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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  
FULLFILLMENT OF PROFIT GUARANTEE OF SJK GREATER  
CHINA LTD FOR THE YEAR ENDED 31 DECEMBER 2019**

The Company would like to provide the following update in relation to its acquisition of 51% equity interest in SJKGC (the “**Acquisition**”):

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, 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 information of SJKGC for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 were consolidated into the financial statements of the Company, which have been audited by the accountants of the Company and were published in the annual reports of the Company for the corresponding years. SJKGC did not issue any standalone audited financial statements.

## **THE SHORTFALL AND THE UNPAID GUARANTEED CASH DIVIDENDS**

The net profit after tax of SJKGC for the year ended 31 December 2019 was US\$411,000. The amount of shortfall was therefore US\$4,979,000, being the difference between the profit guarantee of US\$5,390,000 as stipulated in the Agreement and the net profit after tax of SJKGC for the year ended 31 December 2019 of US\$411,000. The unpaid guaranteed cash dividends to the Company is US\$2,750,000, which is determined based on the Company's share of the profit guarantee, taking into account of the 51% shareholding ratio of the Company.

The net profit after tax of SJKGC for the year ended 31 December 2018 was US\$305,000. 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 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 is US\$2,750,000, which is determined based on the Company's share of the profit guarantee, taking into account of the 51% shareholding ratio of the Company.

In summary, SJKGC failed to fulfill the profit guarantee in both 2018 and 2019, and the total unpaid guaranteed cash dividends to the Company is US\$5,500,000.

## **THE ACTIONS TAKEN BY THE COMPANY AND THE SEQUENCE OF EVENTS**

Since the Company published its 2018 annual report on 29 March 2019, the Company has been actively negotiating with SJK demanding for payment of 2018 guaranteed cash dividends of US\$2,750,000 to the Company. However, SJK refused payment for various reasons. Please refer to the announcement of the Company published in the GEM website on 4 September 2019 for the negotiation process between the Company and SJK.

After careful deliberations between the Company and its advisers, the directors of Company formed the view in mid-July 2019 that a legal recourse would offer better protection to interests of the Company and its shareholders as a whole and took prompt decision to engage its legal representative to commence legal proceedings. On 1 August 2019, the Company instructed its legal representative to issue an attorney letter to SJK. On 3 September 2019, the Company has not received any written reply from SJK and has issued an application of arbitration to the Hong Kong International Arbitration Centre (the "**Arbitration Centre**") and SJK immediately to officially commence the arbitration proceeding.

The general process of the arbitration proceeding is as follows:

<b>Date</b>	<b>Event</b>
1 August 2019	The Company issued an attorney letter to SJK
3 September 2019	The Company issued an application of arbitration to the Arbitration Centre and SJK
From 3 September 2019 to 3 December 2019	Communicated and confirmed with the Arbitration Centre and SJK on the subject, proceeding, location and fees of the Arbitration, and the number of arbitrators and its selection
3 December 2019	Selected and engaged an arbitrator recommended by the Arbitration Centre. Thereafter, the arbitrator determined issues such as the arbitration proceeding and arbitration schedule with the Company and SJK
9 March 2020	The Company filed an arbitration claim to the arbitrator and SJK, demanding payment of 2018 guaranteed cash dividends of US\$2,750,000 by SJK. At the same time, it is stated in the recourse letter that, as the audited figures of SJKGC for 2019 has not been issued, the claim for the 2019 guaranteed cash dividends is not included therein. However, after publication of the audited figures of SJKGC for 2019, if it indicates that the profit guarantee has not been fulfilled, the Company will update the recourse letter and continue to demand payment of 2019 guaranteed cash dividend from SJK
13 April 2020	Received a defence filed by SJK
18 May 2020	Replied the defence filed by SJK
22 June 2020	The arbitrator determined the subsequent arbitration proceeding and arbitration schedule with the Company and SJK.  When determining the arbitration schedule, SJK proposed that it would like to discuss with the Company about the solutions and it needed more time. As such, both parties agreed to postpone the timing for submission of evidence to 20 July 2020.

<b>Date</b>	<b>Event</b>
14 July 2020	<p>Since 22 June 2020, the Company has been discussing with SJK about the solutions, but the negotiation process and results were not satisfactory. Therefore, the Company delivered documents to the arbitrator and SJK on 14 July 2020, stating that the audited net profit after tax of SJKGC for 2019 was US\$411,000, and failed to fulfill the profit guarantee. The Company is updating its application of arbitration and claim of arbitration to demand payment for 2019 guaranteed cash dividend from SJK in addition to the 2018 guaranteed cash dividend.</p>

## **THE COMPANY'S VIEW**

Since the Company published its 2018 annual report on 29 March 2019, the Company has taken active steps to engage in negotiations with SJK demanding for payment of 2018 guaranteed cash dividends of US\$2,750,000. After comprehensive consideration of the various options, the Company commenced the arbitration proceeding in September 2019. Please refer to the announcement published by the Company on the GEM website on 4 September 2019 for its reasons for commencing the arbitration proceeding.

Regarding the profit guarantee for 2019, the Company filed an arbitration claim to the arbitrator and SJK on 9 March 2020, which stated that the profit after tax of SJKEC for 2019 is expected to be RMB2,787,532.84 and failed to fulfill the profit guarantee. As the audited figures of SJKGC for 2019 has not been issued, the claim for the 2019 guaranteed cash dividends is not included therein. However, it was clearly stated that after publication of the audited figures of SJKGC for 2019, if it indicates that the profit guarantee has not been fulfilled, the Company will continue to demand payment of 2019 guaranteed cash dividend from SJK. The Company received a defence filed by SJK on 13 April 2020, which denied all recourses as stated by the Company in its recourse letter. According to the financial information of SJKGC for the year ended 31 December 2019, the profit after tax of SJKGC for 2019 was US\$411,000, and failed to fulfill the profit guarantee. Given that SJK has denied all recourses from the Company in the defence and both parties failed to reach an agreement on the solutions afterwards, the Board of the Company is of the view that proceed with legal arbitration to claim for 2019 guaranteed cash dividends will better guarantee the interests of the Company and its shareholders as a whole. Thereafter, the Company delivered documents to the arbitrator and SJK. The Company is updating its application of arbitration and claim of arbitration to demand payment for 2019 guaranteed cash dividend from SJK in addition to the 2018 guaranteed cash dividend.

The Company believes it has taken the necessary time in contemplating its various resources in settling the matter, and has taken necessary actions to protect the interests of the Company and its shareholders as a whole. 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  
17 July 2020

*As at the date of this announcement, the executive directors of the Company are Ms. Sun Li, Mr. Hao Zhihui and Mr. He Xin; 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.*

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

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for 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](http://www.bioteda.com).*