
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to the action to be taken, you should immediately consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tianjin TEDA Biomedical Engineering Company Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



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)

**(1) PROPOSED ISSUE OF NEW H SHARES UNDER SPECIFIC MANDATE,
(2) PROPOSED ISSUE OF NEW DOMESTIC SHARES
UNDER SPECIFIC MANDATE,
(3) PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION
OF THE COMPANY,
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING
AND CLASS MEETINGS**

Notices for convening the EGM and the Class Meetings (as defined in this circular) of Tianjin TEDA Biomedical Engineering Company Limited to be held at 9th Floor, Block A2, Tianda High-Tech Park, No. 80, The 4th Avenue, TEDA, Tianjin, the People's Republic of China at 9:30 a.m., 10:00 a.m. and 10:30 a.m. respectively on Monday, 19 September 2022, are set out on pages 47 to 60 of this circular.

Whether or not you are able to attend the meetings, you are reminded to complete the form of proxy enclosed with this circular, in accordance with the instructions printed thereon and send the relevant form of proxy to the registered office of the Company at No. 12 Tai Hua Road, The 5th Avenue, TEDA, Tianjin, the People's Republic of China (for the holders of Domestic Shares), or to the office of the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of H Shares) as soon as practicable and in any event not later than 24 hours before the time appointed for the holding of the meetings. Completed and returned form of proxy will not preclude you from attending and voting in person at the meetings or at any adjourned meeting should you so wish.

Reminder in relation to pandemic prevention and control: In view of the continuing risks of the COVID-19 outbreak, the Company will closely monitor the epidemic conditions and take appropriate precautionary measures in accordance with the relevant requirements on the epidemic prevention and control in Tianjin, the People's Republic of China. The Company particularly reminds its shareholders and participants who intend to attend the meetings to continue to pay attention to the latest development of the epidemic, adopt proper personal prevention measures and comply with the requirements on the epidemic prevention and control (including the relevant requirements on the epidemic prevention and control in Tianjin, the People's Republic of China) for their health and safety.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting.

4 August 2022

**CHARACTERISTICS OF GEM (“GEM”) OF THE
STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:

“Articles”	the Articles of Association of the Company
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday or public holidays) on which banks in Hong Kong are generally open for banking business
“Class Meetings”	separate meetings of the holders of H Shares and Domestic Shares
“Company”	Tianjin TEDA Biomedical Engineering Company Limited (天津泰達生物醫學工程股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the GEM of the Stock Exchange
“connected person(s)”	has the same meaning as ascribed to it under the GEM Listing Rules
“CSRC”	中國證券監督管理委員會 (China Securities Regulatory Commission), the regulatory body responsible for the supervision and regulation of the PRC national securities market
“Director(s)”	the director(s) of the Company
“Domestic Shares”	the domestic invested shares of nominal value of RMB0.1 each in the share capital of the Company
“Domestic Shares Specific Mandate”	the specific mandate to be granted to the Directors by the Shareholders at the EGM and the Class Meetings to issue the Subscription Domestic Shares
“Domestic Shares Subscribers”	the subscribers of the Subscription Domestic Shares

DEFINITIONS

“Domestic Shares Subscription”	the subscription of the Subscription Domestic Shares by the Domestic Shares Subscribers at the Subscription Price pursuant to the Domestic Shares Subscription Agreements
“Domestic Shares Subscription Agreements”	the subscription agreements dated 18 June 2022 entered into between the Company and the Domestic Shares Subscribers in relation to the Domestic Shares Subscription, all of which are of identical terms.
“DTC”	direct to consumer
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of approving, among other things, the Domestic Shares Subscription, the H Shares Subscription and the Specific Mandates
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange, as amended and modified from time to time
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign share(s) of nominal value of RMB0.1 each in the share capital of the Company, listed on the GEM and traded in HK\$
“H Shares Specific Mandate”	the specific mandate to be granted to the Directors by the Shareholders at the EGM and the Class Meetings to issue the Subscription H Shares
“H Shares Subscribers”	the subscribers of the Subscription H Shares
“H Shares Subscription”	the subscription of the Subscription H Shares by the H Shares Subscribers at the Subscription Price pursuant to the H Shares Subscription Agreements

DEFINITIONS

“H Shares Subscription Agreements”	the subscription agreements dated 18 June 2022 entered into between the Company and the H Shares Subscribers in relation to the H Shares Subscription, all of which are of identical terms.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) or entity(ies) (and their the ultimate beneficial owner(s) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry is/are party(ies) independent of the Company and its connected persons under the GEM Listing Rules
“Last Trading Date”	17 June 2022, being the last trading day prior to the signing of the subscription agreements, which took place after trading hours
“Latest Practicable Date”	29 July 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“PRC”	the People’s Republic of China (for the purpose of this circular, excludes Hong Kong, Macau and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“Shares”	ordinary share(s) of RMB0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s), holder(s) of H Shares and holder(s) of Domestic Shares
“Specific Mandates”	the H Shares Specific Mandate and the Domestic Shares Specific Mandate

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Domestic Shares”	not more than 2,800,000,000 new Domestic Shares with an aggregate nominal value of RMB280,000,000 (equivalent to approximately HK\$329,400,000) to be allotted and issued by the Company to the Domestic Shares Subscribers pursuant to the Domestic Shares Subscription Agreements
“Subscription H Shares”	not more than 200,000,000 new H Shares with an aggregate nominal value of RMB20,000,000 (equivalent to approximately HK\$23,500,000) to be allotted and issued by the Company to the H Shares Subscribers pursuant to the H Shares Subscription Agreements
“Subscription Price”	being HK\$0.15 per each Subscription H Share and Subscription Domestic Share payable by the subscribers to the Company
“%”	per cent

Unless otherwise specified, translation of HK\$ into RMB in this circular is made, for illustration purpose only, at the rate of approximately HK\$1.00 = RMB\$0.85.

LETTER FROM THE BOARD



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)

Executive Directors:

Sun Li
Hao Zhihui
He Xin

Non-Executive Directors:

Cao Aixin
Li Ximing
LI Xueying

Independent Non-Executive Directors:

Li Xudong
Wang Yongkang
Gao Chun

Registered Office:

No. 12 Tai Hua Road
The 5th Avenue
TEDA
Tianjin
PRC

4 August 2022

To: Shareholders

Dear Sir/Madam,

INTRODUCTION

On 21 June 2022, the Board announced that on 18 June 2022,

- (a) the Company and the H Shares Subscribers entered into the H Shares Subscription Agreements, pursuant to which the H Shares Subscribers have agreed to subscribe for, and the Company has agreed to issue to the H Shares Subscribers, an aggregate of not more than 200,000,000 new H Shares at the Subscription Price on the terms and subject to the conditions set out in the H Shares Subscription Agreements; and

LETTER FROM THE BOARD

- (b) the Company entered into the Domestic Shares Subscription Agreements with 17 Domestic Shares Subscribers, pursuant to which the Company agreed to allot and issue a total of not more than 2,800,000,000 new Domestic Shares at the Subscription Price on the terms and subject to the conditions set out in the Domestic Shares Subscription Agreements.

The Company also proposes to amend Article 20 of the Articles to reflect and update the description on the shareholding structures of the Company after completion of the H Shares Subscription and the Domestic Shares Subscription and Article 12 to better reflect the existing business of the Group.

The purposes of this circular are to provide you with, among other things, (i) further information regarding the H Shares Subscription, the Domestic Shares Subscription, the Specific Mandates and the amendment of the Articles; and (ii) to give you the respective notices of the Class Meetings and the EGM to consider and if thought fit, to approve the resolutions relating to the H Shares Subscription Agreements, the Domestic Shares Subscription Agreements, the Specific Mandates and the amendment of the Articles.

PROPOSED ISSUE OF NEW H SHARES UNDER SPECIFIC MANDATE

On 18 June 2022, the Company and the H Shares Subscribers entered into the H Shares Subscription Agreements, pursuant to which the H Shares Subscribers have agreed to subscribe for, and the Company has agreed to issue an aggregate of not more than 200,000,000 new H Shares at the Subscription Price on the terms and subject to the conditions set out in the H Shares Subscription Agreements.

The H Shares Subscription Agreements

Date

18 June 2022

Parties

The Company and each of the H Shares Subscribers.

The H Shares Subscribers

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the H Shares Subscribers (and their respective ultimate beneficial owners, if applicable) are Independent Third Parties of the Company. The H Shares Subscribers are not connected with each other and/or connected with the Company, any Director, chief executive or substantial Shareholder of the Group or an associate of any of them (as defined under the GEM Listing Rules).

LETTER FROM THE BOARD

Identity of the H Shares Subscribers

The following table sets out the identity of the H Shares Subscribers and the number of Subscription Shares to be issued to each of them:

Name of H Shares Subscribers	As at the date of this circular		Number of Subscription H Shares	Total subscription price HK\$	Upon completion of issue of H Shares Subscription	
	<i>No. of H shares</i>	<i>% to total issued Shares</i>			<i>No. of H Shares</i>	<i>% to total issued Shares</i>
	Bright Fortune Enterprises Development Limited ("BFEDL") (Note 1)	89,969,286	4.74	60,000,000	\$9,000,000	149,969,286
Hong Kong Kayui Investment Holdings Limited ("HK Kayui") (Note 2)	–	–	80,000,000	\$12,000,000	80,000,000	3.82
Chiu Kwok Shing, Vincent ("Mr. Chiu")	–	–	60,000,000	\$9,000,000	60,000,000	2.86

Notes:

1. BFEDL is a limited company incorporated in Hong Kong. Its direct beneficial owner is Lin Xiaoyan.
2. HK Kayui is a limited company incorporated in Hong Kong. Its direct beneficial owner is Zhao Meihua.

Subscription of H Shares

The H Shares Subscribers have agreed to subscribe as principal for, and the Company has agreed to issue to the H Shares Subscribers, an aggregate of 200,000,000 new H Shares at the Subscription Price, subject to the terms and conditions of the H Shares Subscription Agreements.

The number of the Subscription H Shares represents: (a) approximately 10.55% of the total number of Shares in issue as at the date of this circular; and (b) approximately 9.54% of the enlarged total number of Shares in issue upon completion of the H Shares Subscription (assuming there will be no change to the total number of Shares in issue from the date of this circular to the date of completion of the H Shares Subscription other than the issue by the Company of the Subscription H Shares).

LETTER FROM THE BOARD

Ranking of the Subscription H Shares

The Subscription H Shares shall, when fully paid, rank pari passu in all respects with all the other Shares in issue or to be issued by the Company on or prior to the date of allotment of the Subscription H Shares.

Subscription Price for H Shares

The Subscription Price of HK\$0.15 per Subscription H Share represents:

- (i) a discount of approximately 16.67% to the closing price of HK\$0.18 per H Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a discount of approximately 6.25% to the average closing price of approximately HK\$0.16 per H Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including the Last Trading Date;
- (iii) a discount of approximately 6.25% to the average closing price of approximately HK\$0.16 per H Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Date;
- (iv) a premium of approximately 7.14% to the average closing price of approximately HK\$0.14 per H Share as quoted on the Stock Exchange for the last thirty consecutive trading days prior to and including the Last Trading Date;
- (v) a premium of approximately 114% to the audited consolidated net asset value per Share of approximately HK\$0.07 (the “NAV Per Share”) based on the published audited consolidated net asset value of the Company of RMB110,359,172 (approximately HK\$129,834,320) as at 31 December 2021 as disclosed in the latest annual report of the Company and the issued share capital of the Company of 1,894,500,000 Shares;
- (vi) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 5.56% of the theoretical diluted price of HK\$0.17 per Share to the benchmarked price of HK\$0.18 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.18 per Share and the average closing prices of the Shares as quoted on the Stock Exchange in the five consecutive trading days immediately prior to the Last Trading Day of HK\$0.16 per Share); and

LETTER FROM THE BOARD

- (vii) a cumulative theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) in aggregation with the Domestic Shares Subscription represented by a discount of approximately 11.11% of the theoretical diluted price of approximately HK\$0.16 per Share to the benchmarked price of HK\$0.18 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.18 per Share and the average closing prices of the Shares as quoted on the Stock Exchange in the five consecutive trading days immediately prior to the Last Trading Day of HK\$0.16 per Share).

The H Shares Subscription (whether on its own or when aggregated with the Domestic Shares Subscription) does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the H Shares Subscription is in compliance with Rule 10.44A of the GEM Listing Rules.

The Subscription Price was arrived at after arm's length negotiations between the Company and the H Shares Subscribers with reference to, amongst others, the following factors:

- (i) the recent closing prices of the Shares as disclosed above, in particular, the small discount and/or premium as to the average closing price ranging from 5 to 30 consecutive trading days including the Last Trading Date (the “**Relevant Period**”) as a benchmark to reflect the prevailing market conditions and recent market sentiment;
- (ii) the financial position of the Group:
- (a) the Company recorded an audited loss attributable to owners of the Company of RMB42,255,043 (approximately HK\$49,711,815) for the financial year ended 31 December 2021;
 - (b) the Company recorded an audited loss per Share of RMB0.0223 (approximately HK\$0.0262) for the financial year ended 31 December 2021;
 - (c) the Company recorded an unaudited loss attributable to owners of the Company of RMB6,043,544 (approximately HK\$7,110,052) for the three months ended 31 March 2022;
 - (d) the Company recorded an unaudited loss per Share of RMB0.0032 (approximately HK\$0.0038) for the three months ended 31 March 2022;

LETTER FROM THE BOARD

- (e) the Company had available cash and cash equivalents of approximately RMB\$26,439,100 (approximately HK\$31,104,824) as at 31 December 2021 as disclosed in the annual report of the Company for the year ended 31 December 2021, which is insufficient to meet the usual operation costs and funding needs of the Company; and
- (iii) the funding needs of the Company for repayment of its bank loans as set out under the paragraph “Reasons for and benefits of the H Shares Subscription, use of proceeds and timeline” in the section headed “Reasons for the H Shares Subscription and the Domestic Shares Subscription and Use of Proceeds” in this Letter from the Board.

In determining the Subscription Price, the Directors have considered, among other things as mentioned above, the closing price range of the Shares traded on the Stock Exchange in the Relevant Period in light of the substantial number of new Shares to be subscribed. During the Relevant Period, the Shares were traded on the Stock Exchange with a closing price range between HK\$0.098 and HK\$0.18 with an average closing price of approximately HK\$0.14 per Share. The Subscription Price of HK\$0.15 represents a premium of approximately 7.14% to the said average closing price of approximately HK\$0.14 per Share. The Directors considered that the Relevant Period was an appropriate benchmark to reflect the prevailing market conditions and recent market sentiment.

At the same time, the Directors were also aware of the fact that the Subscription Price represents a premium of approximately 114% to the NAV Per Share. However, considering the level of closing price of the Shares during the Relevant Period as abovementioned, the Directors were of the view that the Shares had been consistently traded at a substantial premium to the NAV Per Share since the publication of the latest audited financial statements of the Group for the year ended 31 December 2021 up to the Last Trading Day (ranging from a minimum premium of approximately 40% to a maximum premium of approximately 157%). Therefore, when determining the Subscription Price, the Directors considered that it would be more appropriate to make reference to the prevailing market price of the Shares which reflected the fair market value of the Shares traded on the Stock Exchange as well as the NAV Per Share, which would be favorable to the Company and the Shareholders as a whole.

The Board considers that the Subscription Price which was determined with reference to the factors mentioned above and the terms and conditions of the H Shares Subscription Agreements are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The aggregate nominal value of the Subscription H Shares is RMB20,000,000 (equivalent to approximately HK\$23,500,000).

Condition of the H Shares Subscription

Completion is conditional upon:

- (a) the obtaining of the Shareholders approval at the EGM for the issue of the Subscription H Shares;
- (b) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in all the Subscription H Shares;
- (c) the CSRC having approved the issuance of the Subscription H Shares; and
- (d) all other consents of the Stock Exchange, the SFC and any other applicable governmental or regulatory authorities or any other third party which are required or appropriate for the entering into and the implementation of the H Shares Subscription Agreements having been given; and all applicable statutory and legal obligations, all applicable securities regulations and all requirements of the applicable authorities having been complied with.

The H Shares Subscription is subject to Shareholders' approval as the Subscription H Shares will be issued under the H Shares Specific Mandate. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription H Shares.

Completion of the H Shares Subscription

The H Shares Subscription Agreements are not inter-conditional and could be completed separately. Completion of the H Shares Subscription will take place within ten (10) Business Days after fulfilment of the condition described above (or such other time, date or place as the Company and the H Shares Subscribers may agree in writing).

If the condition is not fulfilled on or before 18 June 2023 (or such later date as may be agreed between the Company and the H Shares Subscribers), the H Shares Subscription Agreements shall be terminated and the Company and the H Shares Subscribers will automatically be released from all obligations under the H Shares Subscription Agreements, save and except any liability for antecedent breaches by the Company and/or the H Shares Subscribers.

LETTER FROM THE BOARD

PROPOSED ISSUE OF NEW DOMESTIC SHARES UNDER SPECIFIC MANDATE

The Domestic Shares Subscription Agreements

On 18 June 2022, the Company entered into the Domestic Shares Subscription Agreements with 17 Domestic Shares Subscribers, pursuant to which the Company agreed to allot and issue a total of not more than 2,800,000,000 new Domestic Shares at the Subscription Price on the terms and subject to the conditions set out in the Domestic Shares Subscription Agreements.

The Domestic Shares Subscribers are independent institutional and/or individual investors. The Domestic Shares Subscribers are not connected with each other and/or connected with the Company, any Director, chief executive or substantial Shareholder of the Group or an associate of any of them (as defined under the GEM Listing Rules). As at the date of this circular, none of the Domestic Shares Subscribers (and their respective ultimate beneficial owners if applicable) have any interest in the Shares except pursuant to the Domestic Shares Subscription Agreements. None of the Domestic Shares Subscribers (and their respective ultimate beneficial owners if applicable) will become a substantial Shareholder as a result of the Domestic Shares Subscription as all of them are subscribing less than 5% of the total issued Shares of the Company upon completion of issue of the Subscription Domestic Shares and Subscription H Shares.

The Subscription Domestic Shares

The Subscription Domestic Shares to be issued and allotted by the Company pursuant to the Domestic Shares Subscription Agreements represent:

- (a) approximately 147.79% of the existing issued share capital of the Company;
- (b) approximately 401.43% of the existing Domestic Shares in issue;
- (c) approximately 80.05% of the total Domestic Shares in issue as enlarged by the issue of the Subscription Domestic Shares; and
- (d) approximately 57.20% of the issued share capital of the Company as enlarged by the issue of the Subscription Domestic Shares and Subscription H Shares.

Subscription Price for Domestic Shares

The Subscription Price of HK\$0.15 per Subscription Domestic Share was arrived at after arm's length negotiation between the Company and the Domestic Shares Subscribers with reference to (i) the net asset value per share of the Company; and (ii) the closing trading price for H Shares of the Company which is HK\$0.18 as at the Last Trading Day as well as the unlisted nature and limitation on trading of the Domestic Shares.

LETTER FROM THE BOARD

The Subscription Price for each Subscription Domestic Share represents:

- (i) a discount of approximately 16.67% to the closing price of HK\$0.18 per H Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a discount of approximately 6.25% to the average closing price of approximately HK\$0.16 per H Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date;
- (iii) a discount of approximately 6.25% to the average closing price of approximately HK\$0.16 per H Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Date;
- (iv) a premium of approximately 7.14% to the average closing price of approximately HK\$0.14 per H Share as quoted on the Stock Exchange for the last thirty consecutive trading days prior to and including the Last Trading Date;
- (v) a premium of approximately 114% to the audited consolidated net asset value per Share of approximately HK\$0.07 (the “NAV Per Share”) based on the published audited consolidated net asset value of the Company of RMB110,359,172 (approximately HK\$129,834,320) as at 31 December 2021 as disclosed in the latest annual report of the Company and the issued share capital of the Company of 1,894,500,000 Shares;
- (vi) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 11.11% of the theoretical diluted price of HK\$0.16 per Share to the benchmarked price of HK\$0.18 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.18 per Share and the average closing prices of the Shares as quoted on the Stock Exchange in the five consecutive trading days immediately prior to the Last Trading Day of HK\$0.16 per Share); and
- (vii) a cumulative theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) in aggregation with the H Shares Subscription represented by a discount of approximately 11.11% of the theoretical diluted price of approximately HK\$0.16 per Share to the benchmarked price of HK\$0.18 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.18 per Share and the average closing prices of the Shares as quoted on the Stock Exchange in the five consecutive trading days immediately prior to the Last Trading Day of HK\$0.16 per Share).

LETTER FROM THE BOARD

The Domestic Shares Subscription (whether on its own or when aggregated with the H Shares Subscription) does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Domestic Shares Subscription is in compliance with Rule 10.44A of the GEM Listing Rules.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Domestic Shares Subscribers with reference to, amongst others, the following factors:

- (i) the recent closing prices of the Shares as disclosed above, in particular, the small discount and/or premium as to the average closing price during the Relevant Period as a benchmark to reflect the prevailing market conditions and recent market sentiment;
- (ii) the financial position of the Group:
 - (a) the Company recorded an audited loss attributable to owners of the Company of RMB42,255,043 (approximately HK\$49,711,815) for the financial year ended 31 December 2021;
 - (b) the Company recorded an audited loss per Share of RMB0.0223 (approximately HK\$0.0262) for the financial year ended 31 December 2021;
 - (c) the Company recorded an unaudited loss attributable to owners of the Company of RMB6,043,544 (approximately HK\$7,110,052) for the three months ended 31 March 2022;
 - (d) the Company recorded an unaudited loss per Share of RMB0.0032 (approximately HK\$0.0038) for the three months ended 31 March 2022;
 - (e) the Company had available cash and cash equivalents of approximately RMB\$26,439,100 (approximately HK\$31,104,824) as at 31 December 2021 as disclosed in the annual report of the Company for the year ended 31 December 2021, which is insufficient to meet the usual operation costs and funding needs of the Company; and
- (iii) the funding and capital needs of the Company for its business prospect and plans to lay the foundation for the Company's sustainable development, which details are set out under the paragraph "Reasons for and benefits of the Domestic Shares Subscription, use of proceeds and timeline" in the section headed "Reasons for the H Shares Subscription and the Domestic Shares Subscription and Use of Proceeds" in this Letter from the Board.

LETTER FROM THE BOARD

In determining the Subscription Price, the Directors have considered, among other things as mentioned above, the closing price range of the Shares traded on the Stock Exchange in the Relevant Period in light of the substantial number of new Shares to be subscribed. During the Relevant Period, the Shares were traded on the Stock Exchange with a closing price range between HK\$0.098 and HK\$0.18 with an average closing price of approximately HK\$0.14 per Share. The Subscription Price of HK\$0.15 represents a premium of approximately 7.14% to the said average closing price of approximately HK\$0.14 per Share. The Directors considered that the Relevant Period was an appropriate benchmark to reflect the prevailing market conditions and recent market sentiment.

At the same time, the Directors were also aware of the fact that the Subscription Price represents a premium of approximately 114% to the NAV Per Share. However, considering the level of closing price of the Shares during the Relevant Period as abovementioned, the Directors were of the view that the Shares had been consistently traded at a substantial premium to the NAV Per Share since the publication of the latest audited financial statements of the Group for the year ended 31 December 2021 up to the Last Trading Day (ranging from a minimum premium of approximately 40% to a maximum premium of approximately 157%). Therefore, when determining the Subscription Price, the Directors considered that it would be more appropriate to make reference to the prevailing market price of the Shares which reflected the fair market value of the Shares traded on the Stock Exchange as well as the NAV Per Share, which would be favorable to the Company and the Shareholders as a whole.

The Board considers that the Subscription Price which was determined with reference to the factors mentioned above and the terms and conditions of the Domestic Shares Subscription Agreements are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

The aggregate nominal value of the Subscription Domestic Shares is RMB280,000,000 (equivalent to approximately HK\$329,400,000).

Ranking of the Subscription Domestic Shares

The Subscription Domestic Shares will rank *pari passu* with the existing Domestic Shares and H Shares in all respects.

LETTER FROM THE BOARD

Conditions of the Domestic Shares Subscription Agreements

The Domestic Shares Subscription Agreements will take effect upon fulfillment of the following conditions:

- (a) the obtaining of the necessary approvals of the Board and the Shareholders at the Class Meetings for the Domestic Shares Subscription Agreements, the issue of the Subscription Domestic Shares under the Domestic Shares Specific Mandate;
- (b) the CSRC having approved the issuance of the Subscription Domestic Shares; and
- (c) the obtaining of all necessary consents and approvals from the Stock Exchange and other relevant regulatory authorities.

Completion

The Domestic Shares Subscription Agreements are not inter-conditional and could be completed separately. Completion of the Domestic Shares Subscription Agreements shall take place upon completion of the registration procedures at the Industrial and Commercial Change Registration Department after payment of the aggregate Subscription Price for the Subscription Domestic Shares in cash.

Completion of the Domestic Shares Subscription Agreements and H Shares Subscription Agreements are not inter-conditional.

REASONS FOR THE H SHARES SUBSCRIPTION AND THE DOMESTIC SHARES SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in two industry sectors: (1) biological compound fertilizer products, which principally includes a series of biological compound fertilizer products that are used for the facilitation of balanced growth of grains, fruit and vegetables; and (2) comprehensive layout of elderly care services integrating medical services and operation and management business, which focuses on seniors with complete or partial disability or dementia that have strong demand. Such business mainly includes nationwide key layout to conduct 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.

In light of the recent years market challenges for compound fertilizer products of the Group, the difficulties of the traditional distributorship model adopted by the Group and the plan of the Company to move into the “Direct To Customers” compound fertilizer business sales model as set out below under the paragraph “Reasons for and benefits of the Domestic Shares Subscription, use of proceeds and timeline” in the section headed “Reasons for the H Shares Subscription and the Domestic Shares Subscription and Use of Proceeds” in this Letter from the Board, the Company has an imminent need to raise a substantial amount of fund for its operation as well as the DTC project.

LETTER FROM THE BOARD

The Company has considered various method of fundraising including issue of shares, issue of convertibles, obtaining further banking facilities and/or loans etc to meet the requirement of fund for its operation and the DTC project. However, due to the limitations discussed below, future financial burden to be brought to the Company and substantial costs of loan financing, the Board believes that equity fundraising is in the most advantageous to the Company and even the only way available for the Company.

The Company has considered the following three fundraising methods before deciding the H Shares Subscription and the Domestic Shares Subscription.

- (i) Save as disclosed below, the Company has no other banking facilities to date and the Company will not be able to obtain other banking facilities due to the following reasons:

Shandong Fulilong, a subsidiary of the Company, has pledged all pledgeable plant and land (with a net carrying amount of approximately RMB79,000,000 as at 31 December 2021) to the lending banks, to obtain the existing bank loans of RMB44 million. Shandong Fulilong has consulted with all local banks for further banking facilities, but the bank loan amount cannot be increased unless additional bank-approved assets could be used as collateral and equipment is not accepted by banks as collateral for loans.

All the land, plant and most of the equipment of Guangdong Fulilong, a subsidiary of the Company, are leased from Independent Third Parties. Leases cannot be used for bank collateral, and all local banks require bank-approved collateral to obtain bank loans.

- (ii) Issuance of bonds. Construction of the DTC platform requires funding about HK\$251 million, and the Company cannot find suitable bond investors and issue such substantial amount of bonds. In addition, with regard to the Company's latest financial position as of 31 December 2021 set out below, it is difficult to attract lenders and to afford high bond interest:

- A. Cash and cash equivalents were about RMB26 million (HK\$30.6 million). Around November every year, the compound fertilizer industry enters the winter storage stage, and many distributors will sign sales contracts with the Company to lock in the purchase volume and purchase price of compound fertilizer for spring ploughing in the next year. After signing the contract, the Company collects the prepayment from the distributors for purchasing raw materials and production, and delivers the compound fertilizer to the distributors before April of the next year. Based on the above reasons, the cash and cash equivalents of the Company at the end of each year are relatively high. With the gradual delivery of goods during the peak season of fertilizer sales in the first half of the second year, the amount of cash and cash equivalents will drop significantly.
- B. Net current assets were approximately RMB16,000,000. The amount is the difference between current assets minus current liabilities, which can be converted to cash within a certain period of time.

LETTER FROM THE BOARD

- C. Financial assets were RMB1 million (HK\$1.18 million), which were bank wealth management product purchased by Shandong Fulilong, and can be sold at any time to obtain cash.
- D. The costs of sales and services of the Group is approximately RMB430 million (HK\$506 million), selling and distribution expenses is approximately RMB17.3 million (HK\$21.5 million) and administrative expenses is approximately 31.5 million (HK\$37 million).

According to the above latest financial position, the liquidity level of the Company is relatively low compared with its usual operation costs required. Moreover, the Company has continued to operate at a loss in recent years and thus has to strategically adjust its traditional sales model and build a DTC platform to enhance the profitability of its compound fertilizer business. For this purpose, we need to invest about HK\$251 million for DTC marketing, platform development and operation and maintenance, and software and hardware configuration, etc.. In addition, approximately HK\$125 million will be required for the purchase of raw materials and the replenishment of daily operations; approximately HK\$72 million will be required for the repayment of bank loans and other accounts payable. The Company's latest financial position and available banking facilities are insufficient to support the above operation costs and capital requirements.

- (iii) Other borrowings. The Company currently has loans payable to Independent Third Parties of RMB15.5 million (approximately HK\$18 million), and the interest rate on this loan is as high as 12%. Loans by non-banking entities and individuals usually have higher interest rates which bring heavy financial burden to the Company. In addition, the construction of the DTC platform requires fundings about HK\$251 million (RMB213.4 million) and the Company cannot obtain such a high amount of loans from the market.

In recent years, due to the combined effects of increasingly fierce market competition and significant increases in raw material prices, the compound fertilizer business has been in a continuous loss-making position. In addition, due to the long-term loss, the cash flow of the Company has been very tight, and it is impossible to reserve raw materials based on market conditions, resulting in high production costs, forming a vicious circle and adversely affecting continuing operations.

Unit: RMB

Subject	2020	2021
Net Income	(50,363,356)	(44,784,407)
Loss per share (RMB cents)	(2.53)	(2.23)

Although the issuance of Subscription H Shares and Subscription Domestic Shares will bring dilutive effect on the shareholding of existing Shareholders, by raising the funds of about HK\$450 million for the Company, it will greatly ease the Company's tight cash flow situation, provide funds needed for changing the existing sales model, provide a huge opportunity for the Company's subsequent development and increase the value of each Share by improving the NAV per Share.

In addition, basing on the following preliminary estimation of the Company's profitability in the second year of the construction of the DTC platform, the new profit would be HK\$108.4 million, the profit per share would be RMB2.21 cents.

Therefore, the H Shares Subscription and the Domestic Shares Subscription are in the best interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

Reasons for and benefits of the H Shares Subscription, use of proceeds and timeline

The gross proceeds from the H Shares Subscription are expected to be approximately HK\$30,000,000. The net proceeds from the H Shares Subscription (after deducting all fees, costs and expenses of a total sum of HK\$400,000 properly incurred in connection with the H Shares Subscription to be borne by the Company) are expected to be approximately HK\$29,600,000. The net Subscription Price, after deducting such fees, costs and expenses, is therefore approximately HK\$0.1480 per Subscription H Share.

The Company intends to use all the net proceeds from the H Shares Subscription for repayment of bank loans.

The following table shows the breakdown of the Company's current bank borrowings.

Serial No.	Name of Banks	Amount (RMB)	Starting date of borrowing	Loan repayment date	Term of Loan
1	Industrial and Commercial Bank of China Changle Sub-branch	7,000,000	2021/8/10	2022/8/2	12 Months
2	Industrial and Commercial Bank of China Changle Sub-branch	7,000,000	2021/9/15	2022/8/2	11 Months
3	Industrial and Commercial Bank of China Changle Sub-branch	10,000,000	2022/3/18	2023/3/17	12 Months
4	Bank of Weifang Changle Sub-branch	10,000,000	2022/6/9	2023/6/8	12 Months
5	Bank of China Changle Sub-branch	10,000,000	2022/6/22	2023/6/21	12 Months
	Total	<u>44,000,000</u>			

Currently, the Company has bank loans totaling RMB44 million (approximately HK\$52 million), of which, RMB24 million (approximately HK\$28million) will be due on or before 18 March 2023 and the rest will be due in mid 2023. Since the issue of Subscription H Shares is subject to the approval of CSRC, the timing of the availability of its proceeds is uncertain. However, the Company is obliged to repay the bank loans when it is due subject to the banking facility renewal policies of the banks which are uncertain and the Company may not be able to renew the bank loans or extend the repayment date. The Company expects that the proceeds from the issue of Subscription H Shares could be utilized to repay part of the bank loans or any renewed facilities of the bank loans when the same are due.

LETTER FROM THE BOARD

Reasons for and benefits of the Domestic Shares Subscription, use of proceeds and timeline

The gross proceeds from the Domestic Shares Subscription are expected to be approximately HK\$420,000,000. The net proceeds from the Domestic Shares Subscription (after deducting all fees, costs and expenses of a total sum of HK\$1,600,000 properly incurred in connection with the Domestic Shares Subscription to be borne by the Company) are expected to be approximately HK\$418,400,000. The net Subscription Price, after deducting such fees, costs and expenses, is therefore approximately HK\$0.1494 per Subscription Domestic Share.

The Company intends to use the net proceeds from the Domestic Shares Subscription for the following purposes:

Among the net proceeds from the issuance of Subscription Domestic Shares:

- (a) approximately 60% for the establishment of a DTC platform for the compound fertilizer business;
 - (b) approximately 30% for replenishment of liquidity; and
 - (c) approximately 10% of the repayment of the Company's other borrowings and outstanding amounts.
- (1) **Approximately 60% of the net proceeds (approximately HK\$251 million) from the issue of Subscription Domestic Shares will be used to build a DTC platform for the compound fertilizer business**

(a) ***The existing sales model and existing problems of the Company's compound fertilizer business***

The Company has been engaged in the research and development, production and sales of compound fertilizers for years. In recent years, due to the combined effects of increasingly fierce market competition and significant increases in raw material prices, the compound fertilizer business has been in a continuous loss-making position.

Subjects	2020	2021
Gross margin	10.9%	9.6%
Net profit (RMB)	(50,363,356)	(44,784,407)

The operation of any enterprise is to make profits. The continuous loss of the Company is unsustainable, and a breakthrough must be sought.

LETTER FROM THE BOARD

The Company has adopted the traditional distributor model in the compound fertilizers sales segment for a long time. After the compound fertilizer products are sold to the primary distributors at the factory price, the primary distributors increase the price by approximately 10% on the basis of the factory price and sell them to the farming stations, which finally increase the price by approximately 20% on top of the price of the primary distributors and sell them to the end-user rural cooperatives or farmers. Under this traditional distributorship model, the markup rate of the intermediate distribution link between the Company's compound fertilizer products and the end-users is approximately 32%, and the distribution cost is too high.

Currently, the Company could only reach and promote its products to end-user rural cooperatives and farmers through the traditional sales channels operated by existing primary distributors and farming stations. With the DTC platform, the Company could reach and promote its compound fertilizer products directly to these end-user rural cooperatives or farmers as well as to a much larger national market of fertilizer end-users, thus the Company could save a huge amount of distribution costs, increase its revenue and significantly reduce the purchase costs of end-users.

The traditional distributorship model currently adopted by the Company for its compound fertilizer business is based on customers' prepaid orders and historical sales volume experience in each period to plan the products types and production volume for the current period and arrange the purchase of raw materials in advance accordingly. The lack of direct access to the end-user and consumer insight may lead to problems in the direction of new product development, product marketability, mass production scale and production scheduling, resulting in inventory backlog or shortage of supply, which may eventually increase production costs or lose orders.

With the continuous development and popularity of the Internet, Internet marketing has caused a huge impact on the traditional marketing market due to its advantages of multi-dimensionality in time and space, richness of media resources, interactivity between marketers and consumers, uniqueness of transaction atmosphere, efficiency of platform services, economy of operating costs, and high integration of pre-sales, in-sales and after-sales. Internet marketing, as a marketing method with great potential for development, has gradually become a new culture in the information age and is gradually replacing traditional marketing methods, and this major trend is irreversible. Under this circumstance, the existing traditional sales model of TEDA Biomedical's compound fertilizer is forced to seek new changes, otherwise it will face gradual elimination.

LETTER FROM THE BOARD

(b) Introduction of DTC compound fertilizer business sales model

DTC, namely direct to consumer, is a business tool concept that can be applied originated in the United States. With the rapid emergence and comprehensive popularity of smart terminals on the Internet in the past decade, the technical means to reach consumers by shortening the consumption distance are becoming more and more mature, and the new logic and framework of DTC and its ecosystem are becoming relatively clear. Roland Berger, one of the world's top consulting firms, has devoted itself to the research of DTC in recent years, and has obtained remarkable research results. In May 2021, Roland Berger released a report "Challenging the Traditional Model: How the DTC Model Can Lead Consumer Brand Companies to Achieve Innovation", suggesting that under the DTC model, companies should abandon their reliance on the original model of "brand-agent-distributor-retailer" and reduce the number of intermediate channels. The companies shall establish a direct consumer connection to end consumers through e-commerce or self-owned websites; directly obtain consumer information and feedback, and take consumer demand as the only starting point for decision-making, and make precise, timely and flexible satisfaction of demand the highest goal of strategy formulation; and be good at marketing innovation, and elevate social media operation, brand culture and value building, and consumer experience construction to a strategic level.

Over the past few years, many excellent DTC platform companies have emerged in China. For example, by building the Meituan APP and a powerful database, Meituan brings service providers such as restaurants, supermarkets, pharmacies and other service providers in a city into the Meituan platform, so that the end consumer can fully and conveniently check information and place orders for relevant services through mobile phone or computer terminals with the help of the Internet. For the year ended 31 December 2021, Meituan had 690 million trading users and 8.8 million active merchants, including 14.4 billion takeaway orders.

The core point of DTC is to realize the direct connection of enterprises to consumers, its characteristics are as follows:

- (i) Let enterprises get rid of the reliance on the original sales model, reduce the intermediate agents, distributors and even retailers to achieve direct connection to consumers.
- (ii) Consumer demand-oriented, enterprises can collect a large amount of first-hand consumer information and provide feedback, so that the basis for decision-making is timely, rich, accurate and effective, further enabling enterprises to quickly optimize products and services and efficiently respond to user needs.

LETTER FROM THE BOARD

- (iii) Achieve higher market sink efficiency. The traditional distributor mode of market sinking is to further expand the distributor pipeline to lower tier markets for progressive coverage, but due to the popularity of e-commerce and the improvement of logistics facilities, the marginal benefit of this traditional method is low and lack of targeting. Under the DTC model, enterprises can achieve rapid coverage of low-level consumers through online platforms and combine modern data technology to make precise market selection and layout, revolutionizing the efficiency of market sinking.

After the establishment of the DTC platform, the Company is still principally engages in the production and sale of compound fertilizer products, without changing its existing compound fertilizer production plant, production equipment and production process, but the sales model will be adjusted to remove the original intermediary pipeline, and through the construction of the DTC system platform and offline physical website, direct access to consumers is constructed. The DTC platform and the company's existing compound fertilizer R&D and production system could achieve seamless connection and synergistic integration, and ultimately improve capacity utilization, increase product sales prices and gross profit margins, reduce production costs, improve inventory turnover, reduce inventory provision losses. In addition, the Company will also increase customer stickiness by reaching end-consumers directly.

The expected income structure in relation to DTC platform mainly includes the following aspects:

- (i) increase product selling price and sales volume of self-produced compound fertilizers, thereby increasing the turnover.
- (ii) increase inventory turnover and reduce inventory provision losses.
- (iii) with the establishment and continuous expansion and improvement of the compound fertilizer DTC platform, the Company may act as an agent for compound fertilizer products of other brands and categories, and directly sell them to end-user rural cooperatives and farmers to obtain agency fee income. The current industry practice is that the primary distributors and farming station increase their retail prices by approximately 32% on the basis of the ex-factory price, so due to difference between the retail price and the factory price, the Group will be able to provide attractiveness to other compound fertilizer brands to use the DTC platform as they could increase their factory price even after payment of agency fee for the DTC platform.

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- (iv) with the establishment and continuous expansion and improvement of the compound fertilizer DTC platform, the Company may also act as an agent for other agricultural materials such as pesticides, seeds, agricultural film, and agricultural machinery, and obtain agency fee income.

(c) *Investment content of DTC platform for the TEDA Biomedical's compound fertilizer business*

The DTC platform consists of intelligent big data system, private domain operation of intelligent terminals and other systems. Through the intelligent big data system, it can accurately query and capture the demand information of the end-user rural cooperatives and farmers, and then improve the consumer experience through the private domain operation of intelligent terminals, including social media operation, brand culture and value creation, etc. The consumer demand of the rural cooperatives and farmers can be collected, and the production can be planned according to the consumer demand to truly realize the direct connection between enterprises and consumers.

(d) *Allocation of the 60% proceeds*

The 60% of the net proceeds (HK\$251 million) for construction of DTC sales model platform for compound fertilizer business, of which:

- (i) 45% (approximately HK\$113 million) for online and offline customer acquisition marketing for the DTC platform and its eco-network.

In addition to the development of software system, the construction of the DTC platform also requires the construction of physical sites in the counties, cities or towns where the business is located. These sites are the local business management institutions of DTC platform. They are responsible for both local market promotion and business development of DTC platform; maintenance and management of local end customers; and local order management, including: manage local customer order information, feedback to headquarters and production department of the local end customer information, arrange pick-up by customers after bulk transportation of products from headquarters to the site, or paid delivery. The Company will build sites by leasing sites or cooperating with third parties who have already established local agricultural institutions.

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The Company will cooperate with third-party logistics companies based on the order information of end-users obtained by each site, and the third-party logistics companies will deliver the compound fertilizer to the corresponding sites. After the compound fertilizer is delivered to each site, for end-users with a small purchase amount, they need to go to the site to pick up; for end-users with a large purchase amount, such as rural cooperatives or large-scale farmers, the products will be delivered to them by the logistics companies.

Therefore, DTC marketing is to attract rural cooperatives and farmers who purchase products from the Company through intermediate agents under the Company's existing traditional compound fertilizer sales model to place orders directly on the DTC system platform built by the Company. In order to reach the customers directly, the Company will also require marketing expenses to promote the DTC platform.

When the proceeds from the Domestic Shares Subscription are in place, the Company will focus on launching the development of DTC system platform in the first year, and in the first half of the second year, the Company will devote more effort to select several provinces and regions with relatively more high-quality customers and better sales channel construction foundation for DTC site establishment, marketing and customers promotion. The Company plans to launch 70 sites in the first half of the second year and each site is expected to obtain 10,000 customers, thus a total of 700,000 customers. In the second half of the second year, about 30 sites will be established in other regions of the country, with an average of 10,000 customers per site, 300,000 customers are expected to be achieved. According to the current market data, the customer acquisition cost for each end customer is about HK\$112 (RMB100), and the fee for establishment of DTC 100 sites, marketing and customers promotion in the second year is about HK\$113 million.

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- (ii) 35% (approximately HK\$88 million) for software research and development and platform operation and maintenance costs; and

The cost of this component is mainly the salary of R&D and operation and maintenance personnel. The R&D staff mainly refers to the staff for the development of the DTC system platform; the operation and maintenance staff includes the platform operation and maintenance staff of the headquarters and each site. The first year is the development period of the DTC software system platform, and it is expected that about 70 people will be needed for the R&D team, with an average annual salary of about HK\$350,000 (RMB300,000), i.e. a total annual R&D cost of HK\$24.5 million. In the second year, it will be necessary to pay salaries for the operation and maintenance personnel of the 100 sites established throughout the year and headquarters, as well as the operation and maintenance personnel reserved for the layout of more sites in the future, with a total of 250 staff and an average annual salary of HK\$156,000 (RMB130,000), i.e. a total of about HK\$39 million.

- (iii) 20% for the base software and hardware environment configuration for the DTC platform; cloud server and bandwidth leasing, big data leasing, amounting to approximately HK\$50 million. The first year mainly covers the costs associated with the development of the DTC platform, and the second year also covers the costs associated with the construction of each site.

Assuming that the time of availability of the proceeds is T, the schedule of payment of the three items of expenses above is as follows:

Unit: HK\$

Type of fee payment	T+1 year	T+2 years	Total
(i)	–	113 million	113 million
(ii)	24.5 million	63.5 million	88 million
(iii)	<u>20 million</u>	<u>30 million</u>	<u>50 million</u>
Total	<u>44.5 million</u>	<u>206.5 million</u>	<u>251 million</u>

LETTER FROM THE BOARD

(e) The objective of setting up of and the profit analysis of DTC platform for TEDA Biomedical's compound fertilizer business

Guangdong Fu Li Long Compound Fertilizer Limited* (廣東福利龍複合肥有限公司), a subsidiary of the Company, has been producing compound fertilizer since 1996, and Fu Li Long (Shandong) Fertilizer Limited* (福利龍(山東)化肥有限公司), a subsidiary of the Company, has been producing compound fertilizer since 2004. The production process and production equipment of the two subsidiaries have already been established, and it is unlikely to improve profitability through substantial process adjustment and equipment modification.

Since 2020, affected by the COVID-19 epidemic and the Russia-Ukraine war, nitrogen, the global price for main raw materials of compound fertilizer including phosphorus and potassium have seen a sustained and substantial increase. The Company's average sales price of compound fertilizer rose much lower than the increase in raw material prices, leading to gross profit margin declined year by year, and profitability continued to decrease.

Unit: RMB/ton

	31 December	31 December 2021		30 June 2022	
	2020	<i>Amount</i>	<i>Amount</i>	<i>Year-on-year change</i>	<i>Amount</i>
Nitrogen	1,800	2,400	33%	3,200	33%
Phosphorus	2,200	3,400	55%	4,500	32%
Potassium	1,900	3,300	74%	5,400	64%
Average selling price of the Company's compound fertilizer	1,972	2,218	12%	2,689	21%
Gross profit margin of the Company	10.90%	9.60%	-12%	Pending the release of the half-year report	-

LETTER FROM THE BOARD

- (i) Through the establishment of the DTC platform, the compound fertilizer products produced by our Company can reduce or partially reduce the existing intermediate pipeline of distributors and farming stations and reach the end-user rural cooperatives and farmers directly, and the price difference of approximately 32% previously enjoyed by the intermediate pipeline can be shared by our Company and the end-user rural cooperatives and farmers, and make full use of the Company's production capacity to increase sales volume. On the one hand, it can partially improve the gross profit margin of our existing products; on the other hand, through the concessions to the end-user rural cooperatives or farmers, the sales volume of our compound fertilizer products can be further expanded, thereby increasing the market share;

- (ii) At present, the designed production capacity of the Company is 1,200,000 tons, while the sales volume in 2021 is only about 210,000 tons. The low capacity utilization rate has raised production costs. After the DTC platform is well established, on the one hand, the product unit price will be improved, which raises the gross margin, and on the other hand, with the significant increase in capacity utilization rate, the production volume will increase and the production cost will also be reduced, which further raises the gross margin.

By building a direct to consumer DTC platform, the Company can directly obtain consumer information and feedback, and use consumer demand as a guide for R&D direction, mass production scale and production scheduling, thus improving inventory turnover and reducing inventory provision. The Company's inventory provision in 2021 was RMB4.7 million and RMB6.6 million for 2020. After the DTC platform is built and improved, the inventory provision loss can be effectively reduced.

The following is a preliminary estimation of the Company's profitability in the second year of the construction of the DTC platform (i.e. 100 sites nationwide, with a total of one million end farmers online and offline customer):

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Assuming:

- a) The estimated sales volume is about 550,000 tons.

According to the schedule of the use of proceed raised, it is estimated that 100 sites will be launched nationwide in the second year after the proceed is in place, with 10,000 customers for each site, totaling 1M terminal farmers directly connected to the DTC platform.

The current annual use of compound fertilizer for field crops (such as rice, wheat and corn) is 150 kg/mu per year, and the use of compound fertilizer for economic crops (such as fruits, vegetables, flowers) is 250 kg/mu per season. Winter greenhouse planting is popular in the North, so the South and North economic crops can be planted 3-4 seasons a year, according to the planting of 3 seasons/year calculation, the annual use of economic crops compound fertilizer is 750 kg/mu(250kg/mu *3).

According to the actual sales of compound fertilizer of the Company in the past, about 1/3 of the customers planted field crops, 2/3 planted economic crops, with reference to the estimated 1M terminal farmers, there will be about 330,000 households planted field crops, 670,000 households planted economic crops.

Based on the average planting of 1 mu of farmland per end-customer, the total sales volume is approximately 550,000 tons(150kg/mu*330,000+750kg/mu*670,000).

- b) Under the original traditional sales model, 32% of the price differential held by the primary distributors and farming stations is shifted to be shared between the Company and the terminal rural cooperatives and farmers under the DTC model. Assuming that the Company shares 16% with each end customer, the Company's compound fertilizer selling price will increase by 16% compared to the existing average selling price, at the same time, the purchase price of the same product end farmers will decrease by 16%.
- c) The Company's gross profit margin was 10.9% in 2020 and 9.6% in 2021. Based on the soundness principle, this estimated gross profit margin is 10%;

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- d) after the 100 DTC sites are set up and improved, there will be 70 system platform R&D personnel and 250 headquarters and site operation and maintenance personnel, i.e. a total of 320 staff. It is estimated that the total annual staff remuneration is HK\$63.5 million/year;
- e) Site maintenance and other fees HK\$30 million/year;
- f) Since the majority of the Company's current bank borrowings will be repaid when the proceeds are available, the finance costs are not considered for the time being in this measurement;
- g) In view of this measurement, it is assumed that the Company has invested HK\$113 million to complete the marketing of the DTC platform and its ecology for 1 million end customers online and offline, so additional sales expenses for marketing are not considered here for the time being;

In view of the fact that HK\$63.5 million/year for 320 staff to serve the DTC platform, headquarters and site operation and maintenance, and HK\$30 million/year for site maintenance and other expenses, other sales expenses will not be considered.

Based on the above assumptions, the annual profitability of the Company after the DTC platform being established is estimated as follows:

Serial no.	Subject	Amount
(1)	Sales volume (tons)	550,000
(2)	Average selling price in the first half of 2022 (HK\$/ton)	3,164
(3)	Selling price after building DTC [(2)*116%] (HK\$/ton)	3,670
(4)	Sales [(1)*(3)] (HK\$)	2,019 million
(5)	Gross profit [(4)*10%] (HK\$)	201.9 million
(6)	Remuneration of personnel after building DTC (HKS)	63.5 million
(7)	Site maintenance and other costs (HK\$)	30 million
(8)	Net Profit [(5)-(6)-(7)] (HK\$)	108.4 million

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From the above table, it can be concluded that after building the DTC platform, the Company's net profit can reach HK\$108.4 million/year. As the investment required to build the DTC platform is about HK\$251 million, the investment recovery period is approximately 2.3 years. This estimation only considers the benefit of the Company's self-produced compound fertilizer based on the past gross margin after the completion of the online promotion of 1M terminal farmers in the second year of DTC platform construction, the other revenue types described above and the further increase in gross margin due to the scale effect as a result of the significant increase in sales volume have not been included in the above calculation. If all the above factors are taken into account, the payback period will be further shortened. Therefore, under the circumstances that the Company's compound fertilizer business has continued to make significant losses in recent years, investing HK\$251 million for the DTC platform will act as a milestone for the Company to tackle its current difficulties and will be in the best interest of the Company.

- (iii) The types of field crops and cash crops grown by end-user cooperatives and farmers are different, and there are many differences in the types of compound fertilizers required. Based on economic considerations, our Company only produces some of these products. With the establishment and continuous expansion of the DTC platform for compound fertilizers, the Company will be able to sell compound fertilizer products to end-user rural cooperatives and farmers through the agency of other brands and types of compound fertilizer products to further enhance the sales scale and profitability of the Company in the compound fertilizer business;
- (iv) In addition, since the end-user rural cooperatives and farmers connected to the Company's compound fertilizer DTC platform, in addition to compound fertilizer products, other agricultural materials such as pesticides, seeds, agricultural films, and agricultural machinery are also required in the planting process. As the end customers of related agricultural materials tend to be the same, when the operation of the compound fertilizer DTC platform becomes mature in the future, the Company can further expand the outreach of its sales products on the DTC platform and expand from compound fertilizer to various agricultural materials to expand its scale and profit margin.

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(f) The management, development and maintenance of the DTC platform requires the following three areas of competent personnel

- (i) to lead and manage the project for the development of the strategic structure of the DTC platform

The ultimate aim of construction of the DTC platform is to satisfy various product-related needs of end consumers of our products and this is also the paramount starting point for our decision-making. The highest goal of our strategy formulation is to meet the changing market demand for our products precisely, timely and flexibly through innovative operation and marketing means such as social media operation, brand culture development and value building, consumer experience construction, etc. in order to design and plan the path and connection mode of DTC product, DTC brand and DTC service and reduce the intermediate channels.

Regarding the above requisite management personnel for the development of the DTC system, the current management of the Company is capable of leading and managing the project of DTC development with Ms. Sun Li, the Chairman and executive director as the head of the project and other directors as part of the leading management team together with the assistance of other management personnel at the subsidiary level of the Group.

Ms. Sun Li, holds a doctorate degree in Business Administration from The City University of Hong Kong and graduated from Central South University majoring in financial management and business management with both postgraduate and undergraduate degrees. Since 2015, she has served as the Chairman of the Board and the executive director of the Company. Her past education background and rich corporate management experience enable her to effectively manage and operate a compound fertilizer enterprise on the one hand, and, on the other hand, a strong basis for corporate development direction and ability to formulate strategic plans in respect of resource allocation strategies as well as the ability to configure, manage and implement strategic plans. In addition, Ms. Sun had been a director of Beijing Tianyu Hongtai Technology Co., Ltd.* (北京天宇鴻泰科技有限公司) and successfully led the team to productize internet and mobile internet application projects, and has rich management experience at network technology companies. Ms. Sun will utilize her experience in compound fertilizer business operation and network technology company management to lead the construction of DTC platform and the interface and integration of various departments of our existing compound fertilizer R&D, production and sales with DTC platform.

LETTER FROM THE BOARD

In addition, the Company also plans to include Mr. Qin Wenhua (覃文華) (“**Mr. Qin**”), the former actual controller of Shanghai Weidi Network Technology Co., Ltd. (上海微帝網路技術有限公司) (“**Shanghai Weidi**”) which the Company is going to acquire, in the management of the DTC project. Mr. Qin graduated from Sun Yat-sen University in 1988 with a bachelor’s degree in theoretical physics has more than 28 years of entrepreneurial experience. He has successively led and founded various fast-moving consumer goods companies such as Yunnan Red, Yunnan Shangri-La Wine Industry, and Impression Wine Industry, all of which have developed into well-known brands in the industry. Mr. Qin has strategic framework capabilities in product design and positioning, brand marketing, consumer demand mining and service construction. He has successively established Jiangsu Weidi Electronic Trading Center Co., Ltd. (江蘇微帝電子交易中心有限公司), Shanghai Yunyang Biotechnology Co., Ltd. (上海勻養生物科技有限公司), Shanghai Meika Coffee Co., Ltd. (上海美咖咖啡有限公司), Wisdom Cloud Drink Co., Ltd. (智慧雲飲有限責任公司), Shanghai Weidi and other companies, and has experience in the implementation of multiple consumer goods DTC projects. Mr. Qin will serve as the architect for the R&D and operation and maintenance of the Company’s compound fertilizer DTC platform, explore in depth the brand, product and service connotation of TEDA Biomedical’s compound fertilizer business, and build the DTC platform system framework with the philosophy of direct to consumers.

- (ii) Software development and post-operation and maintenance capability of DTC system platform

Under the DTC model, the Company needs to complete the construction of a big data platform and use big data and algorithms to research and analyze user profiles and consumer behavior, helping the Company to deeply understand consumers needs and provide a reliable basis for optimizing business strategies. By building a user global data platform (CDP), it will provide management tools and decision basis for the Company’s product production, sales and promotion programs, etc.

LETTER FROM THE BOARD

In order to strengthen the technical capabilities of the Company in areas of DTC software development and post-operation and maintenance, the Company plans to recruit suitable technical teams and professional companies to assist the Company to construct and maintain the DTC system platforms. Recently, there are a large number of highly qualified internet technicians and professionals available in the mainland market, thus the Company is of the view that there are not any foreseeable difficulties for the Company to recruit software development and system operation and maintenance personnel in the process of construction of the Company's DTC platform.

In addition, after a period of continuous contact and negotiation, the Company entered into Equity Transfer Agreements with 上海泛濶投資合夥企業(有限合夥)(“上海泛濶”), Chen Xuejun (陳學軍) and Zhang Yuxia (張玉霞), all of whom and their respective ultimate beneficial owners (if applicable) are Independent Third Parties, on 18 July 2022 to acquire 80.69%, 17.24%, and 2.07% equity interest in Shanghai Weidi respectively, at a total cash consideration of RMB12.8 million (approximately HK\$15.0 million) which will be settled by internal resources of the Company. 上海泛濶 is owed as to 95% by Mr. Qin and 5% by 上海西早投資管理有限公司, which is owned as to 99% by Mr. Qin and 1% by Zhang Yuxia (張玉霞). Upon the completion of the acquisition, Shanghai Weidi will become a wholly-owned subsidiary of the Company.

Shanghai Weidi has a strong technical team for DTC platform R&D and operation and maintenance with experienced technicians such as Mr. Meng Ningyu (蒙寧瑜)(“**Mr. Meng**”). Mr. Meng graduated from Central South University in 1995 with a master's degree in applied mathematics and applied software. He has been engaged in software research and development for about 27 years. He currently serves as the Chief Technology Officer of Shanghai Weidi and was fully responsible for the system development of various internet application projects such as Shanghai Weidi's electronic trading system, DTC experience Wine Cabinet and Clothes Exchange. As the technical leader of Shanghai Weidi, he has undertaken the technical team leader of the system platform construction projects of 8 governmental organs above the provincial level. He has rich experiences in building system platforms and comprehensive management capabilities on system R&D team. Mr. Meng will be responsible for the establishment of the R&D and operation and maintenance team of the DTC system platform; system site operation and maintenance and the formation of team.

LETTER FROM THE BOARD

In 2019, Shanghai Weidi was commissioned by Hunan Biye Biotechnology Co., Ltd (湖南碧野生物科技有限公司) (“**Hunan Biye**”) and successfully developed its organic fertilizer/feed DTC cloud marketing service platform, including raw material procurement system, organic fertilizer, and feed sales system modules, thus it has historical experience in DTC platform development in the fertilizer field.

Shanghai Weidi currently owns 22 software copyrights, which are related to sub-system modules necessary for construction of the DTC platform. Details of software copyright owned by Shanghai Weidi are as follows:

Serial No.	Full name of software	Registration number
1	微帝外部人力資源管理系統	2022SR0016111
2	微帝店鋪管理SaaS服務系統	2022SR0016110
3	微帝企業行銷SaaS服務平台	2021SR1470478
4	微帝大宗商品電子交易平台	2021SR1470477
5	微帝數位錢包軟體	2021SR1210841
6	微帝SaaS商城管理軟體	2021SR1210840
7	微帝O2O智慧自助服務管理軟體	2021SR0618484
8	微帝友盟SaaS門店管理軟體	2021SR0618485
9	微帝智慧咖啡機運營管理軟體	2020SR1662515
10	eID電子郵件用戶端軟體	2020SR1662516
11	微帝智慧物業服務管理軟體	2019SR0868566
12	微帝SaaS協同業務管理軟體	2019SR0868574
13	微帝信用消費管理軟體	2019SR0710209
14	微帝數位合約管理軟體	2019SR0709547
15	微帝預付費卡管理軟體	2019SR0709539
16	微帝多模態誠信管理軟體	2019SR0709534
17	享輛私車共用服務系統	2019SR0465243
18	慧搖ibeacon互動場景服務系統	2019SR0465233
19	慧搖文旅餐飲服務系統	2019SR0465228
20	微帝慧櫃管理系統	2019SR0437871
21	微帝活動報名與管理系統	2019SR0150738
22	微帝電子酒櫃交易管理系統	2019SR0150734

LETTER FROM THE BOARD

- (iii) Management of the construction and operation and maintenance service teams of terminal sites in cities, counties and towns

In order to achieve the goal of direct delivery of compound fertilizer products to end consumers, in addition to the DTC system platform, the Company also needs to build physical sites in the counties, cities or towns where our business is located. These sites are the local business management agencies of our DTC platform, responsible for marketing and business development of DTC platform in the local area; maintenance and management of local terminal customers; and local order management, including collection of local customer order information, feedback to the headquarters and production department of local terminal customer information, arrangement for pick-up by customers after the headquarters batch transport of products to the site, or paid delivery, etc.

Mr. Cao Aixin (“**Mr. Cao**”), a non-executive director of the Company, has joined the Company since October 1997. He has 25 years of experience in compound fertilizer marketing management and is extremely familiar with the marketing of the compound fertilizers and the compound fertilizer business operations. The Mr. Cao leads our existing sales team with 65 sales staff, who directly connect with approximately 600 primary distributors under the existing distribution model. The existing sales team is very familiar with the performance of the Company’s compound fertilizer products and the needs of end-users, and also has long-term experience in dealing with farmers. Our sales team will be further expanded and trained to cope with the development of our DTC platform system and Mr. Cao will be responsible for the sales management of each site under the DTC platform.

In addition, Guangdong Fuli Long Soil Conditioning and Restoration Research Institute (廣東福利龍土壤調理修復研究院) under the Company will be capable of providing technical guidance to the terminal farmers of our Company, such as soil testing and fertilization, soil activation, crop yield improvement, which is conducive to assisting the sales team of our Company in providing continuous operation and maintenance services for terminal sites.

LETTER FROM THE BOARD

- (g) After consulting legal advisers of the PRC laws, there are no legal restrictions on building the DTC platform under the existing Chinese legal framework.***

The Directors of the Company believes that there are certain risk exposures in building a DTC platform, which is mainly divided into two aspects:

- (i) Technical risks of building a DTC platform.
- (ii) After the establishment of the DTC platform, whether the sales volume and sales price of the Company's biological compound fertilizers can be significantly increased, thereby increasing the income of the Company.

With respect to item (i), the technology for building DTC network platforms in China is relatively mature. At present, Meituan, Ele.me, JD.com and Taobao are all large-scale DTC network platforms in China, so the risk is controllable.

With respect to item (ii), the management has conducted a profound research on economics and feasibility based on historical data such as the number and average purchase volume of end-users purchasing the Company's compound fertilizer products under the current traditional sales model. The management of the Company believes that this risk is also controllable.

To sum up, the Company has established a direct connection between enterprises and consumers through the construction of the compound fertilizer DTC platform, which has improved the gross margin of its own products on the one hand; on the other hand, we can also increase the sales of our own products and represent the differentiated products produced by other compound manufacturers; thirdly, the establishment and improvement of the relevant compound fertilizer DTC platform can provide the Company with a broader direct sales channel for other agricultural material products in the future, and ultimately achieve a substantial increase in the Company's revenue. Therefore, the Company plans to use 60% of the proceeds to build the DTC platform.

LETTER FROM THE BOARD

(2) Approximately 30% of the net proceeds (approximately HK\$125 million) from the issue of Subscription Domestic Shares will be used to replenish liquidity

- a) HK\$80 million will be used for the procurement of raw materials for biological compound fertilizer.

Since 2020, affected by the COVID-19 epidemic and the Russia-Ukraine war, the price of main raw materials for global compound fertilizer including nitrogen, phosphorus and potassium, have had a sustained and substantial increase, as shown in the table below. It is projected that raw material prices will continue to rise in the future. In order to control production costs, the Company shall purchase large quantities of raw materials for compound fertilizers for planned use. The following table shows the changes in raw material prices since 31 December 2020.

Unit: RMB/ton

Raw Materials	31 December	31 December 2021		30 June 2022	
	2020	Prices	Year- on-year	Prices	Year- on-year
Nitrogen	1,800	2,400	33%	3,200	33%
Phosphorus	2,200	3,400	55%	4,500	32%
Potassium	1,900	3,300	74%	5,400	64%

Under the above circumstances, each of the compound fertilizers manufacturers have adopted measures to reserve raw materials in advance within the scope of their own working capital. Due to the limitation of the existing liquidity, the Company has difficulty in reserving sufficient amount of raw materials in advance in anticipation of the continuous and substantial increase of raw materials, which has resulted in high procurement costs and further affected the profitability of the Company under the increasingly competitive market environment of compound fertilizer market. Therefore, the Company plans to use 30% of the net proceeds to replenish its liquidity to reserve raw materials for compound fertilizer in accordance with market conditions and for the Company's daily operations.

LETTER FROM THE BOARD

After selling products through the DTC platform, as the price of our products purchased by end-users decreases, it is expected to bring a significant increase in the quantity of sales of compound fertilizer, and the Company's production volume will be required to increase accordingly to meet the demand of customers, and the Group will be required to purchase and reserve more raw materials for compound fertilizer, so the demand for working capital will also increase significantly.

After the establishment of the DTC platform, our Company will reduce or partially reduce the existing intermediate pipeline of distributors and farming stations for the sale of compound fertilizer as we could reach the end-user rural cooperatives and farmers directly, and the price difference of approximately 32% previously enjoyed by the intermediate pipeline can be shared by our Company and the end-user rural cooperatives and farmers. In order to expand the sales volume of compound fertilizer products and increase the market share, the Company will transfer a large portion of the 32% price difference to the end-user rural cooperatives and farmers, thus the price of compound fertilizer sold through the DTC platform is lower than that of compound fertilizer sold through other traditional channels, which ultimately brings an increase in the quantity and variety of compound fertilizer sold through the Company's DTC platform and an increase in the funds required for raw material procurement.

T+1 year is the development period of the DTC platform, and the compound fertilizer has not yet been sold through the DTC platform. However, since the beginning of 2020, the price of compound fertilizer raw materials has risen sharply. It is expected that the compound fertilizer raw materials will also be on an upward trend in T+1 year. The Company will purchase and reserve part of compound fertilizer raw materials at an appropriate time in T+1 year. It is estimated that HK\$30 million will be required to purchase compound fertilizer raw materials.

The Company will establish 100 sites in T+2 year, thus the sales volume will increase sharply, and the production volume must also increase accordingly. It is expected that the Company will use HK\$50 million to purchase raw materials in T+2 year.

- b) HK\$45 million will be used to replenish its liquidity for the Company's daily operations.

LETTER FROM THE BOARD

Assuming that the time of availability of the proceeds is T, the schedule of payment of the fee for replenishing working capital is as follows:

Unit: HK\$

	T+1 year	T+2 years	Total
a)	30 million	50 million	80 million
b)	<u>15 million</u>	<u>30 million</u>	<u>45 million</u>
Total	<u><u>45 million</u></u>	<u><u>80 million</u></u>	<u><u>125 million</u></u>

The following table is the detailed breakdown on how the proceeds of HK\$45 million will be used for the Company's daily operation in T+1 year and T+2 year.

Unit: HK\$

Serial No.	Details	T+1	T+2
1	Remuneration of management personnel	4.6 million	7 million
2	Launching fees and various intermediary fees	1.5 million	2.5 million
3	Lease expenses for offices in Beijing and Tianjin, and for plant and equipment of Guangdong Fulilong.	8.5 million	8.5 million
4	Partially for updating compound fertilizer production equipment	–	10 million
5	Travel and other expenses	<u>0.4 million</u>	<u>2 million</u>
Total		<u><u>15 million</u></u>	<u><u>30 million</u></u>

The above details of daily operating expenses are forecasts based on the Company's current financial situation and expected business progress. The Company may make corresponding adjustments based on the financial situation and business progress after the proceeds are in place.

LETTER FROM THE BOARD

- (3) **Approximately 10% of the net proceeds (approximately HK\$42 million) from the issue of Subscription Domestic Shares will be used to repay the Company's other borrowings and outstanding amounts**

The following table provides a breakdown of the Company's amounts due to Independent Third Parties to date:

No.	Amount (RMB)	Borrowing Date	Repayment date	Loan term	Interest
A	6,000,000	2020/7/2	2022/12/31	18 months	Annual interest rate 12%
B	3,500,000	2022/5/31	2022/9/30	4 months	Annual interest rate 12%
C	5,000,000	2022/1/30	2022/12/31	11 months	Annual interest rate 12%
D	1,000,000	2020/1/1	2022/12/31	12 months	Annual interest rate 12%
Total	<u>15,500,000</u>				

The Company currently has loans payable to Independent Third Parties of RMB15.5 million (approximately HK\$18 million), all of which will be due on or before 31 December 2022, and the interest rate on these borrowings are as high as 12%, thus the Company needs to repay them as soon as possible to lessen its financing costs. The Company intends to repay the loans payable with the HK\$18 million raised from the Domestic Shares Subscription.

LETTER FROM THE BOARD

The following table provides an aging analysis of the Company's accounts payable as of 30 June 2022.

Items	Amounts
1 to 90 days	20,361,587.51
91 to 180 days	13,628,539.56
180 to 365 days	42,787,015.34
1-2 years	274,821.86
2-3 years	168,776.23
Over 3 years	<u>1,597,445.22</u>
Total	<u><u>78,818,185.72</u></u>

Due to the impact of the COVID-19 epidemic and the Russian-Ukrainian war since 2020, the global price for main raw materials for compound fertilizers, including nitrogen, phosphorus and potassium, have seen a continuous and substantial increase. In order to control production costs, the Company purchased a number of raw materials in the first half of 2022. It can be seen from the above table that the total accounts payable of the Company from 1 to 180 days is approximately RMB34 million (approximately HK\$40 million). As such, the Company intends to repay part of the accounts payable with the HK\$24 million raised from the Domestic Shares Subscription.

The above is the repayment plan of the Company based on the current financial situation of the Company and may be adjusted accordingly in accordance with the financial situation of the Company at that time after the funds are raised.

Assuming that the time of availability of the proceeds is T, the Company will repay the accounts payable and other payables in accordance with the following schedule:

	<i>Unit: HK\$</i>
	T+1 year
Total	<u><u>42 million</u></u>

LETTER FROM THE BOARD

The Board is of the view that the H Shares Subscription and the Domestic Shares Subscription will strengthen the financial position of the Group and raise additional funds while broadening the Shareholders and capital base of the Company. The Directors are of the view that the terms of the H Shares Subscription Agreements and the Domestic Shares Subscription Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITY DURING THE PAST TWELVE MONTHS

The Company has not conducted any fund raising exercises in the past twelve months immediately before the date of this circular.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming that there will be no change to the total number of Shares in issue and the number of Shares held by each of the Directors, substantial Shareholder, the H Shares Subscribers and the Domestic Shares Subscriber from the date of this circular to the date of completion of the H Shares Subscription and the Domestic Shares Subscription other than the issue by the Company of the Subscription H Shares and the Subscription Domestic Shares, the shareholdings in the Company (a) as at the date of this circular; and (b) immediately after the completion of the H Shares Subscription and the Domestic Shares Subscription are and will be as follows:

Holders of Domestic Shares or H Shares	As at the date of this circular		Upon completion of issue of Subscription H Shares		Upon completion of issue of (i) Subscription H Shares and (ii) Subscription Domestic Shares	
	<i>Number of Shares</i>	%	<i>Number of Shares</i>	%	<i>Number of Shares</i>	%
<i>Domestic Shares</i>						
Other Domestic Shares holders	697,500,000	36.82	697,500,000	33.30	697,500,000	14.25
Domestic Shares Subscribers	–	–	–	–	2,800,000,000	57.20
<i>Total number of Domestic Shares</i>	<i>697,500,000</i>	<i>36.82</i>	<i>697,500,000</i>	<i>33.30</i>	<i>3,497,500,000</i>	<i>71.45</i>
<i>H shares</i>						
Other H Shares holders	1,107,030,714	58.43	1,107,030,714	52.85	1,107,030,714	22.62
BFEDL	89,969,286	4.74	149,969,286	7.16	149,969,286	3.06
HK Kayui	–	–	80,000,000	3.82	80,000,000	1.63
Mr. Chiu	–	–	60,000,000	2.86	60,000,000	1.23
<i>Total number of H Shares</i>	<i>1,197,000,000</i>	<i>63.18</i>	<i>1,397,000,000</i>	<i>66.69</i>	<i>1,397,000,000</i>	<i>28.54</i>
Total number of Shares	1,894,500,000	100	2,094,500,000	100	4,894,500,000	100

LETTER FROM THE BOARD

PUBLIC FLOAT

Upon completion of the H Shares Subscription and the Domestic Shares Subscription, the public float of the Company dropped from approximately 63.18% to approximately 28.54%, which remains above the minimum percentage of public shareholders of 25% as prescribed by Rule 11.23(7) of the GEM Listing Rules.

PROPOSED AMENDMENT OF ARTICLES OF ASSOCIATION

The Board proposes to amend Article 20 of the Articles in view of the change of shareholding structure of the Company as a result of the issue of the Subscription H Shares and the Subscription Domestic Shares.

The Board proposed that the Article 20 of the Articles shall be amended as follows:

“The Company initiated the establishment and issued a total of 4,894,500,000 ordinary shares after several times of capital increase, including 3,497,500,000 Domestic Shares, representing 71.46% of the Company’s total issuable ordinary shares, and 1,397,000,000 overseas listed foreign shares, representing 28.54% of the Company’s total issuable ordinary shares.

The share capital structure of the Company is as follows: 4,894,500,000 ordinary shares, in which 3,497,500,000 shares are Domestic Shares, of which (1) 14,000,000 shares are held by the promoter, Gu Hanqing, (2) 9,000,000 shares are held by the promoter, Xie Kehua. 3,474,500,000 shares held by the other Domestic Shares holders. 1,397,000,000 shares held by overseas listed foreign shareholders.”

The Board further proposes to amend Article 12 of the Articles so as to better reflect the existing business of the Group.

The Board proposed that Article 12 of the Articles shall be amended as follows:

“The scope of business of the Company includes: the development of medical researches and tests; sales of Category II medical devices; sales of Category I medical devices; manufacturing of Category I medical devices; research and development of biological organic fertilizers; research and development of compound micro-organism fertilizers; research and development of technology for bio-chemical products; sales of fertilizers; sales of agricultural machineries; sales of agricultural films; sales of feeds for fisheries and livestock industries; crop straw treatment and processing and utilization services; technology service, technology development, technology exchanges, technology transfer, technology promotion; elderly care service; nursing institution service (excluding medical service); health consultation service (excluding diagnose service); housekeeping service; conference and exhibition service; corporate image planning; advertisement preparation; advertisement publication (not radio station or television station broadcast or periodicals publishing entities); advertisement design and agency. (Other than those which are subject to approval in accordance with the law, operating activities can be commenced with business licence); crop seeds operation (operations subject to approval in accordance with the law can only carry out operating activities after being approved by relevant departments, and the specific operations are subject to the approval or licenses of the relevant departments).”

LETTER FROM THE BOARD

The proposed amendments to the Articles are subject to the approval of the Shareholders at the EGM by way of special resolutions and the fulfilment of filing requirements with the relevant PRC authorities.

THE EGM AND THE CLASS MEETINGS

The EGM and the Class Meetings will be held for the purpose of approving, among others, the H Shares Subscription Agreements, the Domestic Shares Subscription Agreements, the Specific Mandates and the amendment of the Articles.

The notice of the EGM is set out on pages 47 to 52 of this circular. The notices of the Class Meetings are set out on pages 53 to 60 of this circular.

As at the Latest Practicable Date, BFEDL was interested in 89,969,286 H Shares, representing approximately 4.74% of the total issued share capital of the Company, and has a material interest in the H Shares Subscription. BFEDL will be required to abstain from voting at the H Shares Class Meeting and the EGM. To the best knowledge of the Directors, as at the Latest Practicable Date, save as disclosed above, no other Shareholders will be required to abstain from voting on any resolutions which will be taken by poll in relation to the H Shares Subscription Agreements, the Domestic Shares Subscription Agreements, the Specific Mandates and the amendment of the Articles at the EGM and the Class Meetings. The results of the EGM and the Class Meetings will be published on the business day following the EGM and the Class Meetings.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, all resolutions at the EGM and the Class Meetings will be voted on by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

The respective reply slips and forms of proxy for use at each of the EGM and the Class Meetings are enclosed. Whether or not you are able to attend (if you are so entitled to) the meetings, you are requested to complete the enclosed reply slips and form of proxy in accordance with the instructions printed thereon and return them to the registered office of the Company at No. 12 Tai Hua Road, The 5th Avenue, TEDA, Tianjin, the PRC (for the holders of Domestic Shares), or the office of the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of H Shares) as soon as possible and in any event for the reply slips, on or before Tuesday, 30 August 2022 and the proxy forms not later than 24 hours before the respective time appointed for holding the relevant meeting. Completion and return of the relevant forms of proxy will not preclude you from attending and voting in person at the meetings or at any adjourned meetings should you so wish.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

The Company's register of H Share members will be closed from Saturday, 20 August 2022 to Monday, 19 September 2022 (both days inclusive), during which period no transfer of H Shares will be registered. Holders of H Shares whose names appear on the register of members of the Company at the close of business on Friday, 19 August 2022 will be entitled to attend and vote at the EGM and the Class Meeting for holder of H Shares. In order to qualify to attend and vote at the EGM and the Class Meeting for holders of H Shares, all instruments of transfer must be delivered to the Company's registrar of H Share, Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 19 August 2022.

GENERAL

Investors should also be aware that the H Shares Subscription Agreements, the Domestic Shares Subscription Agreements and the Specific Mandates may or may not be approved by the Shareholders at the EGM and the Class Meetings. In addition, the H Shares Subscription and the Domestic Shares Subscription are subject to the satisfaction of a number of conditions. There is no assurance that any of the conditions will be fulfilled, therefore the H Shares Subscription and the Domestic Shares Subscription may or may not proceed and complete. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

RESPONSIBILITY STATEMENT

This circular, for which the Directors 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, the information contained in this circular 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 any statement herein or this circular misleading.

RECOMMENDATION

The Directors consider the H Shares Subscription Agreements, the Domestic Shares Subscription Agreements, the Specific Mandates and the amendment of the Articles are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM and the Class Meetings.

Yours faithfully,
By order of the Board
Sun Li
Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**EGM**”) of the holders of foreign invested shares (“**H Shares**”) of nominal value of RMB0.10 each and the holders of domestic invested shares (“**Domestic Shares**”) of nominal value of RMB0.10 each in Tianjin TEDA Biomedical Engineering Company Limited (the “**Company**”) will be held at 9th Floor, Block A2, Tianda High-Tech Park, No. 80, The 4th Avenue, TEDA, Tianjin, the People’s Republic of China (the “**PRC**”) on Monday, 19 September 2022 at 9:30 a.m. to consider and, if thought fit, pass the following resolutions:

SPECIAL RESOLUTIONS

1. “**THAT**
 - (a) the H shares subscription agreements dated 18 June 2022 (the “**H Shares Subscription Agreements**”) entered into between the Company and Bright Fortune Enterprises Development Limited, Hong Kong Kayui Investment Holdings Limited and Chiu Kwok Shing, Vincent (collectively, the “**H Shares Subscribers**”) in relation to the subscription of not more than 200,000,000 new H shares of RMB0.10 each (the “**Subscription H Shares**”) in the share capital of the Company by the H Shares Subscribers, a copy of each of the H Shares Subscription Agreements is produced to the meeting as marked “A” and signed by the Chairman of the meeting for the purpose of identification, and all the transactions contemplated under the H Shares Subscription Agreements be and is hereby approved, confirmed and ratified; and that the board of directors of the Company (the “**Board**”) be and is hereby authorized to make changes or amendments to the H Shares Subscription Agreements as it may in its absolute discretion think fit;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the Board be and is hereby granted a specific mandate to allot and issue any of the Subscription H Shares pursuant to the H Shares Subscription Agreements (the “**H Shares Specific Mandate**”); and authorized to register the increase in registered capital in accordance with the actual increase of capital in relation to the issue of any of the Subscription H Shares with the relevant authorities and to make all necessary filings with the relevant PRC, Hong Kong and/or other authorities; and
- (c) the Board be and is hereby authorized to implement and take all steps and to do any and all acts and things as may be necessary or desirable to give effect to and/or to complete the H Shares Subscription Agreements and issue of Subscription H Shares under the H Shares Specific Mandate; and to sign and execute any other documents or to do any other matters incidental thereto and/or as contemplated thereunder.”

2. “**THAT**

- (a) the domestic shares subscription agreements dated 18 June 2022 (the “**Domestic Shares Subscription Agreements**”) entered into between the Company and 17 subscribers (collectively, the “**Domestic Shares Subscribers**”) in relation to the subscription of not more than 2,800,000,000 new domestic shares of RMB0.10 each (the “**Subscription Domestic Shares**”) in the share capital of the Company by the Domestic Shares Subscribers, a copy of each of the Domestic Shares Subscription Agreements is produced to the meeting as marked “B” and signed by the Chairman of the meeting for the purpose of identification, and all the transactions contemplated under the Domestic Shares Subscription Agreements be and is hereby approved, confirmed and ratified, and that the Board be and is hereby authorized to make changes or amendments to the Domestic Shares Subscription Agreement as it may in its absolute discretion think fit;
- (b) the Board be and is hereby granted a specific mandate to allot and issue any of the Subscription Domestic Shares pursuant to the Domestic Shares Subscription Agreements (the “**Domestic Shares Specific Mandate**”); and authorized to register the increase in registered capital in accordance with the actual increase of capital in relation to the issue of any of the Subscription Domestic Shares with the relevant authorities and to make all necessary filings with the relevant PRC, Hong Kong and/or other authorities; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) the Board be and is hereby authorized to implement and take all steps and to do any and all acts and things as may be necessary or desirable to give effect to and/or to complete the Domestic Shares Subscription Agreements and the issue of any of the Subscription Domestic Shares under the Domestic Shares Specific Mandate; and to sign and execute any other documents or to do any other matters incidental thereto and/or as contemplated thereunder.”

3. **“THAT**

- (a) Article 12 of the articles of association (the “**Articles**”) of the Company be amended as follows:

“The scope of business of the Company includes: the development of medical researches and tests; sales of Category II medical devices; sales of Category I medical devices; manufacturing of Category I medical devices; research and development of biological organic fertilizers; research and development of compound micro-organism fertilizers; research and development of technology for bio-chemical products; sales of fertilizers; sales of agricultural machineries; sales of agricultural films; sales of feeds for fisheries and livestock industries; crop straw treatment and processing and utilization services; technology service, technology development, technology exchanges, technology transfer, technology promotion; elderly care service; nursing institution service (excluding medical service); health consultation service (excluding diagnose service); housekeeping service; conference and exhibition service; corporate image planning; advertisement preparation; advertisement publication (not radio station or television station broadcast or periodicals publishing entities); advertisement design and agency. (Other than those which are subject to approval in accordance with the law, operating activities can be commenced with business licence); crop seeds operation (operations subject to approval in accordance with the law can only carry out operating activities after being approved by relevant departments, and the specific operations are subject to the approval or licenses of the relevant departments).”

- (b) Article 20 of the Articles be amended as follows:

“The Company initiated the establishment and issued a total of 4,894,500,000 ordinary shares after several times of capital increase, including 3,497,500,000 Domestic Shares, representing 71.46% of the Company’s total issuable ordinary shares, and 1,397,000,000 overseas listed foreign shares, representing 28.54% of the Company’s total issuable ordinary shares.

The share capital structure of the Company is as follows: 4,894,500,000 ordinary shares, in which 3,497,500,000 shares are Domestic Shares, of which (1) 14,000,000 shares are held by the promoter, Gu Hanqing, (2) 9,000,000 shares are held by the promoter, Xie Kehua. 3,474,500,000 shares held by the other Domestic Shares holders. 1,397,000,000 shares held by overseas listed foreign shareholders.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) the Board be and is hereby authorized to make such adjustments or other amendments to the Articles of the Company as it considers necessary or otherwise appropriate in connection with the amendments or as may be required by the relevant regulatory authorities, and to file the amended Articles of the Company with the relevant PRC authorities for approval, endorsement and/or registration as appropriate, and to do or authorise doing all such acts, matters and things as it may in its absolute discretion consider necessary, expedient or desirable to give effect to and implement the amendments.”
4. To transact any other business.

Yours faithfully
For and on behalf of the Board of
Tianjin TEDA Biomedical Engineering Company Limited
Sun Li
Chairman

Tianjin, the PRC
4 August 2022

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Any shareholders of the Company entitled to attend and vote at the meeting mentioned above is entitled to appoint one or more proxies to attend and vote at the meeting on his/her/its behalf in accordance with the articles of association of the Company. A proxy needs not be a shareholder of the Company.
2. In order to be valid, the proxy form of the holder of H Shares and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority shall be deposited at Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (the "Company's H Share Registrar") not less than 24 hours before the time for holding the meeting or any adjourned meeting.
3. In order to be valid, the proxy form of the holder of Domestic Shares and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority shall be deposited at the registered address of the Company not less than 24 hours before the time for holding the meeting or any adjourned meeting.
4. Shareholders of the Company or their proxies shall produce documents of their proof of identity when attending the meeting.
5. The register of the shareholders of the Company will be closed from Saturday, 20 August 2022 to Monday, 19 September 2022 (both days inclusive), during which no transfer of shares will be registered. As regards the holders of H Shares and in order to ascertain the entitlement to attendance at the above meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar not later than Friday, 19 August 2022 at 4:00 p.m. for registration.
6. Shareholders of the Company who intend to attend the meeting mentioned above should complete and deliver to the Company's Registered Office (for the holders of Domestic Shares) or the office of the Company's H Share Registrar (for the holders of H Shares) the enclosed reply slip by Tuesday, 30 August 2022. Further details are set out in the reply slip and explanation thereto.
7. Completion and delivery of the proxy form will not preclude a member from attending and voting in person at the meeting if the member so desires and has delivered a valid reply slip for extraordinary general meeting, and in such event, the proxy form shall be deemed to be revoked.
8. The address of the Company's Registered Office and the contact details of the Company are as follows:

No. 12 Tai Hua Road, The 5th Avenue, TEDA, Tianjin, the PRC
Fax No.: (8622) 5981 6909

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 Li Xueying; the independent non-executive directors of the Company are Li Xudong, Wang Yongkang and Gao Chun.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 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.

NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES



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)

NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES

NOTICE IS HEREBY GIVEN THAT a class meeting of the holders of foreign invested shares (“**H Shares**”) of nominal value of RMB0.10 each in Tianjin TEDA Biomedical Engineering Company Limited (the “**Company**”) will be held at 9th Floor, Block A2, Tianda High-Tech Park, No. 80, The 4th Avenue, TEDA, Tianjin, the People’s Republic of China (the “**PRC**”) on Monday, 19 September 2022 at 10:00 a.m. (or immediately after the conclusion or adjournment of the extraordinary general meeting of the holders of H Shares and domestic invested shares (“**Domestic Shares**”) of nominal value of RMB0.10 each of the Company which has been convened to be held at the same place and on the same date) to consider and, if thought fit, pass the following resolutions:

SPECIAL RESOLUTIONS

1. “**THAT**
 - (a) the H shares subscription agreements dated 18 June 2022 (the “**H Shares Subscription Agreements**”) entered into between the Company and Bright Fortune Enterprises Development Limited, Hong Kong Kayui Investment Holdings Limited and Chiu Kwok Shing, Vincent (collectively, the “**H Shares Subscribers**”) in relation to the subscription of not more than 200,000,000 new H shares of RMB0.10 each (the “**Subscription H Shares**”) in the share capital of the Company by the H Shares Subscribers, a copy of each of the H Shares Subscription Agreements is produced to the meeting as marked “A” and signed by the Chairman of the meeting for the purpose of identification, and all the transactions contemplated under the H Shares Subscription Agreements be and is hereby approved, confirmed and ratified, and that the board of directors of the Company (the “**Board**”) be and is hereby authorized to make changes or amendments to the H Shares Subscription Agreements as it may in its absolute discretion think fit;

NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES

- (b) the Board be and is hereby granted a specific mandate to allot and issue any of the Subscription H Shares pursuant to the H Shares Subscription Agreements (the “**H Shares Specific Mandate**”); and authorized to register the increase in registered capital in accordance with the actual increase of capital in relation to the issue of any of the Subscription H Shares with the relevant authorities and to make all necessary filings with the relevant PRC, Hong Kong and/or other authorities; and
- (c) the Board be and is hereby authorized to implement and take all steps and to do any and all acts and things as may be necessary or desirable to give effect to and/or to complete the H Shares Subscription Agreements and the issue of Subscription H Shares under the H Shares Specific Mandate; and to sign and execute any other documents or to do any other matters incidental thereto and/or as contemplated thereunder.”

2. “**THAT**

- (a) the domestic shares subscription agreements dated 18 June 2022 (the “**Domestic Shares Subscription Agreements**”) entered into between the Company and 17 subscribers (collectively, the “**Domestic Shares Subscribers**”) in relation to the subscription of not more than 2,800,000,000 new domestic shares of RMB0.10 each (the “**Subscription Domestic Shares**”) in the share capital of the Company by the Domestic Shares Subscribers, a copy of each of the Domestic Shares Subscription Agreements is produced to the meeting as marked “B” and signed by the Chairman of the meeting for the purpose of identification, and all the transactions contemplated under the Domestic Shares Subscription Agreements be and is hereby approved, confirmed and ratified, and that the Board be and is hereby authorized to make changes or amendments to the Domestic Shares Subscription Agreement as it may in its absolute discretion think fit;
- (b) the Board be and is hereby granted a specific mandate to allot and issue any of the Subscription Domestic Shares pursuant to the Domestic Shares Subscription Agreements (the “**Domestic Shares Specific Mandate**”); and authorized to register the increase in registered capital in accordance with the actual increase of capital in relation to the issue of any of the Subscription Domestic Shares with the relevant authorities and to make all necessary filings with the relevant PRC, Hong Kong and/or other authorities; and

NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES

- (c) the Board be and is hereby authorized to implement and take all steps and to do any and all acts and things as may be necessary or desirable to give effect to and/or to complete the Domestic Shares Subscription Agreements the issue of any of the Subscription Domestic Shares under the Domestic Shares Specific Mandate; and and to sign and execute any other documents or to do any other matters incidental thereto and/or as contemplated thereunder.”
3. To transact any other business.

Yours faithfully
For and on behalf of the Board of
Tianjin TEDA Biomedical Engineering Company Limited
Sun Li
Chairman

Tianjin, the PRC
4 August 2022

Notes:

- 1 Any shareholders of the Company entitled to attend and vote at the meeting mentioned above is entitled to appoint one or more proxies to attend and vote at the meeting on his/her/its behalf in accordance with the articles of association of the Company. A proxy needs not be a shareholder of the Company.
- 2 In order to be valid, the proxy form of the holder of H Shares and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority shall be deposited at Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (the “Company’s H Share Registrar”) not less than 24 hours before the time for holding the meeting or any adjourned meeting.
- 3 Shareholders of the Company or their proxies shall produce documents of their proof of identity when attending the meeting.
- 4 The register of the shareholders of the Company will be closed from Saturday, 20 August 2022 to Monday, 19 September 2022 (both days inclusive), during which no transfer of shares will be registered. As regards the holders of H Shares and in order to ascertain the entitlement to attendance at the above meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s H Share Registrar not later than Friday, 19 August 2022 at 4:00 p.m. for registration.
- 5 Shareholders of the Company who intend to attend the meeting mentioned above should complete and deliver to the office of the Company’s H Share Registrar the enclosed reply slip by Tuesday, 30 August 2022. Further details are set out in the reply slip and explanation thereto.

NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES

6. Completion and delivery of the proxy form will not preclude a member from attending and voting in person at the meeting if the member so desires and has delivered a valid reply slip for class meeting of the holders of H Shares, and in such event, the proxy form shall be deemed to be revoked.

7. The address of the Company's Registered Office and the contact details of the Company are as follows:

No. 12 Tai Hua Road, The 5th Avenue, TEDA, Tianjin, the PRC

Fax No.: (8622) 5981 6909

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 Li Xueying; 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 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.

NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES



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)

NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES

NOTICE IS HEREBY GIVEN THAT a class meeting of the holders of domestic invested shares (“**Domestic Shares**”) of nominal value of RMB0.10 each in Tianjin TEDA Biomedical Engineering Company Limited (the “**Company**”) will be held at 9th Floor, Block A2, Tianda High-Tech Park, No. 80, The 4th Avenue, TEDA, Tianjin, the People’s Republic of China (the “**PRC**”) on Monday, 19 September 2022 at 10:30 a.m. (or immediately after the conclusion or adjournment of the extraordinary general meeting of the holders of Domestic Shares and foreign invested shares (“**H Shares**”) of nominal value of RMB0.10 each of the Company which has been convened to be held at the same place and on the same date) to consider and, if thought fit, pass the following resolutions:

SPECIAL RESOLUTIONS

1. “**THAT**
 - (a) the H shares subscription agreements dated 18 June 2022 (the “**H Shares Subscription Agreements**”) entered into between the Company and Bright Fortune Enterprises Development Limited, Hong Kong Kayui Investment Holdings Limited and Chiu Kwok Shing, Vincent (collectively, the “**H Shares Subscribers**”) in relation to the subscription of not more than 200,000,000 new H shares of RMB0.10 each (the “**Subscription H Shares**”) in the share capital of the Company by the H Shares Subscribers, a copy of each of the H Shares Subscription Agreements is produced to the meeting as marked “A” and signed by the Chairman of the meeting for the purpose of identification, and all the transactions contemplated under the H Shares Subscription Agreements be and is hereby approved, confirmed and ratified, and that the board of directors of the Company (the “**Board**”) be and is hereby authorized to make changes or amendments to the H Shares Subscription Agreements as it may in its absolute discretion think fit;

NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES

- (b) the Board be and is hereby granted a specific mandate to allot and issue any of the Subscription H Shares pursuant to the H Shares Subscription Agreements (the “**H Shares Specific Mandate**”); and authorized to register the increase in registered capital in accordance with the actual increase of capital in relation to the issue of any of the Subscription H Shares with the relevant authorities and to make all necessary filings with the relevant PRC, Hong Kong and/or other authorities; and
- (c) the Board be and is hereby authorized to implement and take all steps and to do any and all acts and things as may be necessary or desirable to give effect to and/or to complete the H Shares Subscription Agreements and the issue of Subscription H Shares under the H Shares Specific Mandate; and to sign and execute any other documents or to do any other matters incidental thereto and/or as contemplated thereunder.”

2. “**THAT**

- (a) the domestic shares subscription agreements dated 18 June 2022 (the “**Domestic Shares Subscription Agreements**”) entered into between the Company and 17 subscribers (collectively, the “**Domestic Shares Subscribers**”) in relation to the subscription of not more than 2,800,000,000 new domestic shares of RMB0.10 each (the “**Subscription Domestic Shares**”) in the share capital of the Company by the Domestic Shares Subscribers, a copy of each of the Domestic Shares Subscription Agreements is produced to the meeting as marked “B” and signed by the Chairman of the meeting for the purpose of identification, and all the transactions contemplated under the Domestic Shares Subscription Agreements be and is hereby approved, confirmed and ratified, and that the Board be and is hereby authorized to make changes or amendments to the Domestic Shares Subscription Agreement as it may in its absolute discretion think fit;
- (b) the Board be and is hereby granted a specific mandate to allot and issue any of the Subscription Domestic Shares pursuant to the Domestic Shares Subscription Agreements (the “**Domestic Shares Specific Mandate**”); and authorized to register the increase in registered capital in accordance with the actual increase of capital in relation to the issue of any of the Subscription Domestic Shares with the relevant authorities and to make all necessary filings with the relevant PRC, Hong Kong and/or other authorities; and

NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES

- (c) the Board be and is hereby authorized to implement and take all steps and to do any and all acts and things as may be necessary or desirable to give effect to and/or to complete the Domestic Shares Subscription Agreements and the issue of any of the Subscription Domestic Shares under the Domestic Shares Specific Mandate; and to sign and execute any other documents or to do any other matters incidental thereto and/or as contemplated thereunder.”
3. To transact any other business.

Yours faithfully
For and on behalf of the Board of
Tianjin TEDA Biomedical Engineering Company Limited
Sun Li
Chairman

Tianjin, the PRC
4 August 2022

Notes:

1. Any shareholders of the Company entitled to attend and vote at the meeting mentioned above is entitled to appoint one or more proxies to attend and vote at the meeting on his/her/its behalf in accordance with the articles of association of the Company. A proxy needs not be a shareholder of the Company.
2. In order to be valid, the proxy form of the holder of Domestic Shares and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority shall be deposited at the registered address of the Company not less than 24 hours before the time for holding the meeting or any adjourned meeting.
3. Shareholders of the Company or their proxies shall produce documents of their proof of identity when attending the meeting.
4. The register of the shareholders of the Company will be closed from Saturday, 20 August 2022 to Monday, 19 September 2022 (both days inclusive), during which no transfer of shares will be registered.
5. Shareholders of the Company who intend to attend the meeting mentioned above should complete and deliver to the Company's Registered Office the enclosed reply slip by Tuesday, 30 August 2022. Further details are set out in the reply slip and explanation thereto.
6. Completion and delivery of the proxy form will not preclude a member from attending and voting in person at the meeting if the member so desires and has delivered a valid reply slip for class meeting of the holders of Domestic Shares, and in such event, the proxy form shall be deemed to be revoked.
7. The address of the Company's Registered Office and the contact details of the Company are as follows:

No. 12 Tai Hua Road, The 5th Avenue, TEDA, Tianjin, the PRC
Fax No.: (8622) 5981 6909

NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES

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 Li Xueying; 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.

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