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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)

VOLUNTARY ANNOUNCEMENT

**(1) USE OF PROCEEDS FROM ISSUANCE OF NEW H SHARES
AND
(2) FULLFILLMENT OF PROFIT GUARANTEE OF SJK GREATER
CHINA LTD. FOR THE YEAR ENDED 31 DECEMBER 2018**

This announcement is made by Tianjin TEDA Biomedical Engineering Company Limited (the "Company") on a voluntary basis to keep shareholders and potential investors of the Company informed of its latest development.

(1) USE OF PROCEEDS FROM ISSUANCE OF NEW H SHARES

The subscription of new shares of the Company was completed on 14 March 2018. The net proceeds from the subscription, net of relevant expenses incurred from the subscription, amounted to HK\$49,225,000. As at 30 June 2019, the Group has utilised net proceeds of approximately HK\$21,242,764 from the subscription and there was a balance of approximately HK\$27,982,236 not yet utilised. The Company intends to utilise the balance of the net proceeds in the following manners:

Purposes	Descriptions	Intended use of proceeds (HK\$)
To expand the elderly care and health care business	<ul style="list-style-type: none">To carry out the 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 were gradually conducted. The above services included the fund required for further investing in transforming the trusteeship of elderly care service institutions; establishing operation management platform system of elderly care service institutions chain, and upgrading elderly care management institutions	19,587,565

Purposes	Descriptions	Intended use of proceeds (HK\$)
To improve the EEG detection services	<ul style="list-style-type: none"> To purchase EEG detection equipment for the nursing homes currently operated and managed by the Company, day care centres and related partners, and provide operating capitals that are needed to carry out the EEG detection services in elderly care institutions 	8,394,671
Total		27,982,236

The Company intends to apply the balance of the net proceeds in accordance with the following timeline:

	From 30 June 2019 to 31 December 2019 (HK\$)	From 1 January 2020 to 30 June 2020 (HK\$)	From 1 July 2020 to 31 December 2020 (HK\$)	Total (HK\$)
Elderly care and health care business	3,917,513	7,835,026	7,835,026	19,587,565
EEG detection services	839,467	3,357,868	4,197,336	8,394,671
Total	4,756,980	11,192,894	12,032,362	27,982,236

Depending on the market situation, business development and the operational needs of the Company, the expected timeline and the intended usage of the unutilised proceeds shall be subject to review and change as and when appropriate.

(2) FULLFILLMENT OF PROFIT GUARANTEE OF SJK GREATER CHINA LTD. (“SJKGC”) FOR THE YEAR ENDED 31 DECEMBER 2018

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

As disclosed in the circular of the Company dated 25 July 2016 regarding the Acquisition (the “Circular”), 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 (the “Profit Guarantee”), 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.

The financial statements of SJKGC for the year ended 31 December 2018 were consolidated into the financial statements of the Company which have been audited by the reporting accountants of the Company and were published in its annual report dated 29 March 2019 (the “Annual Report”). SJKGC did not issue any standalone audited financial statements.

The shortfall and the unpaid guaranteed cash dividends

The audited net profit after tax of SJKGC for the year ended 31 December 2018 was US\$305,000 (equivalent to approximately RMB2,097,998). The amount of shortfall was therefore US\$5,085,000, being the difference between the Profit Guarantee of US\$5,390,000 as stipulated in the Agreement and the audited net profit after tax of SJKGC for the year ended 31 December 2018 of US\$305,000. The unpaid guaranteed cash dividends to the Company was US\$2,750,000, which was determined based on the Company’s share of the Profit Guarantee, taking into account the 51% shareholding ratio of the Company. The calculation method and basis used in determining the amount of shortfall and the unpaid guaranteed cash dividends are consistent with the Profit Guarantee and the compensation mechanisms as set out in the Circular.

The actions taken by the Company and the sequence of events

Since the Company published its Annual Report on 29 March 2019, the Company has been conducting negotiations with SJK in an attempt to resolve the matter. Please refer to below table for the sequence of events since late March 2019 up until the date hereof:

Time	Events
Late March 2019	The income statement of SJKGC for the year ended 31 December 2018 was completed in late March 2019, indicating the failure of SJKGC to meet the Profit Guarantee.
Late March to mid-April 2019	The Company conducted approximately three meetings and telephone conversations with SJK throughout the period to demand SJK to fulfill its obligations under the Agreement and pay cash dividends of US\$2,750,000 to the Company.
10 April 2019	The Company received an enquiry letter from the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in relation to the fulfillment of Profit Guarantee.
11 April 2019	<p>The Company conducted a meeting with SJK and SJKGC and demanded for the unpaid guaranteed cash dividends again. SJK refused the demand of the Company and alleged the followings in support of its refusal:</p> <p>(i) pursuant to the Agreement, SJKGC is licenced by SJK to use quantitative EEG examination and diagnosis technology and upload the data acquired to the artificial intelligence cloud located in the United States. In view of the subsequent changes in the business environment and the possible impacts to be brought by the regulatory initiatives conducted by the PRC authorities, the Company requested SJKGC to develop the EEG system and the establishment of artificial intelligence cloud in the PRC, which affected the pace of the business development of SJKGC as originally planned; and</p>

Time

Events

- (ii) SJKGC has been focusing on the research and development of the EEG detection system in the PRC, evidenced by the trial of the EEG system in 2017 and the development of artificial intelligence cloud in the PRC in 2018. Currently, the EEG detection system in the PRC has become relatively stable and the aforesaid development has exceeded the original scope of the Agreement.

SJK proposed a restructuring plan which would waive its Profit Guarantee obligations for the years ended 31 December 2018 and 2019, with the proposed variations of the terms contained in the Agreement as follows:

- (i) SJK shall continue to research and improve the artificial intelligence cloud in the PRC;
- (ii) the Company shall repurchase the H Shares issued to SJK under the Agreement at a nominal consideration; and
- (iii) the dividend distribution allocation in the coming three to five years shall change to the effect that the percentage of the dividends to be distributed to the Company shall be more than its shareholding percentage of 51%.

Mid-April 2019 to
June 2019

On 15 April 2019, the Company discussed in a board meeting about the reasonableness of SJK's allegations and the benefits and costs of its proposal.

On 10 May 2019, the Company submitted its reply to the enquiry letter from the Stock Exchange dated 10 April 2019 and disclosed, among others, the then status of the discussion between the Company and SJK including the aforesaid proposal.

While pressing SJK to repay the guaranteed cash dividends, the Company continued to discuss internally and with its advisers as to SJK's proposal and the next course of action.

Time	Events
June 2019	The Company received another preliminary proposal from SJK, which amends the Profit Guarantee to a lower amount and delays SJK's Profit Guarantee obligations for the years ended 31 December 2018 and ending 31 December 2019 to the years ending 31 December 2020 and 2021.
July 2019	<p>With the best interest of the shareholders of the Company in mind, the Company has weighed and balanced different options, including the proposals raised by SJK as well as the Company's legal right to demand for the unpaid guaranteed cash dividends under the Agreement, bearing in mind the hindrance and potential adverse impact as to the operation, business and financial performance of SJKGC in the event of a legal proceeding.</p> <p>In mid-July 2019, the Company decided to refuse SJK's proposals and initiate legal proceeding against SJK. The Company sought legal advice as to the possible legal actions to take including commencing arbitration proceeding as stipulated in the Agreement and instructed its legal representative to prepare a demand letter.</p>
1 August 2019	The Company instructed its legal representative to issue a letter to SJK requesting SJK to, among other things, pay to the Company (i) the shortfall or (ii) the unpaid guaranteed cash dividends on or before 15 August 2019, failure of which the Company may institute an arbitration proceeding against SJK pursuant to the Agreement.
3 September 2019	The Company has not received any written reply from SJK and has issued a notice of arbitration to SJK to commence the arbitration proceeding.

The Company's view

From late March 2019 up until the date hereof, the Company has taken active steps to engage in negotiations with SJK to resolve the matter. The Company is of the view that it has taken reasonable time to consider its different options and it is appropriate for the Company to do so instead of rushing to the decision to initiate a legal proceeding for the following reasons:

- (i) after publishing its Annual Report in late March, the Company has immediately inquired SJK as to the reason of its default and requested for the repayment of the guaranteed cash dividends;
- (ii) the Hong Kong court encourages parties to use mediation to resolve/settle the dispute before initiating a legal proceeding such as arbitration or litigation and a party may face an adverse costs consequence from court if it has unreasonably refused to engage in mediation;
- (iii) considering the Company's stake in SJKGC as well as the abovementioned compelling reason to participate in mediation before any legal proceeding, it is advantageous and beneficial for the Company to attempt to resolve the matter amicably through mediation and/or negotiations before initiating any legal proceeding such as arbitration or litigation;
- (iv) despite not having conducted a formal mediation with SJK, the Company has engaged in negotiations with SJK, which resemble the spirit of a mediation to settle the matter in good faith, in order to avoid the potential risk and costs of an adversarial proceeding to be brought to SJKGC and the Company itself;
- (v) throughout the negotiations, the Company has received two restructuring proposals from SJK in April and June 2019, respectively, and has reviewed internally and consulted its advisers as to the reasonableness and feasibility of the proposals; and
- (vi) after careful deliberations between the Company and its advisers, the Company formed its view in mid-July 2019 that a legal recourse would offer better protection to the Company and its shareholders as a whole and took prompt decision to engage its legal representative to commence legal proceedings including the issuance of a demand letter and a notice of arbitration.

For the reasons mentioned above, the Company believes it has taken the necessary actions and time in contemplating its various resources in settling the matter.

Pursuant to the Agreement, any disputes arising out of or in connect with the Agreement shall be referred to and finally resolved by arbitration. The Company shall therefore institute an arbitration proceeding instead of a litigation against SJK.

With the view to recover the Profit Guarantee and in accordance with the Agreement, the Company has issued a notice of arbitration to SJK to commence the arbitration proceeding. The Company shall publish further announcement when appropriate to keep shareholders and potential investors of the Company informed of its latest development.

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

Tianjin, the PRC

4 September 2019

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

This announcement, for which the directors are willing to collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, 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 at 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.