart upgrade and transformation of the Company’s fertilizer production equipment and processes. Therefore, more diversified and higher-quality new fertilizers can be developed and produced and the needs for high-quality agricultural production can be satisfied. With the efforts devoted to reducing production costs and expenses, stable development of the compound fertilizer business can be maintained.

With regard to the elderly care business, as the Company has worked hard on the safety and pandemic prevention of elderly care institutions, not a single case of COVID-19 has been reported in the elderly care institutions entrusted to the Company and those elderly care institutions have maintained stable operation. After Shanghai promulgated rental subsidy policy for assistive equipment, the Company considered the assistive equipment rental business as an important profit growth point for the elderly care business in the future, vigorously developed the assistive equipment rental business, and continuously improved the system, quality standards and service procedures in order to provide the elderlies with richer elderly care services. Although the brain wave detection business has been greatly affected by the COVID-19 pandemic and the business development has been slow, the Company will remain persistent and continue to actively seek business partners and expand the market.

Finance Review

Turnover, gross profit and gross profit margin

For the six months ended 30 June 2020, the Group achieved total turnover of RMB165,271,920, representing a drop of 17.68% as compared to the same period of last year (30 June 2019: RMB200,755,549). The consolidated gross profit of the Group was RMB14,562,341, representing a drop of 42.78% as compared to the same period of last year (30 June 2019: RMB25,449,134). The consolidated gross profit margin of the Group was 8.81%, (30 June 2019: the consolidated gross profit margin was 12.67%). In the first half of the year, the compound fertilizer business of the Group was affected by factors such as the novel coronavirus pneumonia pandemic, and severe weather conditions, resulting in a year-on-year drop in turnover of 16.93%. Meanwhile, due to reasons such as the price fluctuation of compound fertilizer raw materials and the fierce market competition environment, the Group duly adjusted its product prices, so that the consolidated gross profit and gross profit margin both dropped as compared with last year.

Selling and distribution costs

For the six months ended 30 June 2020, selling and distribution costs of the Group were RMB9,339,918. During the period under review, selling and distribution costs dropped by 3.07% as compared to the same period of last year (30 June 2019: RMB9,636,064), which was primarily due to a decrease in the turnover of Guangdong Fulilong Compound Fertilisers Co, Ltd. and the corresponding decrease in its selling expenses.

Research and development and administrative expenses

For the six months ended 30 June 2020, research and development and administrative expenses of the Group were RMB13,713,407, representing a decrease of 32.93% as compared to the same period of last year (30 June 2019: RMB20,445,160).

Finance costs

For the six months ended 30 June 2020, finance costs of the Group were RMB663,362, representing a drop of 60.64% as compared to the same period of last year (30 June 2019: RMB1,685,338), the details of which are set out in the notes enclosed to the accounts.

Loss for the period

For the six months ended 30 June 2020, loss attributable to equity owners of the Company was RMB5,266,120, representing a decrease of 22.95% as compared to the same period of last year (30 June 2019: loss of RMB6,835,079); loss per share of the Company was RMB0.278 cents (30 June 2019: loss per share of RMB0.361 cents).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the period under review, the Group's main source of finance was generated from banking facilities granted by various banks in the PRC. As of 30 June 2020, the bank and cash balance of the Group were approximately RMB11,769,699 (31 December 2019: RMB24,247,304), bank borrowings were RMB17,693,750 (31 December 2019: RMB31,200,000). The bank borrowings provided by various banks in the PRC were denominated in RMB and at fixed annual interest rates ranging from 4.38% to 6.52% (31 December 2019: ranging from 4.35% to 6.50%). The bank borrowings amounting to RMB10,893,750 in total will be due successively in the first half of 2021. As of 30 June 2020, the total assets of the Group were approximately RMB394,340,491 (31 December 2019: RMB361,912,836), with total current liabilities of approximately RMB130,009,335 (31 December 2019: RMB156,405,901), shareholders' interests of RMB236,972,146 (31 December 2019: RMB191,034,098) and minority interests of approximately RMB25,973,186 (31 December 2019: RMB14,472,837).

As of 30 June 2020, the consolidated asset debt ratio of the Group, which is the ratio between total liabilities and total assets, was 0.33 (31 December 2019: 0.43). The gearing ratio of the Group, which is the ratio between total bank borrowings and total assets, was 0.04 (31 December 2019: 0.09). The current ratio of the Group, which is the ratio between current assets and current liabilities, was 2.28 (31 December 2019: 1.62).

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2020, the Group and the Company had contingent liabilities amounting to RMB10,893,750 (31 December 2019: RMB15,000,000), which were related to the guarantee provided by the Group and the Company in securing 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 denominated in Renminbi and all payables to suppliers are also 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

As China is a major agricultural producer, the importance of the fertilizer industry is unarguable. As the fertilizer industry is a fundamental industry of the national economy which directly relates to the issues of agricultural production and food safety, fertilizer safety becomes a matter to be considered in the national strategy. As such, the healthy development of fertilizer industry is a foundation for assurance of food safety in the PRC as well as cornerstone for the development of the entire agricultural industry. Along with consumption upgrade and the progression of supply-side reformation of the agricultural industry, the demand for food has shifted from merely production volume increase to a new demand of quality and efficiency enhancement, which has brought new opportunities and challenges to the development of fertilizer industry. With green consumption as its direction, the fertilizer industry shall vigorously adjust the industrial structure and the product structure to scale down resources exploitation, reduce the use of inputs in different segments and the generation of pollutants in order to propel the fertilizer industry towards the direction of streamline, highly-efficient, smart and environmentally-friendly sustainable development. In green development, the compound fertilizer companies under the Company will attach significant importance to the development of organic fertilizers which have comprehensive nutrition and can foster soil improvement, which can contribute to the reasonable utilization of resources and environmental optimization.

In order to prevent and control the impact of the COVID-19 pandemic on elderly care institutions, on 4 March 2020, according to the “Guiding Opinions on Precise Implementation of the Pandemic Prevention and Control and Restoration of Service Order of Elderly Care Service Institutions in Different Regions at All Levels” issued by the Ministry of Civil Affairs, civil affairs departments at all levels shall take effective measures to support elderly service agencies during the difficult time, and include elderly service institutions, especially the social service type of elderly service institutions, into the scope of their support. Meanwhile, local civil affairs departments are encouraged to introduce targeted supportive policies in consideration of the actual situation in the region. The Group will endeavor to develop the elderly care business in accordance with national policy directions and socio-economic development trends. For the elderly care business, in the current stage, the Group mainly operates under the asset-light operation model to provide management and consultation services to other elderly care institutions and elderly care realties and at the same time cooperate with world-leading elderly care institutions and to constantly enhance its own professional ability of elderly nursing. At the subsequent stage, the Group will develop its own internationally leading mid-to-high end elderly care institutions when appropriate. In addition, the Group will continue to vigorously expand the assistive equipment rental business. By leveraging on the numerous elderly care institutions entrusted to the Group in Shanghai and the cooperation with the orthopedics and geriatrics departments of various hospitals, the Group aims to forge itself as one of the largest and most professional providers of assistive equipment rental service in Shanghai and across Yangtze River Delta. In the aspect of EEG detection business, quantitative EEG testing technology is a world-leading EEG detection technology, and its application range is extensive that it can widely apply to all age groups (including adolescents, youth and elderly) in aspects including prone to mental illness detection, potential strength and neurodevelopmental maturity testing etc., and thus it has an extensive development prospect. Currently, due to various reasons, the development of quantitative EEG detection business is rather slow but the Group will continue to devote its efforts to turn the EEG detection business into a profit growth point in the development of the Company.

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

As at 30 June 2020, 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 <i>(Note)</i>	–	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 of 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 of 30 June 2020, 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 which enables the directors and the supervisors of the Company or their respective spouses or children under 18 years of age, to gain profit through acquiring the shares of the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, 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 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 the ordinary shares of the Company of RMB0.1 each:

Name of shareholders	Capacity	Number of ordinary shares	Percentage of share capital
Tianjin TEDA International Incubator	Beneficial owner	182,500,000 <i>(Note)</i>	9.63%
Shenzhen Xiangyong Investment Company Limited	Beneficial owner	180,000,000 <i>(Note)</i>	9.50%
Shandong Zhinong Fertilizers Company Limited	Beneficial owner	180,000,000 <i>(Note)</i>	9.50%
Dongguan Lvye Fertilizers Company Limited	Beneficial owner	120,000,000 <i>(Note)</i>	6.33%

Note 1: All of the shares represent domestic shares.

Save as disclosed above, as at 30 June 2020, 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.

BACKGROUND AND CURRENT STATUS OF THE PROFIT GUARANTEE FROM SJKGC

On 16 April 2016, the Company, Shu Ju Ku Inc. (referred to as the “SJK”) and SJK Greater China Ltd. (referred to as “SJKGC”) entered into an agreement (referred to as the “Agreement”), pursuant to which the Company agreed to purchase, and the SJK agreed to sell 51% of the entire issued shares of SJKGC (referred to as the “Sale Shares”) to the Company. All conditions precedent under the Agreement had been fulfilled and the completion of acquisition took place on 17 March 2017. The Company had nominated Hong Kong Teda Biomedical Investment Limited, an indirect wholly-owned subsidiary of the Company, as its nominee to hold the Sale Shares on its behalf.

According to the Agreement, the SJK warrants to the Company that SJKGC in each of the three financial years of 2017, 2018 and 2019 will have an audited profit after tax of not less than US\$5,390,000. If the above guarantee is not met, the SJK irrevocably agrees and guarantees that if SJKGC’s audited profit after tax is less than US\$5,390,000, the SJK shall pay, in an appropriate manner, to SJKGC in the amount equal to US\$5,390,000 minus SJKGC’s actual audited profit after tax of that year.

In respect of the fulfillment of the 2017 profit guarantee, the audited net profit after tax of SJKGC for the year ended 31 December 2017 was approximately US\$2,922,000, the profit guarantee for the year ended 31 December 2017 had not been fulfilled. In order to comply with the terms of the Agreement, the Company and SJK entered into a memorandum on 16 January 2018, pursuant to which SJK confirmed that the Company will have the right of priority and entitlement of cash dividend in the amount of US\$2,750,000 for the year ended 31 December 2017 and that the said dividend will be settled to the Company by 30 November 2018. For details, please refer to the supplemental announcement of the Company published on the GEM website dated 26 April 2018. The SJK has agreed that the dividend distribution would be made by SJKGC based on the audited net profit in 2017 through signing the shareholder’s resolution on 26 April 2018, at the same time, the Company confirmed the SJK has fulfilled the profit guarantee commitment for 2017.

In respect of the fulfillment of the 2018 and 2019 profit guarantees, the audited net profit after tax of SJKGC for the year ended 31 December 2018 was US\$305,000, and the audited net profit after tax for the year ended 31 December 2019 was US\$411,000, the above profit guarantees for the year ended 31 December 2018 and the year ended 31 December 2019 had not been fulfilled. As of now, SJK has not paid guaranteed cash dividends to the Company. The Company has initiated the arbitration proceeding at the Hong Kong International Arbitration Centre on 3 September 2019. For the arbitration proceeding, please refer to the announcements of the Company dated 4 September 2019 and 17 July 2020 published on the GEM website. The Company has submitted an updated arbitration application and an updated arbitration claim to the arbitrator and SJK on 3 August 2020.

COMPETING INTERESTS

During the six months ended 30 June 2020, 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. As at the date of this announcement, 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 interim results and the interim report of the Group for the six months ended 30 June 2020.

SHARE OPTION SCHEME

The Company had not approved any new share option scheme during the period ended 30 June 2020.

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 in the first half of 2020.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less strict 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 of 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 the directors during the period under review.

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 in the first half of 2020.

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 on 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 should be separated and should not be performed by the same individual, during the period under review.

During the period under review, as the role of chief executive of the company is assumed by Ms. Sun Li who is concurrently serving as the chairman of the Board, the requirements of provision A.2.1 of the Code were not fulfilled. The Board is of the view that it is of the best interest of the Company at this stage for Ms. Sun Li to assume both positions since it will help to maintain the policy continuity and operating stability of the Company as well as the transformation and upgrade of elderly health-care business. The Company has been selecting candidates for the position of chief executive through various channels in order to comply with the requirements of provision A.2.1 of the Code as soon as possible and enhance the transparency and independence of corporate governance.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020.

By order of the Board
Tianjin TEDA Biomedical Engineering Company Limited
Sun Li
Chairman

Tianjin, the PRC
10 August 2020

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, Gai Li and Li Ximing; 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 and remain on the website of the Company at www.bioteda.com.