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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

THE UPDATE OF THE ARBITRATION PROCEEDING BETWEEN THE COMPANY AND SJK

As disclosed in the voluntary announcement of the Company dated 17 July 2020, the Company commenced the arbitration proceeding in September 2019 for payment of 2018 guaranteed cash dividends of US\$2,750,000, then the company updated the application of arbitration and claim of arbitration to demand payment for 2019 guaranteed cash dividend of US\$2,750,000 from SJK in addition to the 2018 guaranteed cash dividend in July 2020 with a total of US\$5,500,000.

In the view of that:

1. the Company still has faith on the technology of EEG detection, and wish its business can grow up in recent years;
2. the Company requested SJKGC to change its operation strategies and establish EEG detection system in China due to the restrictions of EEG data export under Chinese government policies and regulations, so an implied condition subsequent not to change the business of SJKGC during the financial years ended 31 December 2017, 2018 and 2019 has been breached;
3. the business of EEG detection was stagnating due to the Covid-19 pandemic spreading across the country in the year of 2020, and it is predicted that the business can't get big improvement in the first half of 2021 for the Covid-19 pandemic;

4. The economic situation of SJK,

the company and SJK signed a settlement agreement on 31 December 2020 under the mediation of the Arbitrator, the following terms of which have replaced the original Profit Guarantee term.

A. Extension of Time and the determination of the Fulfillment of the Profit Guarantee based on the Audit Report of TEDA.

- 1.1 The company agree to extend the duration for the fulfillment of the Profit Guarantee from three financial years to six financial years, i.e. the six financial years ended 31 December 2017, 2018, 2019, 2020, 2021 and 2022 (the “**New Guaranteed Period**” and the three financial years ended 31 December 2020, 2021 and 2022 will be hereinafter referred to as the “**Extended Guaranteed Period**”).
- 1.2 The terms of Profit Guarantee shall be revised and two alternative mechanisms for fulfillment of the Profit Guarantee shall be adopted, i.e. the “**Mechanism 1**” and “**Mechanism 2**”. In the event that Mechanism 1 or Mechanism 2 is not fulfilled, SJK is obliged to pay to TEDA and/or Hong Kong TEDA (and/or their nominee) a sum no less than USD8,250,000 and to return the Consideration Shares proportionately in accordance.
- 1.3 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 TEDA have agreed that the account of SJKGC shall be audited and consolidated into the audited financial report of TEDA after each financial year-end of the Extended Guaranteed Period (each an “**Audit Report**”). The Audit Report shall form the basis for the determination of the fulfillment of Profit Guarantee in that financial year.

B. The Two Alternative Mechanisms for Fulfillment of the Profit Guarantee

Mechanism 1:

- 2.1. SJK irrevocably warrants and guarantees to TEDA 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 no less than USD5,390,000 (the “**Committed Net Profit Amount**”).

- 2.2. 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 would carry out the following terms for each of the financial years during the Extended Guaranteed Period:–
- 2.2.1. to pay, in an appropriate manner, SJKGC an amount equal to the Committed Net Profit Amount minus SJKGC’s actual audited after tax profit of that financial year (the “**Injection Obligation**”); and
- 2.2.2. to give and/or procure and/or consent to TEDA’s and/or Hong Kong TEDA’s (and/or their nominee’s) priority and right to cash dividends of SJKGC (the “**Priority Guarantee**”); and
- 2.2.3. to guarantee that the cash dividends payable and paid to TEDA and/or Hong Kong TEDA (and/or their nominee) shall be no less than USD2,750,000 (the “**Guaranteed Cash Dividends Amount**”).
- 2.3. If SJK and SJKGC cannot fulfill the Profit Guarantee obligation as stipulated in clauses 2.1 and 2.2 above, SJK and SJKGC irrevocably agrees and guarantees that a total of no less than USD8,250,000 (the “**Minimum Guaranteed Cash Dividends Amount**”) shall be paid to TEDA 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:–

(a) Financial year ended 31 December 2017:–

As the Guaranteed Cash Dividends Amount in the sum of USD2,750,000 for this financial year has already been paid by SJKGC, the same will be deducted from the Minimum Guaranteed Cash Dividends Amount accordingly.

(b) Financial years ended 31 December 2018 and 2019:–

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 USD5,500,000 has not been paid, SJK do pay or cause SJKGC to pay TEDA the entire distributable cash dividends of SJKGC in the sums of USD305,000 and USD411,000 for the financial years ended 31 December 2018 and 2019 respectively, as partial settlement of the Minimum Guaranteed Cash Dividends Amount.

(c) *Financial years ended 31 December 2020, 2021 and 2022:–*

SJK is obliged to pay TEDA and/or Hong Kong TEDA (and/or their nominee) a sum not less than USD4,784,000 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 TEDA and/or Hong Kong TEDA (and/or their nominee) is:–

(i) less than USD4,784,000, SJK do pay or cause SJKGC to pay the entire amount of distributable cash dividends of SJKGC available to TEDA and/or Hong Kong TEDA (and/or their nominee) at the end of each of the financial years during the Extended Guaranteed Period; or

(ii) more than USD4,784,000, SJK do pay or cause SJKGC to pay:

(1) a sum of distributable cash dividends of SJKGC available up to USD 4,784,000; and

(2) the remaining distributable cash dividends of SJKGC (i.e. the Guaranteed Cash Dividends Amount in aggregate during the Extended Guaranteed Period less USD4,784,000) in proportion to SJK's and TEDA's respective shareholdings in SJKGC

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

2.4. For the settlement of the Minimum Guaranteed Cash Dividends Amount, SJK and SJKGC irrevocably warrants and guarantees:

2.4.1. 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 TEDA within 1 calendar month after the account of SJKGC has been audited and the Audit Report of TEDA of that particular financial year has been published. Payments to be made for financial years 2017 to 2019 shall be paid forthwith to the designated bank account provided by TEDA within 1 calendar month from the date of execution of this Settlement Agreement;

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

- 2.4.3. SJK and SJKGC shall be jointly and severally liable to all payments to be made to TEDA and/or Hong Kong TEDA (and/or their nominee); and
- 2.4.4. SJK and SJKGC shall take all necessary statutory procedures to give effect to all the terms set out in Mechanism 1.

Alternatively, Mechanism 2:

- 3.1. SJK and/or SJKGC irrevocably warrants and guarantees to TEDA and/or Hong Kong TEDA (and/or their nominee) that for the New Guaranteed Period:–
 - 3.1.1. SJKGC’s total audited after tax profit shall be no less than USD8,085,000 in aggregate; or
 - 3.1.2. a total of no less than USD5,775,000 shall be paid to TEDA and/or Hong Kong TEDA (and/or their nominee) (the “**Discounted Minimum Guaranteed Cash Dividends Amount**”); and
- 3.2. SJK irrevocably warrants and guarantees to TEDA and/or Hong Kong TEDA (and/or their nominee) that for the financial year ended 31 December 2022 solely:–
 - 3.2.1. SJKGC’s audited after tax profit shall not be less than USD3,773,000; or
 - 3.2.2. an amount of no less than USD1,925,000 shall be paid to TEDA and/or Hong Kong TEDA (and/or their nominee); and
- 3.3. SJK irrevocably agrees that 39% of SJK’s shareholding in SJKGC shall be transferred to TEDA at nil consideration (the “**Transfer**”).
 - 3.3.1. 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%
TEDA	51%	90%

3.4. According to the aforesaid, SJK and SJKGC irrevocably agrees and guarantees that the Discounted Minimum Guaranteed Cash Dividends Amount shall be satisfied in the following manner:–

(a) *Financial year ended 31 December 2017:–*

As the Guarantee Cash Dividends Amount, i.e. USD2,750,000 for this financial year has already been paid by SJKGC, the same will be deducted from the Discounted Minimum Guaranteed Cash Dividends Amount accordingly.

(b) *Financial years ended 31 December 2018 and 2019:–*

As the Profit Guarantee in each of the two financial years ended 31 December 2018 and 2019 has not been fulfilled and the Guarantee Cash Dividends Amount in the aggregate sum of USD5,500,000 has not been paid, SJK do pay TEDA the entire distributable cash dividends of SJKGC in the sums of USD305,000 and USD411,000 for the financial years ended 31 December 2018 and 2019 respectively, as partial settlement of the Discounted Minimum Guaranteed Cash Dividends Amount.

(c) *Financial years ended 31 December 2020, 2021 and 2022:–*

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 TEDA and/or Hong Kong TEDA (and/or their nominee) is:–

(i) less than USD4,784,000, SJK do pay or cause SJKGC to pay the entire amount of distributable cash dividends of SJKGC available to TEDA and/or Hong Kong TEDA (and/or their nominee) at the end of each of the financial years during the Extended Guaranteed Period; or

(ii) more than USD4,784,000, SJK do pay or cause SJKGC to pay:

- (1) a sum of distributable cash dividends of SJKGC available up to USD 4,784,000; and
- (2) the remaining distributable cash dividends of SJKGC (i.e. the Guaranteed Cash Dividends Amount in aggregate during the Extended Guaranteed Period less USD4,784,000) in proportion to SJK's and TEDA's respective shareholdings in SJKGC

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

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

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

C. Payment of Minimum Guaranteed Cash Dividends and return of Consideration Shares

4.1. In the event that neither Mechanism 1 nor Mechanism 2 is fulfilled, SJK and SJKGC irrevocably agrees and guarantees that a sum no less than USD8,250,000, i.e. the Minimum Guaranteed Cash Dividends Amount shall be paid to TEDA and/or Hong Kong TEDA (and/or their nominee) and the Minimum Guaranteed Cash Dividends shall be satisfied in the following manner:–

(a) Financial year ended 31 December 2017:–

As the Guarantee Cash Dividends Amount, i.e. USD2,750,000 for this financial year has already been paid by SJK, the same will be deducted from the Minimum Guaranteed Cash Dividends Amount accordingly.

(b) Financial years ended 31 December 2018 and 2019:–

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 USD5,500,000 has not been paid, SJK do pay TEDA forthwith the entire distributable cash dividends of SJKGC in the sums of USD 305,000 and USD411,000 for the financial years ended 31 December 2018 and 2019 respectively, as partial settlement of the Minimum Guaranteed Cash Dividends Amount.

(c) Financial years ended 31 December 2020, 2021 and 2022:–

SJK is obliged to pay TEDA and/or Hong Kong TEDA (and/or their nominee) the entire amount of distributable cash dividends 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 USD4,784,000 (the “**Shortfall**”), SJK irrevocably agrees to return the Consideration Shares to TEDA, in proportion to an amount equivalent to the Shortfall. Such Consideration Shares to be returned to TEDA shall be valued and transferred at HKD1.60 per share (regardless of the subsequent market share price movement).

By order of the Board

Tianjin TEDA Biomedical Engineering Company Limited

Sun Li

Chairman

Tianjin, the PRC
7 January 2020

As at the date of this announcement, the executive directors of the Company are Sun Li, Hao Zhihui and He Xin; the non-executive directors of the Company are Cao Aixin, 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.