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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)

(1) CONNECTED TRANSACTIONS IN RELATION TO THE ENTERING INTO OF THE AGREEMENTS

(2) VARIATION OF TERMS OF MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 51% SHAREHOLDING INTEREST IN SJKGC

(3) DISCLOSEABLE TRANSACTION IN RELATION TO THE TRANSFER OF 39% SHAREHOLDING INTEREST IN SJKGC FROM SJK TO HONG KONG TEDA

Reference is made to the announcement of the Company dated 7 January 2021 in relation to an update of the arbitration proceedings between the Company and SJK.

On 31 December 2020, the Company, Hong Kong TEDA, SJK and SJKGC entered into the Settlement Agreement to agree on the terms and conditions in relation to the extension of time for performance of the Profit Guarantee and to stay the arbitration proceedings.

On 26 March 2021, the Company, Hong Kong TEDA, SJK and SJKGC entered into:–

- (i) the Amended and Restated Settlement Agreement which shall amend, replace and supersede the Settlement Agreement in its entirety; and
- (ii) the Amended and Restated Shareholders' Agreement which shall amend, replace and supersede the Shareholders' Agreements in their entirety to reflect the agreed terms and conditions in relation to the extension of time for performance of the Profit Guarantee.

On the same day, the Company, SJK and SJKGC entered into the Supplemental Share Purchase Agreement to reflect the agreed terms and conditions in relation to the extension of time for performance of the Profit Guarantee.

GEM LISTING RULES IMPLICATIONS

As SJK is a connected person of the Company at the subsidiary level by virtue of being a substantial shareholder of SJKGC, the transactions contemplated under the Agreements constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules. The Board has approved the Agreements and the independent non-executive Directors have confirmed that the terms of the Agreements are fair and reasonable, the transactions contemplated under the Agreements are on normal commercial terms or better and in the interests of the Company and its shareholders as a whole. Therefore, by virtue of Rule 20.99 of the GEM Listing Rules, the transactions contemplated under the Agreements are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and Shareholders' approval requirements.

Pursuant to Rule 19.36 of the GEM Listing Rules, since the entering into of each of the Agreements constitutes material variation of terms of the Acquisition, the applicable percentage ratios of which is more than 25% but less than 100%, the transactions contemplated under the Agreements constitute a major transaction of the Company under Chapter 19 of the GEM Listing Rules and are subject to the reporting, announcement, circular and Shareholders' approval requirements.

Pursuant to Rule 19.74(1) of the GEM Listing Rules, as the Transfer is not exercisable at the Company's discretion, the Transfer will be classified as if it had been exercised at the time of the entering into of the Agreements. As one or more of the applicable percentage ratios in respect of the Transfer is more than 5% but less than 25%, the Transfer at the time when the Agreements were entered into constitute a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements.

REGULATORY REQUIREMENTS

The Possible Share Buy-back from SJK to the Company may only proceed in case both Mechanism 1 and Mechanism 2 of the profit guarantee mechanism as detailed in the paragraph headed "The Amended and Restated Settlement Agreement – Profit Guarantee" in this announcement cannot be fulfilled. The Possible Share Buy-back, if materialises, will constitute an off-market share buy-back by the Company under the Buy-backs Code. The Company shall then make an application to the Executive for approval of the Possible Share Buy-back pursuant to Rule 2 of the Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the Possible Share Buy-back by at least three-fourths of the votes cast on a poll by the disinterested shareholders in attendance in person or by proxy at a general meeting of the Shareholders.

The Company shall issue further announcement(s) to inform the Shareholders and potential investors of the Company if and when the Possible Share Buy-back materialises.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the relevant resolutions in relation to the Agreements and the transactions contemplated thereunder. Pursuant to Rule 19.46 of the GEM Listing Rules, any Shareholder who has a material interest in the transactions contemplated under the Agreements shall abstain from voting to approve the Agreements and the transactions contemplated thereunder at the EGM. As at the date of this announcement, SJK holds approximately 2.92% of the issued share capital of the Company and will be required to abstain from voting on the relevant resolutions at the EGM accordingly. Save for SJK, as at the date of this announcement, to the best knowledge of the Directors, no other Shareholder would be required to abstain from voting thereat as no other Shareholder has any interest in the Agreements which is different from the other Shareholders.

A circular containing, among other things, further details of the Agreements and the transactions contemplated thereunder is expected to be despatched to the Shareholders on or before 21 April 2021, so as to allow sufficient time for the preparation of the aforesaid information for inclusion in the circular.

Shareholders and potential investors of the Company should note that the obligations to perform the Agreements by the Company, Hong Kong TEDA, SJK and SJKGC are subject to fulfilment of the conditions precedent under the Agreements. There is no assurance that such conditions precedent will be fulfilled. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the Shares.

Reference is made to the announcement of the Company dated 7 January 2021 in relation to an update of the arbitration proceedings between the Company and SJK.

BACKGROUND

On 16 April 2016, the Company entered into the Share Purchase Agreement with SJK and SJKGC for acquisition of 51% shareholding interest in SJKGC from SJK at the Consideration of US\$27,000,000. The Company settled the Consideration by (i) paying US\$6,500,000 in cash; and (ii) issuing 10,000,000 H Shares at an issue price of HK\$1.60 each to SJK.

On the same day, the Company, SJK and SJKGC entered into the Shareholders' Agreement to detail their respective rights and obligations in SJKGC and govern the relationship among them.

Each of the Share Purchase Agreement and the Shareholders' Agreement contains a profit guarantee clause, pursuant to which SJK warrants to the Company (and/or its nominee) that SJKGC in each of the three financial years of 2017, 2018 and 2019 will have an audited after tax profit of not less than US\$5,390,000. If the Profit Guarantee is not met, SJK irrevocably agrees and guarantees to the Company that SJK shall pay SJKGC money in the amount equals to US\$5,390,000 minus SJKGC's actual audited after tax profit of that year, and meanwhile the Company (and/or its nominee) will have priority to cash dividends of SJKGC, to ensure and guarantee the Company (and/or its nominee) can get cash dividends of not less than US\$2,750,000 of that year.

On 17 March 2017, all conditions precedent under the Share Purchase Agreement have been fulfilled and completion of the Acquisition took place.

On the same day, the Company nominated Hong Kong TEDA as its nominee to hold 51% shareholding interest in SJKGC on its behalf, then a new shareholders' agreement in respect of SJKGC was entered into among Hong Kong TEDA, SJK and SJKGC with the terms and conditions thereunder being substantially the same as those set out in the Shareholders' Agreement.

SJKGC failed to meet the Profit Guarantee for the financial year of 2017. In order to comply with the terms of the Share Purchase Agreement and the Shareholders' Agreements, 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 financial year of 2017. The Directors confirmed that the cash dividend of US\$2,750,000 has been paid to the Company by SJKGC.

SJKGC also failed to meet the Profit Guarantee for each of the financial years of 2018 and 2019 and the entire cash dividends distributable of SJKGC for the financial years of 2018 and 2019 were US\$305,000 and US\$411,000, respectively. Accordingly, the Company and Hong Kong TEDA requested SJK to perform its profit guarantee obligations for the corresponding financial years by paying in the amount, which shall be calculated according to the agreed mechanism under the Share Purchase Agreement and the Shareholders' Agreements, to SJKGC. SJK disagrees and argued that the Company requested SJKGC to change its operation strategies rendering SJKGC failing to meet the guaranteed profit amount. The Company and SJK proceeded to arbitration on 3 September 2019 to resolve the disputes.

On 31 December 2020, the Company, Hong Kong TEDA, SJK and SJKGC entered into the Settlement Agreement to agree on the terms and conditions in relation to the extension of time for performance of the Profit Guarantee and to stay the arbitration proceedings.

On 26 March 2021, the Company, Hong Kong TEDA, SJK and SJKGC entered into:–

- (i) the Amended and Restated Settlement Agreement which shall amend, replace and supersede the Settlement Agreement in its entirety; and
- (ii) the Amended and Restated Shareholders' Agreement which shall amend, replace and supersede the Shareholders' Agreements in their entirety to reflect the agreed terms and conditions in relation to the extension of time for performance of the Profit Guarantee.

On the same day, the Company, SJK and SJKGC entered into the Supplemental Share Purchase Agreement to reflect the agreed terms and conditions in relation to the extension of time for performance of the Profit Guarantee.

THE AMENDED AND RESTATED SETTLEMENT AGREEMENT

Major terms of the Amended and Restated Settlement Agreement are set out as follows:–

Profit Guarantee

Extension of time and determination of fulfilment of the Profit Guarantee

The Company, Hong Kong TEDA, SJK and SJKGC irrevocably agree to extend the duration for fulfilment of the Profit Guarantee from three financial years of 2017, 2018 and 2019 to six financial years of 2017, 2018, 2019, 2020, 2021 and 2022.

The guaranteed profit will be calculated on a year-on-year basis and/or on a cumulative basis over the New Guaranteed Period. SJK and the Company have agreed that the account of SJKGC shall be audited and consolidated into the audited financial report of the Company after each financial year-end of the Extended Guaranteed Period. The Audit Report shall form the basis for determination of fulfilment of the Profit Guarantee in that financial year.

The mechanisms for fulfilment of the Profit Guarantee

The terms of the Profit Guarantee shall be revised as follows with the adoption of two alternative mechanisms for fulfilment of the Profit Guarantee.

Mechanism 1

SJK irrevocably warrants and guarantees to the Company and/or Hong Kong TEDA (and/or their nominee) that the audited after tax profit of SJKGC in each of the financial years during the Extended Guaranteed Period shall be not less than US\$5,390,000.

In the event that the audited after tax profit of SJKGC for any year during the Extended Guaranteed Period falls short of the Committed Net Profit Amount, SJK further irrevocably warrants and guarantees that it shall carry out the following terms for each of the financial years during the Extended Guaranteed Period:–

- (i) to pay SJKGC an amount equals to the Committed Net Profit Amount minus SJKGC's actual audited after tax profit of that financial year;
- (ii) to give and/or procure and/or consent to the Company's and/or Hong Kong TEDA's (and/or their nominee's) priority and right to cash dividends of SJKGC; and
- (iii) to guarantee that the cash dividends payable and paid to the Company and/or Hong Kong TEDA (and/or their nominee) shall be not less than US\$2,750,000.

If SJK and SJKGC cannot fulfil the Profit Guarantee obligation as stipulated above, SJK and SJKGC irrevocably agree and guarantee that a total of not less than US\$8,250,000 shall be paid to the Company and/or Hong Kong TEDA (and/or their nominee) during the New Guaranteed Period, and the Minimum Guaranteed Cash Dividends Amount shall be satisfied in the following manner:–

- (i) as the Guaranteed Cash Dividends Amount in the sum of US\$2,750,000 for the financial year ended 31 December 2017 has already been paid by SJKGC, the same will be deducted from the Minimum Guaranteed Cash Dividends Amount accordingly;
- (ii) as the Profit Guarantee in each of the two financial years ended 31 December 2018 and 2019 has not been fulfilled and the Guaranteed Cash Dividends Amount in the aggregate sum of US\$5,500,000 has not been paid, SJK shall pay or shall cause SJKGC to pay the Company and/or Hong Kong TEDA (and/or their nominee) the entire cash dividends distributable of SJKGC in the sum of US\$305,000 and US\$411,000 for the financial years ended 31 December 2018 and 2019, respectively, as partial settlement of the Minimum Guaranteed Cash Dividends Amount; and

(iii) SJK is obliged to pay the Company and/or Hong Kong TEDA (and/or their nominee) a sum of not less than US\$4,784,000 in aggregate during the Extended Guaranteed Period. If, at the end of each financial year during Extended Guaranteed Period, the Audit Report reveals that the amount or aggregate amount of cash dividends paid to the Company and/or Hong Kong TEDA (and/or their nominee) is:–

(a) less than US\$4,784,000, SJK shall pay or shall cause SJKGC to pay the entire amount of cash dividends distributable of SJKGC available to the Company and/or Hong Kong TEDA (and/or their nominee); or

(b) more than US\$4,784,000, SJK shall pay or shall cause SJKGC to pay:–

(1) a sum of cash dividends distributable of SJKGC up to US\$4,784,000; and

(2) the remaining cash dividends distributable of SJKGC (i.e. the Guaranteed Cash Dividends Amount in aggregate during the Extended Guaranteed Period less US\$ 4,784,000) in proportion to SJK's and Hong Kong TEDA's respective shareholdings in SJKGC,

to the Company and/or Hong Kong TEDA (and/or their nominee) at the end of each of the financial years during the Extended Guaranteed Period.

For the settlement of the Minimum Guaranteed Cash Dividends Amount, SJK and SJKGC irrevocably warrant and guarantee that:–

(i) all payments to be made for the financial years of 2020 onwards as set out in Mechanism 1 shall be made by SJK and/or SJKGC to the designated bank account provided by the Company within one (1) calendar month after the account of SJKGC has been audited and the Audit Report of the Company of that particular financial year has been published. Payments to be made for the financial years from 2017 to 2019 shall be paid forthwith to the designated bank account provided by the Company within one (1) calendar month from the date of execution of the Settlement Agreement;

(ii) SJK and SJKGC shall pay or shall cause to pay the entire cash dividends distributable of SJKGC to the Company and/or Hong Kong TEDA (and/or their nominee) in priority and until the full settlement of the Minimum Guaranteed Cash Dividends Amount;

(iii) SJK and SJKGC shall be jointly and severally liable to all payments to be made to the Company and/or Hong Kong TEDA (and/or their nominee); and

(iv) SJK and SJKGC shall take all necessary statutory procedures to give effect to all the terms set out in Mechanism 1.

Mechanism 2

SJK and/or SJKGC irrevocably warrant and guarantee to the Company and/or Hong Kong TEDA (and/or their nominee) that for the New Guaranteed Period that:–

- (i) SJKGC's total audited after tax profit shall be not less than US\$8,085,000 in aggregate; or
- (ii) a total of not less than US\$5,775,000 shall be paid to the Company and/or Hong Kong TEDA (and/or their nominee).

SJK further irrevocably warrants and guarantees to the Company and/or Hong Kong TEDA (and/or their nominee) that for the financial year ending 31 December 2022 solely:-

- (i) the Company's audited after tax profit shall not be less than US\$3,773,000; or
- (ii) an amount of not less than US\$1,925,000 shall be paid to the Company and/or Hong Kong TEDA (and/or their nominee).

SJK also irrevocably agrees that 39% of SJK's shareholding in SJKGC shall be transferred to Hong Kong TEDA at nil consideration within six (6) months after the year ending 31 December 2022. Upon completion of the Transfer, the shareholding structure of SJKGC shall be as follows:–

Shareholder	Percentage of Shares before the Transfer	Percentage of Shares after the Transfer
SJK	49%	10%
Hong Kong TEDA	51%	90%

SJK and SJKGC irrevocably agree and guarantee that the Discounted Minimum Guaranteed Cash Dividends Amount shall be satisfied in the following manner:–

- (i) as the Guaranteed Cash Dividends Amount in the sum of US\$2,750,000 for the financial year ended 31 December 2017 has already been paid by SJKGC, the same will be deducted from the Discounted Minimum Guaranteed Cash Dividends Amount accordingly;
- (ii) as the Profit Guarantee in each of the two financial years ended 31 December 2018 and 2019 has not been fulfilled and the Guaranteed Cash Dividends Amount in the aggregate sum of US\$5,500,000 has not been paid, SJK shall pay the Company and/or Hong Kong TEDA (and/or their nominee) the entire cash dividends distributable of SJKGC in the sum of US\$305,000 and US\$411,000 for the financial years ended 31 December 2018 and 2019, respectively, as partial settlement of the Discounted Minimum Guaranteed Cash Dividends Amount;

- (iii) If, at the end of each financial year during Extended Guaranteed Period, the Audit Report reveals that the amount or aggregate amount of cash dividends paid to the Company and/or Hong Kong TEDA (and/or their nominee) is:–
- (a) less than US\$4,784,000, SJK shall pay or shall cause SJKGC to pay the entire amount of cash dividends distributable of SJKGC available to the Company and/or Hong Kong TEDA (and/or their nominee) at the end of each of the financial years during the Extended Guaranteed Period; or
 - (b) more than US\$4,784,000, SJK shall pay or shall cause SJKGC to pay:–
 - (1) a sum of cash dividends distributable of SJKGC available up to US\$4,784,000; and
 - (2) the remaining cash dividends distributable of SJKGC (i.e. the Guaranteed Cash Dividends Amount in aggregate during the Extended Guaranteed Period less US\$4,784,000) in proportion to SJK's and Hong Kong TEDA's respective shareholdings in SJKGC,
- to the Company and/or Hong Kong TEDA (and/or their nominee) at the end of each of the financial years during the Extended Guaranteed Period.

For settlement of the Discounted Minimum Guaranteed Cash Dividends, SJK irrevocably warrants and guarantees that:–

- (i) all payments to be made for the financial years of 2020 onwards as set out in Mechanism 2 shall be made by SJK and/or SJKGC to the designated bank account provided by the Company within one (1) calendar month after the account of SJKGC has been audited and the Audit Report of the Company of that particular financial year has been published. Payments to be made for the financial years 2017 to 2019 shall be paid forthwith to the designated bank account provided by the Company within one (1) calendar month from the date of execution of the Settlement Agreement;
- (ii) SJK shall pay or shall cause SJKGC to pay the entire cash dividends distributable of SJKGC to the Company and/or Hong Kong TEDA (and/or their nominee) in priority and until the full settlement of the Discounted Minimum Guaranteed Cash Dividends Amount;
- (iii) SJK and SJKGC shall be jointly and severally liable to all payments to be made to the Company and/or Hong Kong TEDA (and/or their nominee); and
- (iv) SJK and SJKGC shall take all necessary statutory procedures to give effect to all the terms set out in Mechanism 2.

Payment of Minimum Guaranteed Cash Dividends and return of Consideration Shares

In the event that neither Mechanism 1 nor Mechanism 2 is fulfilled, SJK and SJKGC irrevocably agree and guarantee that a sum of not less than US\$8,250,000 shall be paid to the Company and/or Hong Kong TEDA (and/or their nominee) and the Minimum Guaranteed Cash Dividends shall be satisfied in the following manner:–

- (i) as the Guarantee Cash Dividends Amount in the sum of US\$2,750,000 for the financial year ended 31 December 2017 has already been paid by SJK, the same will be deducted from the Minimum Guaranteed Cash Dividends Amount accordingly;
- (ii) as the Profit Guarantee in each of the two financial years ended 31 December 2018 and 2019 has not been fulfilled and the Guaranteed Cash Dividends Amount in the aggregate sum of US\$5,500,000 has not been paid, SJK shall pay the Company and/or Hong Kong TEDA (and/or their nominee) forthwith the entire cash dividends distributable of SJKGC in the sum of US\$305,000 and US\$411,000 for the financial years ended 31 December 2018 and 2019, respectively, as partial settlement of the Minimum Guaranteed Cash Dividends Amount; and
- (iii) SJK is obliged to pay the Company and/or Hong Kong TEDA (and/or their nominee) the entire amount of cash dividends distributable of SJKGC at the end of each of the financial years during the Extended Guaranteed Period. In the event that the Guaranteed Cash Dividends Amount in aggregate during the Extended Guaranteed Period is less than US\$4,784,000, SJK irrevocably agrees to return the Consideration Shares to the Company, in proportion to an amount equivalent to the shortfall. Such Consideration Shares to be returned to the Company shall be valued and transferred at HK\$1.60 per share (regardless of the subsequent market share price movement) and the maximum number of the Consideration Shares to be transferred shall not be more than 23,322,000.

Except for the return of the Consideration Shares to the Company in accordance with the mechanism as stated in item (iii) above, SJK irrevocably and unconditionally undertakes to the Company and Hong Kong TEDA that it shall not and shall procure that the relevant registered shareholder(s) shall not in the period commencing on the date of the Amended and Restated Settlement Agreement and ending on 30 June 2023 dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of 23,322,000 Consideration Shares which SJK is the beneficial owner.

Should the return of the Consideration Shares as detailed in item (iii) above become a certainty and the exact number of the Consideration Shares been ascertained, the obligation of SJK to return such ascertained number of Consideration Shares to the Company shall be subject to all necessary waivers, consents, approvals, permits and/or authorisations from any relevant governments, regulatory authorities (including the SFC and the Stock Exchange) and/or other relevant third parties in respect of the transaction to be contemplated hereunder on the part of the Company and/or Hong Kong TEDA having been obtained, including, where necessary and applicable, the requisite approval of:

- (i) the Possible Share Buy-back by the Executive pursuant to Rule 2 of the Buy-backs Code; and
- (ii) the Possible Share Buy-back by at least three fourths of the votes cast on a poll by disinterested shareholders in attendance in person or by proxy at a general meeting of the Shareholders duly convened and held to consider, among other things, the Possible Share Buy-back.

Conditions Precedent

The obligations of the Company, Hong Kong TEDA, SJK and SJKGC to perform pursuant to the Amended and Restated Settlement Agreement shall be subject to all necessary waivers, consents, approvals, permits and/or authorisations from any relevant governments, regulatory authorities (including the SFC and the Stock Exchange) and/or other relevant third parties in respect of the transactions contemplated thereunder on the part of the Company and/or Hong Kong TEDA having been obtained, (including the approval from the Shareholders).

THE SUPPLEMENTAL SHARE PURCHASE AGREEMENT

Subject to all necessary waivers, consents, approval, permits and/or authorisations from any relevant governments, regulatory authorities (including the SFC and the Stock Exchange) and/or other relevant third parties in respect of the transactions contemplated under the Supplemental Share Purchase Agreement on the part of the Company and/or Hong Kong TEDA having been obtained (including the approval from the Shareholders), the Share Purchase Agreement (as amended and supplemented by two supplemental agreements dated 25 April 2016 and 12 September 2019) shall be supplemented and amended to the effect that:–

- (i) SJK warrants to the Company (and/or its nominee) that SJKGC in each of the three financial years of 2017, 2018 and 2019 (from 1st January to 31st December every year) will have an audited after tax profit of not less than US\$5,390,000;

- (ii) if the Profit Guarantee is not met, SJK irrevocably agrees and guarantees to pay, in an appropriate manner, SJKGC money in the amount equals to US\$5,390,000 minus SJKGC's actual audited after tax profit of that year, and meanwhile the Company (and/or its nominee) will have priority to cash dividends of SJKGC, to ensure and guarantee that the Company (and/or its nominee) can get cash dividends of not less than US\$2,750,000 of that year;
- (iii) without prejudice to the rights of the Company (and/or its nominee) under items (i) and (ii) above, SJK and SJKGC agree to extend the duration for the fulfilment of the Profit Guarantee from the three financial years of 2017, 2018 and 2019 to the six financial years of 2017, 2018, 2019, 2020, 2021 and 2022;
- (iv) the Company, SJK and SJKGC agree that the terms and conditions in respect of the extension as stated in item (iii) above shall be referred to and have been detailed in the Amended and Restated Settlement Agreement and the Amended and Restated Shareholders' Agreement; and
- (v) SJK irrevocably agrees and undertakes that it shall comply and shall cause SJKGC to comply with the terms and conditions as stated in the Amended and Restated Settlement Agreement and the Amended and Restated Shareholders' Agreement.

THE AMENDED AND RESTATED SHAREHOLDERS' AGREEMENT

Except for the terms relating to (i) the Profit Guarantee; (ii) composition of the board of directors of SJKGC; and (iii) the restrictions and obligations on the parties to the agreement which shall be amended as detailed below, the other terms of the Amended and Restated Shareholders' Agreement are substantially the same as those set out in the Shareholders' Agreements, details of which have been set out in the circular of the Company dated 25 July 2016.

Profit Guarantee

Please refer to the paragraph headed "The Amended and Restated Settlement Agreement – Profit Guarantee" in this announcement for details.

Board of Directors

The number of directors holding office at any one time shall be four (4) unless expressly agreed in writing by SJK and Hong Kong TEDA. SJK shall have no right to appoint any director, while Hong Kong TEDA shall have the right to appoint four (4) directors.

Restrictions and Obligations on the Parties

Hong Kong TEDA shall authorise SJK to be fully responsible for the business operations of SJKGC.

Conditions Precedent

The Company, Hong Kong TEDA, SJK and SJKGC shall not have the obligations to perform the Amended and Restated Shareholders' Agreement unless and until all necessary waivers, consents, approval, permits and/or authorisations from any relevant governments, regulatory authorities (including the SFC and the Stock Exchange) and/or other relevant third parties in respect of the transactions contemplated thereunder on the part of the Company and/or Hong Kong TEDA having been obtained (including the approval from the Shareholders).

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE AGREEMENTS

Pursuant to a license agreement entered into between SJK and SJKGC in 2016, SJKGC is licensed by SJK to use quantitative EEG examination and diagnosis technology within the Licensed Area. SJK shall charge from customers of SJK, such as medical and health check institutions, a license fee and a royalty fee equal to certain proportion of their revenue by providing them with technical support and training services relating to quantitative EEG examination or diagnosis. Customers of SJK shall upload their acquired EEGs to the artificial intelligence cloud located in the United States of America which is operated by SJKGC for automatic identification and analysis of EEG. The examination and diagnosis reports formed shall then be passed back to the customers of SJK from the artificial intelligence cloud.

However, as a result of the implementation of regulations and government policies in the PRC in relation to cross-border transfer of population health data leading to complication of the procedures for transferring EEG data out of the PRC, SJKGC has since 2017 changed its business operation strategies and established a standalone EEG data management and detection system in the PRC. In response to the unsatisfactory performance of the standalone EEG data management and detection system that EEG data could not be interpreted smoothly for generating diagnosis report, and that the PRC market was generally not receptive to and casted doubt on the concept of EEG detection and its functionality resulting in the business scale of the EEG detection business developing at a pace far lower than originally anticipated, SJKGC has further researched on and improved the technology and database of its EEG data management and detection system to enhance the stability and functionality regarding the identification, processing and analysis of EEG.

As the time expended on, and the dealing with, the establishment and development of the EEG data management and detection system in the PRC, as well as the consequential issues encountered had not been taken into account at the time of the Acquisition, SJKGC was not able to develop its business plan as originally planned. This has led to SJKGC not being able to meet the Profit Guarantee for the financial year ended 31 December 2017, 2018 and 2019.

In addition, the development and operation of the EEG data management and detection system in the PRC has been stagnating due to the spread of the COVID-19 pandemic across the country in 2020.

Although it is predicted that the development and operation of the EEG data management and detection system in the PRC would not have a huge improvement in the first half of 2021 as the COVID-19 pandemic is still not fully under control, the Company still have faith in the operation and development of EEG detection technology in the PRC and believes that as more people get vaccinated that the COVID-19 pandemic would be under more control in the near future, the Group's business will be back on track and the development and operation of the EEG data management and detection system in the PRC will have a positive growth in the upcoming years.

In light of the above, the Company entered into the Agreements to (i) extend the duration for fulfilment of the Profit Guarantee from three financial years of 2017, 2018 and 2019 to six financial years of 2017, 2018, 2019, 2020, 2021 and 2022; and (ii) revise the terms of the Profit Guarantee with the adoption of two alternative mechanisms for fulfilment of the Profit Guarantee.

The Directors (including the independent non-executive Directors) consider that the terms of the Agreements are on normal commercial terms and are fair and reasonable, and the Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Directors has material interest in the transactions contemplated under the Agreements and none of them is required to be abstained from voting on the relevant board resolutions.

GENERAL INFORMATION OF THE PARTIES

The Group

The Group is principally engaged in two sectors: (i) biological compound fertiliser business, which principally includes multiple series of biological compound fertiliser products under the brand of "Fulilong" used for the facilitation of balanced growth of grains, fruit and vegetables; and (ii) 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.

SJK

SJK was incorporated on 7 October 2015 in Seychelles. As at the date of this announcement, SJK is wholly-owned by Victor Mind Investment Limited, which in turn is wholly-owned by Mr. Wang Yedong (王冶東先生).

SJK has been granted the exclusive worldwide license by Kosivana (a Cyprus corporation) to use certain proprietary intellectual property in relation to quantitative EEG data collection, analysis and subsequently for establishing the associated medical data bank. SJK is the sole licensee of Kosivana (being the ultimate holder and owner of the proprietary quantitative EEG analysis technology for diagnosis of various psychiatric/neurological diseases) which shall sub-license to third parties around the globe the right to use the quantitative EEG examination and diagnosis technology (NeuroRef) as well as the EEG database established accordingly, and to charge corresponding sub-licensing fees.

SJKGC

SJKGC is an exempted company limited by shares incorporated in the Cayman Islands on 8 February 2016. As at the date of this announcement, SJKGC is owned as to 51% and 49% by Hong Kong TEDA and SJK, respectively.

SJKGC principally engages in the licensing of IP Rights and provision of EEG analysis relating to diagnostics and related technical support and training services to clinical institutions in the Licensed Areas by utilising the IP Rights sub-licensed by SJK. The IP Rights cover patents, database, related technology, skills, information and training materials for EEG analysis and associated diagnostics.

Set out below is the financial information of SJKGC for the years ended 31 December 2019 and 2020:–

	For the year ended	
	31 December	
	2020	2019
	RMB	RMB
	(Unaudited)	(Audited)
Net profit/(loss) before taxation	(1,219)	2,845,759
Net profit/(loss) after taxation	(1,219)	2,845,759

The unaudited net asset value of SJKGC as at 31 January 2021 was approximately RMB5,042,370.

GEM LISTING RULES IMPLICATIONS

As SJK is a connected person of the Company at the subsidiary level by virtue of being a substantial shareholder of SJKGC, the transactions contemplated under the Agreements constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules. The Board has approved the Agreements and the independent non-executive Directors have confirmed that the terms of the Agreements are fair and reasonable, the transactions contemplated under the Agreements are on normal commercial terms or better and in the interests of the Company and its shareholders as a whole. Therefore, by virtue of Rule 20.99 of the GEM Listing Rules, the transactions contemplated under the Agreements are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and Shareholders' approval requirements.

Pursuant to Rule 19.36 of the GEM Listing Rules, since the entering into of each of the Agreements constitutes material variation of terms of the Acquisition, the applicable percentage ratios of which is more than 25% but less than 100%, the transactions contemplated under the Agreements constitute a major transaction of the Company under Chapter 19 of the GEM Listing Rules and are subject to the reporting, announcement, circular and Shareholders' approval requirements.

Pursuant to Rule 19.74(1) of the GEM Listing Rules, as the Transfer is not exercisable at the Company's discretion, the Transfer will be classified as if it had been exercised at the time of the entering into of the Agreements. As one or more of the applicable percentage ratios in respect of the Transfer is more than 5% but less than 25%, the Transfer at the time when the Agreements were entered into constitute a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements.

REGULATORY REQUIREMENTS

The Possible Share Buy-back from SJK to the Company may only proceed in case both Mechanism 1 and Mechanism 2 of the profit guarantee mechanism as detailed in the paragraph headed "The Amended and Restated Settlement Agreement – Profit Guarantee" in this announcement cannot be fulfilled. The Possible Share Buy-back, if materialises, will constitute an off-market share buy-back by the Company under the Buy-backs Code. The Company shall then make an application to the Executive for approval of the Possible Share Buy-back pursuant to Rule 2 of the Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the Possible Share Buy-back by at least three-fourths of the votes cast on a poll by the disinterested shareholders in attendance in person or by proxy at a general meeting of the Shareholders.

The Company shall issue further announcement(s) to inform the Shareholders and potential investors of the Company if and when the Possible Share Buy-back materialises.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the relevant resolutions in relation to the Agreements and the transactions contemplated thereunder. Pursuant to Rule 19.46 of the GEM Listing Rules, any Shareholder who has a material interest in the transactions contemplated under the Agreements shall abstain from voting to approve the Agreements and the transactions contemplated thereunder at the EGM. As at the date of this announcement, SJK holds approximately 2.92% of the issued share capital of the Company and will be required to abstain from voting on the relevant resolutions at the EGM accordingly. Save for SJK, as at the date of this announcement, to the best knowledge of the Directors, no other Shareholder would be required to abstain from voting thereat as no other Shareholder has any interest in the Agreements which is different from the other Shareholders.

A circular containing, among other things, further details of the Agreements and the transactions contemplated thereunder is expected to be despatched to the Shareholders on or before 21 April 2021, so as to allow sufficient time for the preparation of the aforesaid information for inclusion in the circular.

Shareholders and potential investors of the Company should note that the obligations to perform the Agreements by the Company, Hong Kong TEDA, SJK and SJKGC are subject to fulfilment of the conditions precedent under the Agreements. There is no assurance that such conditions precedent will be fulfilled. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the acquisition of 51% shareholding interest in SJKGC by the Company from SJK pursuant to the terms and conditions of the Share Purchase Agreement
“Agreements”	the Amended and Restated Settlement Agreement, the Supplemental Share Purchase Agreement and the Amended and Restated Shareholders’ Agreement
“Amended and Restated Settlement Agreement”	the amended and restated settlement agreement dated 26 March 2021 entered into among the Company, Hong Kong TEDA, SJK and SJKGC

“Amended and Restated Shareholders’ Agreement”	the amended and restated shareholders’ agreement dated 26 March 2021 entered into among the Company, Hong Kong TEDA, SJK and SJKGC
“Audit Report”	the account of SJKGC which shall be audited and consolidated into the audited financial report of the Company after each financial year-end of the Extended Guaranteed Period
“Board”	the board of Directors
“Buy-backs Code”	The Hong Kong Code on Share Buy-backs
“Consideration”	the consideration of US\$27,000,000 payable by the Company to SJK in relation to the Acquisition
“Consideration Shares”	100,000,000 new H Shares issued by the Company to SJK for settlement of part of the Consideration
“Committed Net Profit Amount”	the amount of not less than US\$5,390,000 in each of the financial years during the Extended Guaranteed Period
“Company”	Tianjin TEDA Biomedical Engineering Company Limited (天津泰達生物醫學工程股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on GEM of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Domestic Share(s)”	the domestic invested share(s) of nominal value of RMB0.10 each in the share capital of the Company, which are subscribed for in RMB
“Director(s)”	the director(s) of the Company
“Discounted Minimum Guaranteed Cash Dividends Amount”	a total of not less than US\$5,775,000 payable to the Company and/or Hong Kong TEDA (and/or their nominee) by SJK and/or SJKGC
“EGM”	the extraordinary general meeting of the Company to be held and convened to consider and, if thought fit, to approve, among other things, the Agreements and the transactions contemplated thereunder

“EEG”	electroencephalogram, which measures the sum of the electric potential impulses of a large number of nerve cells during brain activities. It records the electric waves from the surface of the scalp during brain activities and displays the overall electrophysiological activities of the cerebral cortex;
“Executive”	The Executive Director of the Corporate Finance Division of the SFC or any of its delegates
“Extended Guaranteed Period”	the three financial years of 2020, 2021 and 2022
“GEM Listing Rules”	the Rules Governing the Listing of Securities GEM on the Stock Exchange
“Group”	the Company and its subsidiaries
“Guaranteed Cash Dividends Amount”	cash dividends of an amount not less than US\$2,750,000 payable and paid to the Company and/or Hong Kong TEDA (and/or their nominee) guaranteed by SJK
“H Share(s)”	overseas listed foreign share(s) of nominal value of RMB0.10 each in the share capital of the Company being listed on GEM and can be traded in HK\$
“HK\$” or “HKD”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong TEDA”	HONGKONG TEDA Biomedical Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Injection Obligation”	the amount equals to the Committed Net Profit Amount minus SJKGC’s actual audited after tax profit of that financial year payable by SJK
“IP Rights”	patents and all intellectual property rights including but not limited to database, related technology, skills, information and training materials for EEG analysis and associated diagnostics;

“Licensed Area”	the PRC, Hong Kong, Macau, Japan and Korea
“Macau”	Macau Special Administrative Region of the PRC
“Minimum Guaranteed Cash Dividends Amount”	a total of not less than US\$8,250,000 payable to the Company and/or Hong Kong TEDA (and/or their nominee) by SJK and/or SJKGC
“New Guaranteed Period”	the six financial years of 2017, 2018, 2019, 2020, 2021 and 2022
“percentage ratio(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Possible Share Buy-back”	the transfer of not more than 23,322,000 Consideration Shares from SJK to the Company pursuant to the Amended and Restated Settlement Agreement
“Priority Guarantee”	the priority and right to cash dividends of SJKGC to be given and/or procured and/or consented to the Company and/or Hong Kong TEDA by SJK
“PRC”	the People’s Republic of China, which for the sole purpose of this announcement, shall exclude Hong Kong, Macau and Taiwan
“Profit Guarantee”	warranties given by SJK to the Company (and/or its nominee) that SJKGC in each of the three financial years of 2017, 2018 and 2019 will have an audited after tax profit of not less than US\$5,390,000 pursuant to the Share Purchase Agreement and the Shareholders’ Agreements
“Settlement Agreement”	the settlement agreement dated 31 December 2020 entered into among the Company, Hong Kong TEDA, SJK and SJKGC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) as amended, modified and supplemented from time to time
“Share Purchase Agreement”	the share purchase agreement dated 16 April 2016 entered into among the Company, SJK and SJKGC in relation to the Acquisition
“Share(s)”	ordinary share(s) of RMB0.1 each in the share capital of the Company

“Shareholder(s)”	holder(s) of Share(s), holder(s) of H Share(s) and holder(s) of Domestic Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement in respect of SJKGC dated 16 April 2016 entered into among the Company, SJK and SJKGC (as amended and supplemented by a supplemental agreement dated 12 September 2019)
“Shareholders’ Agreements”	the Shareholders’ Agreement and the shareholders’ agreement in respect of SJKGC dated 17 March 2017 entered into among Hong Kong TEDA, SJK and SJKGC
“SJK”	Shu Ju Ku Inc., a company incorporated in the Seychelles (registration number: 173301)
“SJKJGC”	Shu Ju Ku Greater China, Ltd., an exempted company limited by shares incorporated in the Cayman Islands (registration number: 308468)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Share Purchase Agreement”	a supplemental agreement in respect of the Share Purchase Agreement (as amended and supplemented by two supplemental agreements dated 25 April 2016 and 12 September 2019) dated 26 March 2021 entered into among the Company, SJK and SJKGC
“Transfer”	the transfer of 39% shareholding interest in SJKGC from SJK to Hong Kong TEDA
“US\$” or “USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent

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

Tianjin, the PRC
26 March 2021

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

This announcement, for which the Directors are willing to collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief that the information contained in this announcement is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page on the GEM website at 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.