



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 2018

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The information set out in this announcement, for which the directors of Tianjin TEDA Biomedical Engineering Company Limited (the “Company”) collectively and individually accept full responsibility, is 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 this announcement or any statement herein misleading.

HIGHLIGHTS

- Consolidated turnover of the Group for the nine months ended 30 September 2018 amounted to RMB268,996,084, representing an increase of 8.29% as compared to the same period of last year (30 September 2017: RMB248,403,719).
- Consolidated gross profit of the Group for the nine months ended 30 September 2018 amounted to RMB38,118,816, representing an increase of 12.69% as compared to the same period of last year (30 September 2017: RMB33,827,092).
- Loss attributable to the equity owners of the Company for the nine months ended 30 September 2018 was RMB59,054,824 (30 September 2017: loss of RMB12,918,073); and loss per share of the Company was RMB3.366 cents (30 September 2017: loss per share of RMB0.783 cents).
- The Board does not recommend the payment of dividend for the nine months ended 30 September 2018.

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 2018, together with the comparative figures of the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	(Unaudited)		(Unaudited)	
		For the nine months		For the three months	
		ended 30 September		ended 30 September	
		2018	2017	2018	2017
		RMB	RMB	RMB	RMB
Continuing operation					
Revenue	2	268,996,084	248,403,719	92,784,990	90,852,356
Cost of sales		(230,877,268)	(214,576,627)	(83,176,937)	(78,898,459)
Gross profit		38,118,816	33,827,092	9,608,053	11,953,897
Other expenses and net loss		(15,104,516)	(1,711,470)	(14,208,477)	(1,529,393)
Selling and distribution costs		(16,839,040)	(10,841,508)	(4,878,443)	(4,379,627)
R&D and administrative expenses		(32,525,176)	(29,750,134)	(13,286,048)	(11,305,075)
Finance costs		(362,130)	(2,783,152)	1,465,641	(970,485)
Impairment loss of intangible assets		(30,000,000)	–	(30,000,000)	–
Loss before taxation		(56,712,046)	(11,259,172)	(51,299,274)	(6,230,683)
Income tax	3	(182,060)	(858,545)	–	(167,345)
Loss for the period		(56,894,106)	(12,117,717)	(51,299,274)	(6,398,028)
Attributable to:					
Owners of the Company					
– Loss for the period		(59,054,824)	(12,918,073)	(50,869,225)	(7,112,547)
Non-controlling interests					
– Profit/(Loss) for the period		2,160,718	800,356	(430,049)	714,519
Loss per share-Basic (RMB)	4	<u>(3.366) cents</u>	<u>(0.783) cents</u>	<u>(2.899) cents</u>	<u>(0.431) cents</u>

Notes:

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with Hong Kong Financial Reporting Standards, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”). In the current period, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKAS”) (collectively “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants which are relevant to its operations and effective for accounting periods beginning on or after 1 January 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 2018 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 2017.

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 nine months ended 30 September		For the three months ended 30 September	
	2018 RMB	2017 RMB	2018 RMB	2017 RMB
Fertilizer products	260,162,494	245,284,336	92,262,681	89,451,433
Elderly care and health care services	8,833,590	3,119,383	522,309	1,400,923
	<u>268,996,084</u>	<u>248,403,719</u>	<u>92,784,990</u>	<u>90,852,356</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%(2017:25%), 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% (2017:15%).

Hongkong Teda Biomedical Investment Limited is calculated based on the Hongkong profits tax rate of 16.5%(2017: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.(2017:Nil).

(b) Income tax expense

	For the nine months ended 30 September	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Current Tax		
Hong Kong	Nil	Nil
Other Jurisdictions	182	859
	=====	=====

The income tax charge in Hong Kong is Nil for the period ended 30 September 2018(September 2017:Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is RMB182,060 for the period ended 30 September 2018(September 2017: RMB858,545).

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

	For the nine months ended 30 September	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Loss before income tax expense	(56,712)	(11,259)
Tax calculated at the EIT rate of 25%	(14,178)	(2,815)
Tax rate differential	302	(718)
Effect of tax holiday exemption	–	–
Effect of the tax losses on consolidation	14,058	4,392
Tax effect of expenses that are not deductible in determining taxable profit	–	–
Tax expense for the period	<u>182</u>	<u>859</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	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the purpose of basic earnings per share	<u>(59,054,824)</u>	<u>(12,918,073)</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>1,754,576,712</u>	<u>1,648,972,603</u>

DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2018 (30 September 2017:Nil).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital		Share premium		Surplus reserve		Capital reserve		Other reserve		Accumulated Losses		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as at 1 January	169,500,000	159,500,000	255,466,214	154,667,871	3,717,696	3,717,696	2,541,404	2,541,404	(22,032,403)	(22,032,403)	13,761,051	27,513,103	422,953,962	325,907,671
Issue of shares	19,950,000	10,000,000	20,350,400	85,736,983	-	-	-	-	-	-	-	-	40,300,400	95,736,983
Net profit attributable to equity holders of the Company for the three months ended 31 March	-	-	-	-	-	-	-	-	-	-	(6,864,776)	(2,939,138)	(6,864,776)	(2,939,138)
Balance as at 31 March	<u>189,450,000</u>	<u>169,500,000</u>	<u>275,816,614</u>	<u>240,404,854</u>	<u>3,717,696</u>	<u>3,717,696</u>	<u>2,541,404</u>	<u>2,541,404</u>	<u>(22,032,403)</u>	<u>(22,032,403)</u>	<u>6,896,275</u>	<u>24,573,965</u>	<u>456,389,586</u>	<u>418,705,516</u>
Net profit attributable to equity holders of the Company for the three months ended 30 June	-	-	-	-	-	-	-	-	-	-	(1,320,823)	(2,866,388)	(1,320,823)	(2,866,388)
Issue of shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June	<u>189,450,000</u>	<u>169,500,000</u>	<u>275,816,614</u>	<u>240,404,854</u>	<u>3,717,696</u>	<u>3,717,696</u>	<u>2,541,404</u>	<u>2,541,404</u>	<u>(22,032,403)</u>	<u>(22,032,403)</u>	<u>5,575,452</u>	<u>21,707,577</u>	<u>455,068,763</u>	<u>415,839,128</u>
Net profit attributable to equity holders of the Company for the three months ended 30 September	-	-	-	-	-	-	-	-	-	-	(50,869,225)	(7,112,547)	(50,869,225)	(7,112,547)
Balance as at 30 September	<u>189,450,000</u>	<u>169,500,000</u>	<u>275,816,614</u>	<u>240,404,854</u>	<u>3,717,696</u>	<u>3,717,696</u>	<u>2,541,404</u>	<u>2,541,404</u>	<u>(22,032,403)</u>	<u>(22,032,403)</u>	<u>(45,293,773)</u>	<u>14,595,030</u>	<u>404,199,538</u>	<u>408,726,581</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 fertiliser business, which principally includes a series of biological compound fertiliser products that are used for the facilitation of balanced growth of grains, fruit and vegetables. On the other hand, it is the healthcare business, which principally includes the comprehensive layout of elderly care services integrating medical services and elderly care services, and operation and management business, which focus on seniors with complete or partial disability or dementia that have strong demand. Such business mainly includes nationwide operation management of elderly care institutions (service facilities), integration of elderly care service resources, supervision and consultancy on elderly care service management and other related old-aged service businesses. By applying the world's unique quantitative EEG detection and analysis technology that acquired, it has cooperated with relevant medical institutions and medical examination bodies to assist them in diagnosing accurately various neuropsychiatric/disorders.

Financial Review

For the nine months ended 30 September 2018, the Group achieved a total turnover of RMB268,996,084 from its operation, representing an increase of 8.29% as compared to the same period of last year (30 September 2017: RMB248,403,719). The Group achieved a consolidated gross profit of RMB38,118,816 from its operation, representing an increase of 12.69% as compared to the same period of last year (30 September 2017: RMB33,827,092). The consolidated gross profit margin of the Group was 14.17%, which was 0.55% higher than the same period of last year (30 September 2017: consolidated gross profit margin was 13.62%). For the nine months ended 30 September 2018, selling and distribution expenses of the Group were RMB16,839,040, representing an increase of 55.32% as compared to the same period of last year (30 September 2017: RMB10,841,508); research and development and administrative expenses were RMB32,525,176, representing an increase of 9.33% as compared to the same period of last year (30 September 2017: RMB29,750,134). During the period under review, finance costs of the Group were RMB362,130, representing a decrease of 86.99% as compared to the same period of last year (30 September 2017: RMB2,783,152). For the nine months ended 30 September 2018, loss attributable to the owners of the Company was RMB59,054,824 (30 September 2017: loss of RMB12,918,073); loss per share of the Company were RMB3.366 cents, while loss per share of the same period of last year were RMB0.783 cents.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2018, the Group and the Company had contingent liabilities amounting to RMB13,000,000 (31 December 2017: RMB5,000,000) and RMB13,000,000 (31 December 2017: RMB5,000,000) 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 a 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

With the publication of the “Technical Guidelines for Agricultural Green Development (2018-2030)” by Ministry of Agriculture and Rural Affairs of the People's Republic of China, the research and development of green and efficient functional fertilisers and biological fertilisers has become a trend, The informatisation, mechanisation and smart intelligence of agricultural production processes are constantly improving with solid promotion in agricultural modernisation and new rural construction. The compound fertiliser market remained stable overall this year, but due to the impact of raw material prices, it went up slightly. The demand for fertilisers in Autumn was increasing but will still be affected by environmental protection regulations. Our compound fertilisers manufacturing subsidiary enterprises launched new microbial fertiliser products by adjusting their marketing strategies in time according to market changes and continued its innovative and green development to ensure the stable and healthy development of the Group's compound fertiliser business.

With China's ageing population issue progressing rapidly, the Group focused the layout of conducting the operation and management of elderly care institutions (service facilities), integration of elderly care service resources, supervision and consultancy on elderly care service management and other related old-aged service businesses nationwide, and continued to improve our market competitiveness in the caring seniors with complete or partial disability or dementia segment, enhanced its core competitiveness in elderly care sector to form unique nursing capabilities and competitive barriers, and will gradually improve the setting-up and development of the healthcare and elderly care industrial holding platform integrating with medical services.

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

As at 30 September 2018, 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 Lvye Fertilizers Company Limited (“Lvye 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 Lvye Fertilizers, respectively. All of the shares represent domestic shares.

Save as disclosed in this paragraph, as at 30 September 2018, none of the Directors, the Supervisors or other chief executives of the Company had interest in any securities and 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 the 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 2018, 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 ordinary shares of RMB0.1 each in the Company:

Names of shareholders	Capacity	Number of ordinary shares	Percentage of the 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: All of the shares represent domestic shares.

Save as disclosed above, as at 30 September 2018, 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.

ISSUE OF NEW H SHARES UNDER GENERAL MANDATE

On 9 February 2018, the Company and no less than six subscribers entered into subscription agreements, pursuant to which the subscribers agreed to subscribe for, and the Company agreed to issue to the subscribers, an aggregate of 199,500,000 new H Shares at the subscription price of HK\$0.25 each, the net proceeds from the subscription after deducting relevant expenses incurred in relation to the subscription, amounted to approximately HK\$49,225,000 which is intended to be used by the Company for further development of its overall planning of the business fields including but not limited to elderly care services and the operation and management business integrating medical and care services. The subscribers are independent institutional and/or individual investors who are independent of the Company and its connected persons under the GEM Listing Rules. The number of the subscription shares represented approximately 10.53% of the total number of shares of the Company in issue after the completion of the subscriptions on 14 March 2018. For details, please refer to the announcements of the Company published on the GEM website dated 9 February 2018, 12 February 2018 and 14 March 2018 respectively.

The comparison of the shareholding structure of the Company immediately before and after the issue of additional H shares is as follows:

Name of shareholders	Nature of Shareholding	Before Completion of This Additional Issue		After Completion of This Additional Issue	
		Number of Shares Held	Percentage of Shares (%)	Number of Shares Held	Percentage of Shares (%)
Incubator	State-owned legal person shares	182,500,000	10.77	182,500,000	9.63
Gu Hanqing	Natural person shares	14,000,000	0.83	14,000,000	0.74
Xie Kehua	Natural person shares	9,000,000	0.53	9,000,000	0.48
Guangzhou Wenguang Media	Social legal person shares	2,000,000	0.12	2,000,000	0.11
北京金百達資訊	Social legal person shares	10,000,000	0.59	10,000,000	0.53
Shenzhen Xiangyong	Social legal person shares	180,000,000	10.62	180,000,000	9.50
Shandong Zhinong	Social legal person shares	180,000,000	10.62	180,000,000	9.50
Dongguan Lvye	Social legal person shares	120,000,000	7.08	120,000,000	6.33
H Shares public shareholders	H Shares	897,500,000	52.95	897,500,000	47.38
H Shares subscribers	H Shares	–	–	199,500,000	10.53
Shu Ju Ku, Inc.	H Shares	100,000,000	5.90	100,000,000	5.28
Total		1,695,000,000	100.00	1,894,500,000	100.00

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Company would like to provide the following additional information in respect of its acquisition (the “Acquisition”) of 51% stake of SJK Greater China Ltd. (“SJKGC”):

As disclosed in the circular of the Company dated 25 July 2016 in relation to 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 that the audited net profit after tax of SJKGC for the year ended 31 December 2017 was US\$3,010,000, the above 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 paid to the Company by 30 November 2018.

The additional information above does not affect other information contained in the Annual Results Announcement, the Clarification Announcement and the Annual Report, and the other contents of the Annual Results Announcement, the Clarification Announcement and the Annual Report remain unchanged. For details, please refer to the supplemental announcement of the Company published on the GEM website dated 26 April 2018.

GENERAL MANDATE TO ISSUE SHARES

On 17 May 2018, the Company issued an announcement of results of the annual general meeting to announce, inter alia, that a special resolution was duly passed at the annual general meeting of the Company on 17 May 2018 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 authorising 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 2018 published on the GEM website, and the announcement of results of the annual general meeting dated 17 May 2018 published on the GEM website.

RESIGNATION AND APPOINTMENT OF DIRECTORS

The Company issued an announcement on 10 August 2018 that the Board had accepted the resignation of Mr. Feng Enqing a non-executive Director with effect from 10 August 2018.

The Board proposed to appoint Ms. Gai Li as a non-executive Director for a term commencing on the date of approval by the shareholders of the Company and expiring on 31 December 2019. For details, please refer to the announcement dated 10 August 2018, and notice of extraordinary general meeting and circular both dated 10 August 2018 of the Company published on the GEM website. The aforesaid proposal was voted by poll as ordinary resolutions at the extraordinary general meeting of the Company to be convened on 26 September 2018. For details, please refer to the announcement of poll results of extraordinary general meeting dated 26 September 2018.

The Company issued an announcement on 21 September 2018 that the Board had accepted the resignation of Mr. Liu Renmu as an executive Director with effect from 21 September 2018.

The Board proposed to appoint Mr. He Xin as an executive Director for a term commencing on the date of approval by the shareholders of the Company and expiring on 31 December 2019. For details, please refer to the announcement dated 21 September 2018, and notice of extraordinary general meeting and circular both dated 27 September 2018 of the Company published on the GEM website. The aforesaid proposal will be voted by poll as ordinary resolutions at the extraordinary general meeting of the Company to be convened on 16 November 2018.

COMPETING INTERESTS

During the nine months ended 30 September 2018, 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 quarterly results and the third quarterly report of the Group for the nine months ended 30 September 2018.

SHARE OPTION SCHEME

The Company has not approved any new share option scheme during the period ended 30 September 2018.

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 ended 30 September 2018.

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 ended 30 September 2018.

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 during the period under review.

Since September 2015, as Ms. Sun Li serves as the Chairman and Chief Executive Officer, such practice deviates from code provision A.2.1 of the Code. The Board is of the opinion that it is currently appropriate and in the best interests of the Company for Ms. Sun Li to hold both positions as it helps to maintain the stability of the continuous operations of the Company and the transformation and upgrading of healthcare business. The Company has been proactively recruiting candidates for the post of Chief Executive Officer through different means so as to fulfill the requirements of A.2.1 of the Code as soon as possible for increasing the transparency and independence of corporate governance.

By order of the Board

Tianjin TEDA Biomedical Engineering Company Limited

Sun Li

Chairman

Tianjin, the PRC, 12 November 2018

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

The announcement will remain at the “Latest Company Announcements” page on the GEM website at <http://www.hkgem.com> for at least seven (7) days from the date of its posting, and it will also be published and remain on the website of the Company at www.bioteda.com.