



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 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving data 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 2016 amounted to RMB302,121,679, representing a decrease of 28.42% as compared to the same period of last year (30 September 2015: RMB422,103,254).
- Consolidated gross profit of the Group for the nine months ended 30 September 2016 amounted to RMB62,702,097, representing a decrease of 15.08% as compared to the same period of last year (30 September 2015: RMB73,836,844).
- Profit attributable to the equity owners of the Company for the nine months ended 30 September 2016 was RMB12,387,072, representing a decrease of 36.54% as compared to the same period of last year (30 September 2015: RMB19,520,399); and the earnings per share of the Company was RMB0.777 cents (30 September 2015: RMB1.224 cents).
- The Board does not recommend the payment of dividend for the nine months ended 30 September 2016.

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 results of the Company and its subsidiaries (hereafter collectively referred to as the “Group”) for the nine months ended 30 September 2016, together with the comparative figures of the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | <i>Notes</i> | (Unaudited) For the nine months ended 30 September | | (Unaudited) For the three months ended 30 September | |
|---|--------------|--|--------------------|---|--------------------|
| | | 2016 <i>RMB</i> | 2015 <i>RMB</i> | 2016 <i>RMB</i> | 2015 <i>RMB</i> |
| | | (re-presented) | | (re-presented) | |
| Continuing operation | | | | | |
| Revenue | 2 | 302,121,679 | 422,103,254 | 92,685,870 | 180,856,154 |
| Cost of sales | | (239,419,582) | (348,266,410) | (72,658,637) | (150,726,802) |
| Gross profit | | 62,702,097 | 73,836,844 | 20,027,233 | 30,129,352 |
| Other expenses and net loss | | (4,439,402) | 1,524,117 | (1,277,061) | 1,671,207 |
| Selling and distribution costs | | (12,929,199) | (18,143,939) | (4,364,293) | (6,309,438) |
| R&D and administrative expenses | | (27,799,956) | (30,024,872) | (8,838,325) | (10,318,328) |
| Finance costs | | (2,657,416) | (3,416,975) | (873,399) | (883,493) |
| Profit before taxation | | 14,876,124 | 23,775,175 | 4,674,155 | 14,289,300 |
| Income tax | 3 | (2,585,159) | (2,025,236) | (964,789) | (1,297,443) |
| Profit and comprehensive income for the period from continuing operation | | 12,290,965 | 21,749,939 | 3,709,366 | 12,991,857 |
| Discontinued operation | | | | | |
| (Loss)/profit for the period from discontinued operation | | – | (4,892,828) | – | 2,267,128 |
| Profit and comprehensive income for the period | | 12,290,965 | 16,857,111 | 3,709,366 | 15,258,985 |

| | <i>Notes</i> | (Unaudited) | | (Unaudited) | | |
|--|--------------|----------------------------|--------------------|-----------------------------|--------------------|--|
| | | For the nine months | | For the three months | | |
| | | ended 30 September | | ended 30 September | | |
| | | 2016 | 2015 | 2016 | 2015 | |
| | | RMB | <i>RMB</i> | RMB | <i>RMB</i> | |
| | | (re-presented) | | (re-presented) | | |
| Attributable to: | | | | | | |
| Owners of the Company | | | | | | |
| – Profit for the period from continuing operation | | 12,387,072 | 22,231,280 | 3,646,506 | 12,996,657 | |
| – (Loss)/profit for the period from discontinued operation | | <u>–</u> | <u>(2,710,881)</u> | <u>–</u> | <u>880,553</u> | |
| Non-controlling interests | | | | | | |
| – (Loss)/profit for the period from continuing operation | | (96,107) | (481,341) | 62,860 | (4,800) | |
| – (Loss)/profit for the period from discontinued operation | | <u>–</u> | <u>(2,181,947)</u> | <u>–</u> | <u>1,386,575</u> | |
| (Loss)/profit for the period attributable to non-controlling interests | | <u>(96,107)</u> | <u>(2,663,288)</u> | <u>62,860</u> | <u>1,381,775</u> | |
| Earnings per share-Basic (<i>RMB</i>) | | | | | | |
| From continuing and discontinued operation | 4 | <u>0.777 cents</u> | <u>1.224 cents</u> | <u>0.229 cents</u> | <u>0.870 cents</u> | |
| From continuing operation | | <u>0.777 cents</u> | <u>1.394 cents</u> | <u>0.229 cents</u> | <u>0.815 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 2014. 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 2016 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 2015.

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 | |
|-------------------------------|---|--------------------|--|--------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| Continuing operation | | | | |
| Fertilizer products | 302,121,679 | 422,103,254 | 92,685,870 | 180,856,154 |
| Discontinued operation | | | | |
| Health care products | – | 56,754,656 | – | 24,065,062 |
| | <u>302,121,679</u> | <u>478,857,910</u> | <u>92,685,870</u> | <u>204,921,216</u> |

3. TAXATION

(a) Enterprise income tax (“EIT”)

Pursuant to the income tax rules and regulations of the People’s Republic of China (the “PRC”), the income tax of the Company and subsidiaries of the Group is calculated based on the statutory tax rate of 25% (2015: 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% (2015:15%).

(b) Income tax expense

| | For the nine months ended 30 September | |
|---------------------|---|--------------|
| | 2016 | 2015 |
| | RMB’000 | RMB’000 |
| Current Tax | | |
| Hong Kong | Nil | Nil |
| Other Jurisdictions | <u>2,585</u> | <u>2,025</u> |

The income tax charge in Hong Kong is Nil for the period ended 30 September 2016 (September 2015: Nil) as the Company did not carry on any business in Hong Kong during the period. The income tax charge in the PRC is RMB2,585,159 for the period ended 30 September 2016 (September 2015: RMB2,025,236).

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

| | For the nine months ended 30 September | |
|--|---|----------------|
| | 2016 | 2015 |
| | RMB’000 | RMB’000 |
| | | (re-presented) |
| Profit before income tax expense | 14,876 | 23,775 |
| Continuing operation | – | (4,893) |
| Discontinued operation | <u>14,876</u> | <u>18,882</u> |
| Tax calculated at the EIT rate of 25% | 3,719 | 4,721 |
| Tax rate differential | (2,681) | (1,978) |
| Effect of tax holiday exemption | – | – |
| Effect of the tax losses on consolidation | 1,547 | (718) |
| Tax effect of expenses that are not deductible in determining taxable profit | <u>–</u> | <u>–</u> |
| Tax expense for the period | <u>2,585</u> | <u>2,025</u> |

4. EARNINGS PER SHARE

From continuing and discontinued operations

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 | |
|---|---|----------------------------------|
| | 2016 | 2015 |
| | <i>RMB'000</i> | <i>RMB'000</i> (re-presented) |
| Profit from continued and discontinued operations | | |
| Earnings for the purpose of basic earnings per share | <u>12,387,072</u> | <u>19,520,399</u> |
| Number of shares | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | <u>1,595,000,000</u> | <u>1,595,000,000</u> |

From continuing operation

The calculation of the basic earnings per share from continuing operation attributable to the owners of the Company is based on the following data:

| | For the nine months ended 30 September | |
|---|---|----------------------------------|
| | 2016 | 2015 |
| | <i>RMB'000</i> | <i>RMB'000</i> (re-presented) |
| Profit for the period attributable to owners of the Company | 12,387,072 | 22,231,280 |
| Add: Loss for the period from discontinued operation | <u>—</u> | <u>(2,710,881)</u> |
| Earnings for the purpose of basic earnings per share from continuing operation | <u>12,387,072</u> | <u>19,520,399</u> |
| Number of shares | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | <u>1,595,000,000</u> | <u>1,595,000,000</u> |

From discontinued operations

Basic loss per share for the discontinued operation is RMB0 cents per share (2015: RMB0.170 cents per share), based on the loss for the period from the discontinued operations of RMB0 (2015: RMB2,710,881) and the denominators detailed above for basic losses per share.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2016 (September 2015: Nil).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share Capital | | Share premium | | Surplus reserve | | Capital reserve | | Other reserve | | Accumulated Losses | | Total | |
|--|--------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|------------------|---------------------|---------------------|--------------------|--------------------|--------------------|--------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | RMB | RMB | RMB | RMB | RMB | RMB | RMB | RMB | RMB | RMB | RMB | RMB | RMB | RMB |
| Balance as at 1 January | 159,500,000 | 142,000,000 | 154,667,871 | 75,816,410 | 3,717,696 | 6,831,045 | 2,541,404 | 2,541,404 | (22,032,403) | (22,032,403) | 21,542,390 | (7,135,471) | 319,936,958 | 198,020,985 |
| Net profit attributable to equity holders of the Company for the three months ended 31 March | - | - | - | - | - | - | - | - | - | - | 2,238,319 | 2,651,479 | 2,238,319 | 2,651,479 |
| Balance as at 31 March | <u>159,500,000</u> | <u>142,000,000</u> | <u>154,667,871</u> | <u>75,816,410</u> | <u>3,717,696</u> | <u>6,831,045</u> | <u>2,541,404</u> | <u>2,541,404</u> | <u>(22,032,403)</u> | <u>(22,032,403)</u> | <u>23,780,709</u> | <u>(4,483,992)</u> | <u>322,175,277</u> | <u>200,672,464</u> |
| Net profit attributable to equity holders of the Company for the three months ended 30 June | - | - | - | - | - | - | - | - | - | - | 6,502,247 | 2,991,710 | 6,502,247 | 2,991,710 |
| Issue of shares | - | 17,500,000 | - | 78,851,461 | - | - | - | - | - | - | - | - | - | 96,351,461 |
| Balance as at 30 June | <u>159,500,000</u> | <u>159,500,000</u> | <u>154,667,871</u> | <u>154,667,871</u> | <u>3,717,696</u> | <u>6,831,045</u> | <u>2,541,404</u> | <u>2,541,404</u> | <u>(22,032,403)</u> | <u>(22,032,403)</u> | <u>30,282,956</u> | <u>(1,492,282)</u> | <u>328,677,524</u> | <u>300,015,635</u> |
| Net profit attributable to equity holders of the Company for the three months ended 30 September | - | - | - | - | - | - | - | - | - | - | 3,646,506 | 13,877,210 | 3,646,506 | 13,877,210 |
| Balance as at 30 September | <u>159,500,000</u> | <u>159,500,000</u> | <u>154,667,871</u> | <u>154,667,871</u> | <u>3,717,696</u> | <u>6,831,045</u> | <u>2,541,404</u> | <u>2,541,404</u> | <u>(22,032,403)</u> | <u>(22,032,403)</u> | <u>33,929,462</u> | <u>12,384,928</u> | <u>332,324,030</u> | <u>313,892,845</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is mainly engaged in two sectors currently: biological compound fertilizer products, including the series of biological compound fertilizer products under the brand of “Fulilong” used for the promotion of balanced growth of grains and fruit and vegetables, and health care products, including the series of health care products under the brand of “Alpha”, covering diabetic healthcare products with the function of regulating blood sugar level and sugar-free products which are beneficial to the health of human body.

Financial Review

For the nine months ended 30 September 2016, the Group achieved a total turnover of RMB302,121,679 from its continuing operation, representing a decrease of 28.42% as compared to the same period of last year (30 September 2015: RMB422,103,254). The Group achieved a consolidated turnover of RMB62,702,097 from its continuing operation, representing a decrease of 15.08% as compared to the same period of last year (30 September 2015: RMB73,836,844). The consolidated gross profit margin of the Group was 20.75%, which was higher to the same period of last year (30 September 2015: the consolidated gross profit margin was 17.49%). Facing the continuous depressing market situation this year, the management of the Group reasonably controlled its selling expenses. For the nine months ended 30 September 2016, selling and distribution expenses of the Group were RMB12,929,199, representing a decrease of 28.74% as compared to the same period of last year (30 September 2015: RMB18,143,939); research and development and administrative expenses were RMB27,799,956, representing a decrease of 7.41% as compared to the same period of last year (30 September 2015: RMB30,024,872). During the period under review, in respect of compound fertilizer business, the Group made moderate adjustment to the research and development investment of new products and reasonably controlled its administrative expenses as compared to the same period of last year. During the period under review, finance costs of the Group were RMB2,657,416, representing a decrease of 22.23% as compared to the same period of last year (30 September 2015: RMB3,416,975). For the nine months ended 30 September 2016, profit attributable to the owners of the Company was RMB12,387,072, representing a decrease of 36.54% as compared to the same period of last year (30 September 2015: RMB19,520,399); earnings per share of the Company were RMB0.777 cents, while earnings per share of the same period of last year were RMB1.224 cents.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2016, the Group and the Company had contingent liabilities amounting to RMB15,000,000 (31 December 2015: RMB20,000,000) and RMB15,000,000 (31 December 2015: RMB20,000,000) 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 is not exposed to any significant foreign currency risk since all the sales of the Group are domestic sales denominated in Renminbi and most payables to suppliers are also denominated in Renminbi.

TREASURY POLICIES

As the Group is not exposed to any foreign currency risk, bank borrowings that are denominated in Renminbi are usually renewed annually upon maturity. During the period under review, any surplus cash were deposited in licensed banks in China.

FUTURE OUTLOOK

As one of the most supportive industry by the Chinese government, the compound fertilizer industry is an important industry to ensure grains safety and farmers' income improvement. According to the requirements of the "Action Program for Zero Growth in the Use of Fertilizer by 2020" issued by Ministry of Agriculture, it is needed to adjust the product structure of fertilizer industry, promote innovative ability and enhance agrichemical service so as to effectively improve the growth quality and efficiency of the industry. The compound fertilizer industry is expected to develop towards scalable expansion, high efficiency, low-carbon operation and new model development in the future, and its proportion in fertilizers will also improve year-on-year. The compound fertilizer manufacturing subsidiary of the Group will leverage on its own technological advantages, actively accelerate the research and development and marketing of new products, such as new type of high efficiency new fertilizers including water-soluble fertilizers, liquid fertilizers, foliar fertilizers, biological active fertilizers and soil conditioner according to the soil nutrients conditions and crop nutrients need regular patterns, continuously enhance fertilizer utilization, and progressively boost the transformation and upgrade of the fertilizer industry.

Currently, every major country in the world has incorporated brain science research as its national level strategic development plan. Our acquisition of the quantitative EEG detection and diagnosis business is an important milestone for the Group to ride on the trend of the global leading technology development and to carry on the strategic transformation in the high-end healthcare sector. Not only can such unique quantitative EEG detection and diagnosis technology in the world be applied to the psychiatric and neurological disorders detection and subsequent treatments, it can also be used for conducting quantitative analysis of the personality traits and talent advantages of children, in which it will provide an important scientific basis for tailored nurturing of children. This is instrumental to assisting the family and educational institutions in establishing the tailored nurturing programs of children. Accordingly, the application of the relevant business to the education sector will have broad market outlook and commercial values. The Group will proactively explore new business of the quantitative EEG detection and diagnosis in the licensed areas in Eastern Asia (excluding Taiwan) through SJK Greater China, Ltd, whereby creating favorable conditions for our sustainable development in the future.

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

As at 30 September 2016, 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 | Other | Total | Percentage of issued share capital |
|--|----------|--------|--------------------------------|-------|-------------|--|
| Ms. Sun Li | – | – | 300,000,000 <i>(Note 1)</i> | – | 300,000,000 | 18.81% |
| Mr. Chen Yingzhong | – | – | 170,000,000 <i>(Note 2)</i> | – | 170,000,000 | 10.66% |

1. 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.
2. These shares are held by Shandong Zhinong Fertilizers Company Limited (“Zhinong Fertilizers”), and Mr. Chen Yingzhong is the beneficial owner of Zhinong Fertilizers, holding its 100% equity interest in. All of the shares represent domestic shares.

Save as disclosed in this paragraph, as at 30 September 2016, none of the directors, supervisors and other chief executives of the Company had interests in any securities, underlying shares and debentures of the Company or any of its associated corporations, which were required (a) to notify 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 were 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 to notify 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 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 2016, the following persons (other than the directors and 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 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:

Long position in ordinary shares of RMB0.1 each in the Company:

| Name of shareholders | Capacity | Number of ordinary shares | Percentage of share capital |
|---|------------------|---------------------------|-----------------------------|
| Tianjin TEDA International Incubator ("Incubator") | Beneficial owner | 182,500,000 (Note) | 11.44% |
| Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment") | Beneficial owner | 180,000,000 (Note) | 11.29% |
| Shandong Zhinong Fertilizers Company Limited ("Zhinong Fertilizers") | Beneficial owner | 170,000,000 (Note) | 10.66% |
| Dongguan Lvye Fertilizers Company Limited ("Lvye Fertilizers") | Beneficial owner | 120,000,000 (Note) | 7.52% |

Note: All of the shares represent domestic share

Save as disclosed above, as at 30 September 2016, 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.

MEMORANDUM OF UNDERSTANDING IN RELATION TO POSSIBLE STRATEGIC COOPERATION

On 15 April 2016, the Company and Donghai International Financial Holdings Company Limited* (東海國際金融控股有限公司) (“DIFH”) entered into the memorandum of understanding titled the “Cooperation Memorandum on the Establishment of Merger and Acquisition Fund of TEDA Donghai Biomedicine*” (《關於成立泰達東海生物醫藥併購基金的合作備忘錄》) (the “Memorandum”), whereby the Company and DIFH intend to jointly establish TEDA Donghai Biomedicine Merger and Acquisition Fund Management Company Limited* (泰達東海生物醫藥併購基金管理有限公司) (“TEDA Donghai”) in the Cayman Islands. TEDA Donghai is to be owned as to 51% by the Company and 49% by DIFH. The Company and DIFH will recruit limited partners according to various projects. The total amount of fund to be raised is temporarily set at one billion Hong Kong dollars. The fund will invest in the investment targets related to the principal business activities which are in line with the transformation of the Company on a global basis. For details, please refer to the announcement of the Company published on GEM website dated 15 April 2016.

ACQUISITION OF 51% STAKE OF SJK GREATER CHINA LTD

On 16 April 2016, the Company, Shu Ju Ku Inc. (the “Vendor”) and SJK Greater China, Ltd. (“SJKGC”) entered into an agreement, pursuant to which the Company agreed to purchase, and the Vendor agreed to sell 51% of the entire issued shares of SJKGC to the Company, at a consideration of US\$27,000,000 (equivalent to approximately HK\$209.45 million), to be satisfied upon completion by an aggregate amount of US\$6,500,000 (equivalent to approximately HK\$50.42 million) in cash; and the remaining US\$20,500,000 (equivalent to approximately HK\$159.02 million) by the allotment and issuance of 100,000,000 new H shares as consideration shares at the issue price of HK\$1.60 per consideration share by the Company to the Vendor. The consideration shares will be issued by the Company under the specific mandate. Application will be made by the Company to the Stock Exchange for the listing of, and dealing in, the consideration shares.

As the applicable percentage ratios (as defined in the GEM Listing Rules) for such acquisition are 25% or more but less than 100%, the acquisition constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and Shareholders’ approval requirements pursuant to the Chapter 19 of the GEM Listing Rules. Upon completion of the acquisition, the Company shall be interested in 51% of the entire issued share capital of SJKGC, and SJKGC will become a non-wholly owned subsidiary of the Company.

The aforesaid acquisition had obtained the specific mandate at the extraordinary general meeting and class meeting convened on 12 September 2016. For details, please refer to the announcements of the Company published on GEM website dated 24 April 2016 and 29 April 2016, and the notices and circular of the extraordinary general meeting and class meetings dated 25 July 2016, as well as the announcement of results of extraordinary general meeting and class meetings dated 12 September 2016 respectively.

BE INCLUDED IN MSCI CHINA SMALL CAP INDEX

The Company has been a constituent stock of the Morgan Stanley Capital International (MSCI) China Small Cap Index, with effective after the trading hours of 31 May 2016. The MSCI China Small Cap Index is one of the MSCI Global Small Cap Indices and is designed to measure the performance of the small cap segment of the China market. The MSCI China Small Cap Index contains 426 constituent stocks. The Company is the only Hong Kong GEM board listed company to be added to the MSCI. For details, please refer to the announcement of the Company published on GEM website dated 16 May 2016.

RESIGNATION AND APPOINTMENT OF DIRECTORS

The Company issued an announcement on 9 August 2016 that the Board had accepted the resignation of Mr. Ou Linfeng, a non-executive Director, with effect from 9 August 2016.

The Board proposed to appoint Mr. Liu Renmu as a non-executive Director for a term commencing on the date of approval by the shareholders and expiring on 31 December 2016. The aforesaid proposal was passed as ordinary resolution at the extraordinary general meeting convened on 14 October 2016.

For details, please refer to the announcement of the Company dated 9 August 2016 published on the GEM website, notice of extraordinary general meeting and circular both dated 12 August 2016, the notice of postponement of extraordinary general meeting and change of book closure period dated 23 August 2016, and the announcement of the results of the notice of extraordinary general meeting dated 14 October 2016 published on the GEM website.

COMPETING INTERESTS

During the nine months ended 30 September 2016, none of the directors, supervisors or management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) competes or may compete with the business of the Group nor has or may have any other conflicts of interest with the Group that is required to be disclosed pursuant to the GEM Listing Rules.

AUDIT COMMITTEE

The Company has prepared and adopted written terms of reference for the Audit Committee with reference to “A Guide for the Formation of an Audit Committee” published by the Hong Kong Institute of Certified Public Accountants, which sets out the authorities and duties of the Audit Committee. The Audit Committee of the Company provides an important link between the Board and the Company’s auditors for the audit matters of the Group. It also reviews the effectiveness of both external and internal audit, internal control and risk assessment. The Audit Committee of the Company comprises three independent non-executive directors, namely Mr. Guan Tong, Mr. Wu Chen and Mr. Peter K. S. Chan, among whom, Mr. Guan Tong 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 results and the third quarterly report of the Group for the nine months ended 30 September 2016.

SHARE OPTION SCHEME

The Company has not approved any new share option scheme during the period ended 30 September 2016.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the period ended 30 September 2016.

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 2016.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company has endeavored to apply the code provisions as set out in the Code on Corporate Governance (the “Code”) contained in Appendix 15 of the GEM Listing Rules to the internal operations of the Group. The corporate governance principles which the Company are 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 14 September 2015, Ms. Sun Li, the chairman of the board has also been appointed as chief executive officer of the Company, such practice had deviated from the requirements of A.2.1 of the Code (i.e. the chairman of the board and the chief executive officer shall be performed by two individuals). The Board of the Company 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 operations and future transformation and upgrade of healthcare business of the Company. The Company has been recruiting candidates for the position of chief executive officer through different channels so as to fulfill the requirements of A.2.1 of the Code as soon as practicable for increasing the transparency and independence of corporate governance.

By order of the Board

Sun Li

Chairman

Tianjin, the PRC

8 November 2016

* *for identification purpose only*

As at the date of this announcement, the Board comprises three executive Directors, being Ms. Sun Li, Mr. Hao Zhihui and Mr. Wang Shuxin; three non-executive Directors, being Mr. Feng Enqing, Mr. Chen Yingzhong and Mr. Liu Renmu; and three independent non-executive Directors, being Mr. Guan Tong, Mr. Wu Chen and Mr. Peter K.S. Chan.

The announcement will remain at the “Latest Company Announcements” page on the GEM website at www.hkgem.com for at least seven days from the date of its posting and also on the website of the Company at www.bioteda.com.