
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, 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** (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.



泰 达

天津泰达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)

**(I) MAJOR TRANSACTION IN RELATION
TO THE ACQUISITION OF 51% EQUITY INTEREST
IN SJKGC INVOLVING THE ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE;
(II) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION; AND
(III) NOTICE OF EGM AND CLASS MEETINGS**

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

Notices convening the EGM of the Shareholders and the Class Meetings of the holders of H Shares and the holders of Domestic Shares 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, 12 September 2016, are set out on pages 118 to 126 of this circular and their respective reply slips and forms of proxy are also enclosed hereto. Whether or not you are able to attend the meetings, you are reminded to complete the forms of proxy enclosed with this circular, in accordance with the instructions printed thereon and send the relevant forms 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 Shops 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 respective time appointed for the holding of the separate Class Meetings of the holders of H Shares and the holders of Domestic Shares and the EGM or any adjournment thereof. 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. Shareholders who intend to attend the meetings in person or by proxy should complete and return the reply slips in accordance with the instructions printed thereon on or before Monday, 22 August 2016.

25 July 2016

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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 words and expressions shall have the following meanings unless the context indicates otherwise:

“Acquisition”	the acquisition of the Sale Shares by the Company (and/or its Nominee) from the Vendor pursuant to the Agreement;
“Agreement”	the agreement dated 16 April 2016 entered into between the Company, the Vendor and the SJKGC in relation to the Acquisition (as amended and supplemented by the Supplemental Agreement), the principal terms of which are set out in the section headed “The Acquisition” in the “Letter from the Board” in this circular;
“Announcements”	the announcement of the Company dated 24 April 2016 and the supplemental announcement of the Company dated 28 April 2016;
“Articles”	the Articles of Association of the Company as revised from time to time;
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday or Sunday) on which banks are generally open for business in Hong Kong;
“Cash Consideration”	an amount of US\$6,500,000 (equivalent to approximately HK\$50.42 million) in cash payable by the Company to the Vendor pursuant to the Agreement;
“Class Meetings”	(i) the class meeting for the holders of H Shares to be held immediately after the conclusion of the EGM, or any adjourned meeting thereof respectively; and (ii) the class meeting for the holders of Domestic Shares to be held immediately after the conclusion of the said class meeting for the holders of H Shares, or any adjourned meeting thereof respectively, to consider and, if thought fit, to approve, among other things, the Agreement and the transaction contemplated thereunder and the Specific Mandate, or any adjournment thereof respectively;

DEFINITIONS

“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;
“Completion”	the completion of the Acquisition pursuant to the Agreement;
“Completion Date”	the date of completion of the Acquisition pursuant to the Agreement;
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules;
“Consideration”	being the total consideration of US\$27,000,000 (equivalent to approximately HK\$209.45 million) to be paid by the Company pursuant to the Agreement;
“Consideration Shares”	the 100,000,000 new H Shares to be issued by the Company to the Vendor as part of the Consideration;
“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;
“CT”	Computerized Tomography, a technology which allows continuous cross-section scanning around a part of the human body by employing precise and collimated X-ray with highly sensitive detectors. CT features fast scanning, provides clear images of anatomic structure, and can be used to detect various diseases;
“Directors”	the director(s) of the Company;
“Domestic Shares”	the domestic invested shares of nominal value of RMB0.10 each in the share capital of the Company, which are subscribed for in RMB;
“ECG”	electrocardiogram, which refers to the technology of using ECG machine to record from the body surface the graphics of movements in electrical activities produced by the heart during each cardiac cycle;

DEFINITIONS

“EEG”	electroencephalogram, which measures the sum of the electric potential impulses of a large number of nerve cells during brain activities. It records the electric waves from the surface of the scalp during brain activities and displays the overall electrophysiological activities of the cerebral cortex;
“EGM”	the extraordinary general meeting of the Company to be held and convened to consider and, if though fit, to approve, among other things, (i) the Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate; and (ii) the amendments to the Articles, or any adjournment thereof;
“Enlarged Group”	the Group as enlarged by the Acquisition upon Completion;
“GEM”	Growth Enterprise Market 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;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“H Shares”	overseas listed foreign share(s) of nominal value of RMB0.10 each in the share capital of the Company, listed on the GEM and traded in HK\$;
“Improvements”	any and all feedback, suggestions, guidance, or other information to the Licensed Subject Matter or any other Licensor Technology whether patentable or not, disclosed by licensee during the term of the License Agreement;
“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;

DEFINITIONS

“Indication”	the diagnosis of neurological or psychiatric disorder (including mental and physical diseases) or other brain condition;
“Intellectual Property Rights”	any and all: (a) rights associated with works of authorship throughout the world, including, but not limited to, copyrights, neighboring rights, moral rights, and mask works, and all derivative works thereof, (b) industrial design rights; (c) integrated circuit topography rights; (d) domain names, logos, trademark, service mark, trade dress and trade name rights and similar rights, and all goodwill associated therewith, throughout the world (e) rights in undisclosed or confidential information (such as know-how, trade secrets and inventions (whether patentable or not)), and other similar or equivalent rights or forms of protection (whether registered or unregistered), (f) patents, designs, algorithms and other industrial property rights, (g) rights in databases, data compilations and collections; (h) all other intellectual and industrial property and proprietary rights (of every kind and nature throughout the world and however designated) whether arising by operation of law, contract, license, or otherwise, and whether or not perfected, and (h) wherever filed and wherever issued, registrations, applications (and rights to apply), renewals, extensions, continuations, divisions or reissues thereof now or hereafter in force (including any and all rights in any of the foregoing); and in each case, in all media, for all versions and elements, in all languages, and for the entire duration of such rights, as may now or in the future exist anywhere in the world;
“IP Rights”	patents and all intellectual property rights including but not limited to database, related technology, skills, information and training materials for EEG analysis and associated diagnostics;
“Kosivana”	Kosivana Holdings Limited, a company and the owner of the intellectual property rights of the business related to quantitative EEG examination and diagnosis;
“Latest Practicable Date”	20 July 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;

DEFINITIONS

“License Agreement”	the licensing agreement entered into between the Vendor and SJKGC on 30 May 2016;
“Licensed Areas”	the PRC, Hong Kong, Macau, Japan and Korea;
“Licensed Subject Matter”	any and all of Vendor’s (a) logos, trademark, service mark, trade dress and trade names related to the Licensor Technology and (b) Intellectual Property Rights relating to the Indication, which includes, but is not limited to: (1) an objective screening/diagnosis quantitative EEG system to diagnose Schizophrenia, Depression, General Anxiety, Autism and Alzheimer’s Disease and various subtypes of each of these diseases; (2) a computer cloud system used in conjunction with the above; (3) a 24-channel wireless EEG acquisition system used in conjunction with the above; (4) an FDA cleared normative human EEG database and disease specific database used in conjunction with the above; (5) an automatic EEG artifact removal system used in conjunction with the above; (6) a NeuroRef report and automatic EEG analysis system, including Z-score calculation of power spectrum, asymmetry, coherence, low resolution electromagnetic tomography (LORETA and sLORETA), Q-factor, entropy and statistical classification for the diagnoses listed above; and (7) any portion of the following patent applications and patents related to diagnostics and/or recording, and the related PCT filings in the Territory: a) U.S. patent application serial number 13/858,783 filed on April 8, 2013; b) U.S. patent application serial number 13/858,617 filed on April 8, 2013; c) U.S. patent application serial number 13/858,693 filed on April 8, 2013, which will be issued on April 12, 2016 as U.S. patent no. 9,308,385; d) U.S. patent application serial number 15/066,754 filed on March 10, 2016; and e) U.S. patent application serial number 15/087,209 filed on March 31, 2016;

DEFINITIONS

“Licensee Data”	any and all data (including Personal Data) of SJKGC and its customers, including without limitation, EEGs and all data contained therein, including any and all data provided by or on behalf of SJKGC to the Vendor in connection with SJKGC’s access to or use of the Licensor Technology;
“Licensee Products and Services”	those products and services provided by or on behalf of the Vendor to SJKGC pursuant to this License Agreement, including without limitation, Licensee Reports and such products and services developed by or on behalf of SJKGC utilizing the Licensed Subject Matter and/or Licensor Technology;
“Licensee Reports”	those reports, in any form or format, created using Licensor Technology and/or containing any Licensee Data;
“Licensor Technology”	any and all information, technologies, data (other than Licensee Data), know-how, processes, procedures, compositions, devices, methods, formulas, protocols, techniques, skills, concepts, software, hardware, systems, networks, databases, designs, drawings, specifications, instructions and documentation that is used by or on behalf of the Vendor in providing Licensee Products and Services or that may be provided by or on behalf of the Vendor pursuant to this agreement;
“Macau”	Macau Special Administrative Region of the PRC;
“MRI”	Magnetic Resonance Imaging, a tomographic imaging technology which retrieves electromagnetic signals from the human body using magnetic resonance and reproduce information of the human body;
“Nominee”	a direct or indirect wholly-owned subsidiary of the Company, which is existing or to be incorporated by the Company, to be appointed by the Company to hold the Sale Shares;

DEFINITIONS

“Personal Data”	any and all information or data relating to or about an identified or identifiable individual, in any form, format or media, whatsoever, that can identify, or be used in combination with any other data to identify, that individual, including, (a) information or data that may be used to locate or authenticate such individual or to access an account of such individual (e.g., names, addresses, telephone numbers, email addresses, government-issued identification number (or foreign equivalents) including government issued identification number, driver’s license number, or state-issued identification number, dates of birth, passwords or PINs, biometric data, unique identification numbers or answers to security questions) and (b) any and all other personal information, including health information, that is subject to applicable data protection and security laws;
“PET”	Positron Emission Tomography, a functional imaging technology which provides biochemical and metabolic information on studied organs by using positron-emitting tracer, such as Florodeoxyglucose (18F), and gamma ray detector. The imagings of the detected signals often reflect the functions of metabolism and chemical transmission;
“PRC”	the People’s Republic of China (for the purpose of this circular, excludes Hong Kong, Macau and Taiwan);
“Sale Shares”	51% of the entire issued shares of SJKGC to be sold by the Vendor to the Company (and/or its Nominee) pursuant to the Agreement;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and modified from time to time;
“Share(s)”	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;

DEFINITIONS

“Shareholder Agreement”	the shareholders’ agreement of SJKGC entered into between the Vendor, the Company and SJKGC on 16 April 2016;
“SJKGC”	Shu Ju Ku Greater China, Ltd., an exempted company limited by shares incorporated in Cayman Islands (registration number: 308468);
“Specific Mandate”	the specific mandate to allot and issue of the Consideration Shares to be sought from the Shareholders at the EGM and the Class Meetings;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supervisor(s)”	supervisor(s) of the Company;
“Supplemental Agreement”	The supplemental agreement entered into between the Company, the Vendor and SJKGC on 25 April 2016;
“Vendor” or “SJK”	Shu Ju Ku Inc., a company incorporated in the Seychelles (registration number: 173301);
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

For the purpose of this circular, unless otherwise indicated, conversion of US\$ into HK\$ is calculated at the exchange rate of HK\$1=US\$7.7573. This exchange rate is for illustration purposes only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

* for identification purpose only

LETTER FROM THE BOARD



泰 达

天津泰达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:

Ms. Sun Li (*Chairman and Chief Executive Officer*)

Mr. Hao Zhihui (*Vice-Chairman*)

Mr. Wang Shuxin

Registered Office:

No. 12 Tai Hua Road,

the 5th Avenue,

TEDA, Tianjin, PRC

Non-Executive Directors:

Mr. Feng Enqing

Mr. Ou Linfeng

Mr. Chen Yingzhong

Independent Non-Executive Directors:

Mr. Guan Tong

Mr. Wu Chen

Mr. Chan Kin Sang

25 July 2016

To the Shareholders

Dear Sir or Madam,

**(I) MAJOR TRANSACTION IN RELATION
TO THE ACQUISITION OF 51% EQUITY INTEREST
IN SJKGC INVOLVING THE ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE;
(II) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION; AND
(III) NOTICE OF EGM AND CLASS MEETINGS**

INTRODUCTION

Reference is made to the Announcements in relation to, among other things, the Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder (including the Acquisition). On 16 April 2016, the Company, the Vendor and SJKGC entered into the Agreement, pursuant to which the Company agreed to

LETTER FROM THE BOARD

purchase, and the Vendor agreed to sell the Sale Shares to the Company (and/or its Nominee), at a consideration of US\$27,000,000 (equivalent to approximately HK\$209.45 million), to be satisfied upon Completion by an aggregate amount of US\$6,500,000 (equivalent to approximately HK\$50.42 million) in cash; and the remaining US\$20,500,000 (equivalent to approximately HK\$159.02 million) by way of allotment and issue of 100,000,000 Consideration Shares by the Company at an issue price of HK\$1.60 per Consideration Share to the Vendor. The Consideration Shares will be issued by the Company under the Specific Mandate. The Company will seek the grant of the Specific Mandate from the Shareholders at the EGM and the Class Meetings. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

As the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are 25% or more but less than 100%, the Acquisition constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements.

The Board also proposed to amend the Articles to reflect, among others, the capital structure of the Company as a result of the number of the Consideration Shares to be issued under the Agreement upon completion of the Acquisition. Details of the proposed amendments are set out in the section headed "Proposed Amendments to the Articles" below.

The purpose of this circular is to provide you with, among other things, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) financial information of the Group; (iii) financial information of SJKGC; (iv) unaudited pro forma financial information of the Enlarged Group; (v) valuation report of SJKGC; (vi) management discussion and analysis of SJKGC and (vii) notices of the EGM and Class Meetings.

THE ACQUISITION

Principal terms of the Agreement

Date

16 April 2016 (subsequently amended and supplemented on 25 April 2016)

Parties

- (i) Shu Ju Ku Inc. as the Vendor; and
- (ii) the Company as the purchaser.

Shu Ju Ku Inc. is a company incorporated in the Seychelles (registration number: 173301). To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and its ultimate beneficial owner is Independent Third Party.

LETTER FROM THE BOARD

Asset to be acquired

The Sale Shares, being 5,100,000 ordinary shares of US\$0.0001 each fully paid in the capital of SJKGC, represents 51% of the issued share capital of SJKGC.

Upon Completion, the Company (and/or its Nominee) will be interested in 51% of the entire issued share capital of SJKGC, and SJKGC will become an indirect non-wholly owned subsidiary of the Company.

Consideration

The Consideration shall be in an aggregate sum of US\$27,000,000 (equivalent to approximately HK\$209.45 million) which shall be payable in the following manners upon Completion:

- (i) an amount of US\$6,500,000 (equivalent to approximately HK\$50.42 million) in cash; and
- (ii) the remaining US\$20,500,000 (equivalent to approximately HK\$159.02 million) by way of allotment and issue of 100,000,000 Consideration Shares at an issue price of HK\$1.60 each to the Vendor.

It is expected that the Cash Consideration will be financed by internal resources and/or through equity and debt financing of the Company. The Consideration was determined after arm's length negotiations between the Company and the Vendor with reference to the profit guarantee provided by the Vendor under the Agreement and the estimated license fee and royalty fee of examination and diagnosis by EEG as well as revenue or benefit from licensing third parties to use the data commodities formed by relevant examination data based on relevant examination and diagnosis, including but not limited to EEG, ECG, blood samples, gene banks and patient medical history.

Based on the above factors, the Directors consider that the terms of the Acquisition and the Consideration are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Consideration Shares

The Consideration Shares represent (i) approximately 5.90% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 10.03% of the total issued H Shares as enlarged by the allotment and issue of the Consideration Shares immediately after Completion (assuming that there will not be any change in the issued share capital of the Company from the Latest Practicable Date to the Completion Date).

LETTER FROM THE BOARD

The issue price of HK\$1.60 per Consideration Share represents:

- (i) a discount of approximately 3.03% over the closing price of HK\$1.65 per Share, as quote on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 5.88% over the closing price of HK\$1.70 per Share, as quoted on the Stock Exchange on 15 April 2016, being last trading day immediately prior to the date of the Agreement;
- (iii) a discount of approximately 7.51% over the average closing price of approximately HK\$1.73 per Share, as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Agreement;
- (iv) a discount of approximately 8.57% to the average closing price of approximately HK\$1.75 per Share, as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Agreement;
- (v) a discount of approximately 7.51% to the average closing price of HK\$1.73 per Share, as quoted on the Stock Exchange for the last twenty consecutive trading days immediately prior to the date of the Agreement; and
- (vi) a premium of approximately 566.67% over the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK\$0.24 as at 31 December 2015, calculated based on the audited consolidated net assets attributable to the Shareholders of approximately HK\$381,877,486 as at 31 December 2015 and the 1,595,000,000 Shares in issue as at the date of the Agreement.

The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the H Shares then in issue.

The issue price was arrived at on arm's length negotiations between the Company and the Vendor with reference to the average closing price per H Share for the last 10 consecutive trading days immediately prior to the date of the Agreement and the audited net assets value per Share of the Company. In light of the above, the Directors consider that the issue price is fair and reasonable and in the interests of the Shareholders and the Company as a whole.

The Consideration Shares will be issued by the Company under the Specific Mandate. For further details, please see the section headed "The Proposed Specific Mandate" below.

LETTER FROM THE BOARD

Conditions Precedent

Completion of the Acquisition is conditional upon fulfillment (or, as the case may be, waived by the Company or the Vendor) of the following conditions precedent:

- (i) each of the representations and warranties made by the Vendor in the Agreement shall be true and accurate and correct in all material aspects on and as of the Completion Date;
- (ii) all consents and approvals required by the Agreement (whether by its shareholders or from the courts, governmental or regulatory authorities in whatever jurisdictions or otherwise) in connection with Vendor's entering into the Agreement and its performance of the transactions contemplated under the Agreement having been obtained;
- (iii) each of SJKGC and the Vendor having executed and delivered the Shareholder Agreement to the Company;
- (iv) before Completion, there has been no material adverse change in SJKGC's operations, business, assets, liabilities, prospects, financial, contractual, bookkeeping and records, legal or any other situations and conditions, or any events which may lead to such material adverse change;
- (v) the Vendor shall procure SJKGC to obtain all consents and approvals required by the Company (whether by its shareholders or from the courts, governmental or regulatory authorities in whatever jurisdictions or otherwise) in connection with entering into the Agreement and the Shareholder Agreement and the transactions contemplated under the Agreement and the Shareholder Agreement, respectively;
- (vi) the Board, having approved the entering into the Agreement and all the transactions contemplated under the Agreement and other relevant transactions;
- (vii) the Shareholders (excluding those who are required under the GEM Listing Rules not to vote in respect of each such matter) having approved all transactions under the Agreement, the granting of the Specific Mandate to issue new H Shares and the amendments of the articles of association of Company (if any);
- (viii) the Listing Committee of the Stock Exchange having approved and granted the listing of, and permission to deal in the Consideration Shares on the Stock Exchange;
- (ix) the CSRC having approved the issuance of the Consideration Shares;
- (x) the Company shall pay by way of wire transfer the sum of US\$500,000 to an account separately designated by the Vendor within ninety (90) days from the date of the Agreement to be used for SJKGC's working capital.

LETTER FROM THE BOARD

Conditions precedents (vi) to (ix) cannot be waived by neither the Company nor the Vendor. Conditions precedents (i) to (v) may be waived in whole or in part by the Company and condition precedent (x) may be waived in whole or in part by the Vendor in writing in their respective sole discretion.

As at the Latest Practicable Date, save for the conditions precedent set out in (iii) and (x) above, which was executed by both the Company, the Vendor and SJKGC on 16 April 2016, none of the conditions precedent to the completion of the Acquisition had been fulfilled.

Profit Guarantee

Under the Agreement, the Vendor provides the Company with the guarantee that the audited profit after tax of SJKGC in each of the three financial years of 2017, 2018 and 2019 (from 1 January to 31 December of each year) will not be less than US\$5,390,000. The minimum guaranteed profit of US\$5,390,000 is determined by both parties through consultation, based on the profit forecast for 2017 to 2019 provided and approved by the board of directors of SJKGC, and after having taken full consideration of the operational risk factors.

Currently, SJKGC has initiated in-depth negotiation in relation to a cooperation program with several domestic hospitals, medical and health check institutions (please refer to subparagraph headed “Target Customers of SJKGC” in this circular for details), of which the profit estimate for the years from 2017 to 2019 is based on the location and number of clinics, expected number of patients per clinic and charges in accordance with the promotion programs of the target customer companies. The preliminary profit estimate is prepared based on the proposal currently underway between SJKGC and third party medical and health check institutions after fully taking into account the 50% of revenue from EEG analysis and diagnosis to SJKGC, 10% of licensing and permission fee payable by SJKGC to the Vendor, daily operation expense of SJKGC, related taxes, capital expenditure and other expenses related to SJKGC’s operations. The Directors have studied the record of negotiation documents of SJKGC and target client companies, and have conducted in-depth research of relevant industries worldwide to understand relevant materials which are helpful for determining whether the profit estimate is reasonable and fair, including the background, current development stage and prospect of the business and the volume of domestic market. In addition, the Directors and auditors of the Company have carried out adequate communication and studied the evaluation report of the valuer in detail (please refer to Appendix V of this circular for details).

If the audited net profit after tax of SJKGC for any of the years is less than US\$5,390,000, the Vendor shall provide SJKGC with a compensation amount in cash equivalent to the difference between US\$5,390,000 and the audited net profit after tax achieved for that year, and guarantee that the cash dividend to be received by the Company for the year will not be less than US\$2,750,000 (hereinafter referred to as the “Profit Undertaking”), and the Vendor will be entitled to dividend rights in proportion to its shareholding after the compensation is completed. After completing the Acquisition, the Company will own 51% of the entire issued share capital of SJKGC. According to the shareholding ratio of the Company in SJKGC, for the minimum profit guarantee of US\$5,390,000, the cash dividend payable to the Company is US\$2,750,000 corresponding to the 51% shareholding ratio of the Company.

LETTER FROM THE BOARD

The Purchaser and the Vendor have unanimously agreed that the accounting standards adopted by SJKGC and the Company are consistent, that is Hong Kong accounting standards. The financial statements of SJKGC after completion of the acquisition shall be audited by accountants recognised by all shareholders of SJKGC, to confirm whether it is necessary for the Vendor to make profit compensation and the amount of cash compensation (if any). The Vendor shall pay the cash compensation (if any) to SJKGC in time under the two following conditions, whichever is earlier: (i) within 10 working days after the annual auditors' report of SJKGC has been issued; or (ii) the day on which the general meeting of SJKGC for considering the profit distribution plan is convened. Both the date of issue of the auditors' report and the time at which the general meeting of SJKGC considers and approves the profit distribution plan for the year shall not be later than the date at which the Purchaser publishes its annual report. Implementation of the profit distribution plan shall be completed within 45 days after the profit distribution plan has been considered and approved at the general meeting.

In relation to the "Profit Undertaking" by the Purchaser and the Vendor, the following scenario may appear:

For the period from 2017 to 2019, if the audited net profit after tax of SJKGC for a year is higher than US\$5,390,000, the Company and the Vendor shall be entitled to the audited profits available for distribution for that year in accordance with their respective shareholding in SJKGC. No profit compensation shall be made by the Vendor.

For the period from 2017 to 2019, if the audited net profit after tax of SJKGC for a year is lower than US\$5,390,000, the Vendor guarantees that: the Vendor shall credit to the account of SJKGC an amount in cash equivalent to the difference between US\$5,390,000 and the audited net profit after tax of SJKGC for that year, so as to honour the profit compensation to SJKGC undertaken by the Vendor, and distribute cash dividends to the Company in equal or unequal proportions, so that the cash dividends to be received by the Company for that year will not be less than US\$2,750,000. The Vendor has no rights to receive dividend or cash dividend from the Company.

For the period from 2017 to 2019, if the audited net profit after tax of SJKGC for any financial year is negative, both the Vendor and SJKGC guarantee that: the Vendor shall provide SJKGC with an amount of compensation amounted to US\$5,390,000 to realize the Vendor's guaranteed profit compensation to SJKGC while delivering proportional or disproportional cash dividend to the Company to realize a cash dividend of no less than US\$2,750,000 for the Company in the corresponding years. (Please refer to the detailed calculation method as stated in the following formula in (iii) in this circular).

LETTER FROM THE BOARD

It is further illustrated with examples as follows:

- (i) assuming that the audited net profit after tax of SJKGC for 2017 is US\$6,000,000, which is higher than the guaranteed US\$5,390,000, no profit compensation shall be made by the Vendor, and the Company and the Vendor shall be entitled to the audited profits available for distribution for the year in accordance with their respective shareholding in SJKGC.
- (ii) assuming that the audited net profit after tax of SJKGC for 2017 is US\$4,000,000, the Vendor shall pay a cash compensation of US\$1,390,000 to SJKGC, equivalent to the difference between US\$4,000,000 and the guaranteed net profit of US\$5,390,000, and SJKGC shall by way of cash dividends in equal or unequal proportions ensure that the cash dividends to be received by the Company for the year will be US\$2,750,000.
- (iii) assuming that the audited net loss after tax of SJKGC for 2017 is US\$1,000,000, the Vendor shall make a cash compensation of US\$6,390,000 to SJKGC, equivalent to the difference between the guaranteed net profit of US\$5,390,000 and loss of US\$1,000,000, and SJKGC shall by way of cash dividends in equal or unequal proportions ensure that the cash dividends to be received by the Company for the year will be US\$2,750,000.

Completion

Unless the parties agreed otherwise, Completion shall take place prior to the earlier of the second anniversary of the incorporation date of the SJKGC, being 8 February 2018, failing which the Vendor is entitled (but not obligated) to terminate the Agreement.

The Completion shall be subject to the conditions thereto being satisfied (or waived by the Company or the Vendor, as the case may be) at or prior to the Completion.

Termination

The Agreement will continue in full force and effect until terminated by written agreement of all of the Parties.

LETTER FROM THE BOARD

Principal terms of the Shareholder Agreement

Date

16 April 2016

Parties

- (i) the Vendor;
- (ii) the Company; and
- (iii) SJKGC.

Shareholding Structure of SJKGC

As at the date of the Shareholder Agreement and upon Completion, the shareholding structure of SJKGC is as follows respectively:

Shareholders	Percentage of shares as at the date of the agreement	Percentage of shares upon Completion
The Vendor	100%	49%
The Company	0%	51%

The Board of Directors

The number of directors holding office at any one time shall be seven (7) unless expressly agreed in writing by the Vendor and the Company. The Vendor and the Company shall have the right to appoint three (3) and four (4) directors, respectively.

Dividend Policy

SJKGC may only declare and distribute dividends in accordance with all applicable laws. Any decision in respect of the declaration (and the amount) of any dividend shall be a matter for the board but, subject to applicable laws, the net profit shall be distributed to shareholders in accordance with their then applicable shareholding percentage in the shares of the company, except for otherwise agreed by the parties in the Shareholder Agreement and the Agreement.

LETTER FROM THE BOARD

Profit Guarantee

Please refer to the details about “Profit Guarantee” on page 14 in this circular.

Restrictions and Obligations on the Parties

Pursuant to the Shareholder Agreement, the Vendor, the Company and SJKGC are subject to restrictions and obligations including the following:

- (i) The Company shall be responsible for assisting SJKGC with capital market operations;
- (ii) The Vendor shall be responsible for supervising the business operations of SJKGC;
- (iii) Each of the parties undertakes and covenants to each of the other parties that, during the period in which it is a shareholder and a period of 12 months from the date it ceases to be a shareholder of SJKGC (the “**Relevant Period**”), SJKGC will be their exclusive platform for engaging in the provision of EEG analysis relating to diagnostics and related technical support and training services to clinical institutions that may be authorized by the Vendor in the Licensed Areas and such other business as the board may determine from time to time (the “**Business**”). Notwithstanding the aforesaid, it is understood and agreed that, with prior written consent from the Vendor, the Company is entitled to authorize other third parties to use EEG analysis and to receive relevant royalties and license fees from third parties. The approach, scope, term, royalties, license fees and other relevant terms of such authorization and license shall be determined with prior written consent of the Vendor. The royalties, license and other fees paid by third parties shall be divided between the Vendor and the Company in the ratio of 10% and 90%, respectively; and
- (iv) Each of the parties shall not, and shall procure that its respective affiliates shall not, during the Relevant Period, directly or indirectly carry on or be engaged in or directly be concerned or interested economically or otherwise in any manner in any business that competes with or would reasonably be expected to compete with the Business in the Licensed Areas.

Other Terms of Agreement

- (i) For the purpose of the Company receiving benefits and enforcing its shareholder rights under the Shareholder Agreement, the agreement shall become effective from the Completion Date and shall remain effective until the Company ceases to directly or indirectly hold any shares of SJKGC.
- (ii) The Shareholder Agreement will continue in full force and effect until terminated:
 - (a) in accordance with the terms of the agreement; or

LETTER FROM THE BOARD

- (b) by written agreement of all of the parties; or
- (c) if any shareholder, together with its affiliates, holds the entire issued share capital of SJKGC.

Principal terms of the License Agreement

Date

30 May 2016

Parties

- (i) the Vendor (as licensor); and
- (ii) SJKGC (as licensee).

License Grant

Throughout the term of the License Agreement, within the Licensed Areas, the Vendor grants to SJKGC an exclusive, royalty-bearing right and license (with the unconditional right to sublicense), in, to and under (a) the Licensor Technology and (b) the Licensed Subject Matter.

Service to be provided by the Licensor

During the term of the License Agreement, the Licensor shall use commercially reasonable efforts to:

- (a) make the Licensor Technology available for access by the Licensee to upload Licensee Data;
- (b) provide technical support for the Licensor Technology and Licensed Subject Matter to Licensee;
- (c) provide Licensee Reports after submission of Licensee Data by Licensee to Licensor via Licensor Technology; and
- (d) provide such other Licensee Products and Services as the parties may agree from time to time.

LETTER FROM THE BOARD

License to Licensee Data

Throughout the term of the License Agreement, within the Licensed Areas, SJKGC grants to the Vendor a limited, non-exclusive, non-transferable, non-sublicensable, royalty-free right and license to access, use, reproduce and create derivative works of the Licensee Data solely to create Licensee Reports for SJKGC, and for no other purpose, unless the parties agree otherwise in writing.

Ownership of Licensor Technology, Licensed Subject Matter and Improvements

The Vendor shall retain all right, title and interest, including but not limited to, any and all Intellectual Property Rights, in and to the Licensor Technology and Licensed Subject Matter. Any and all Improvements, including but not limited to, any Intellectual Property Rights in or to such Improvements, shall be owned exclusively by the Vendor.

Ownership of Licensee Data, Licensee Products and Services

SJKGC shall own all right, title and interest, including but not limited to, any and all Intellectual Property Rights, in and to any and all Licensee Data, Licensee Products and Services, and all improvements, enhancements, revisions, adaptations, translations, modifications, and derivative works thereof, created or acquired by or on behalf of either party.

License Fees

SJKGC shall pay the Vendor a license fee equal to 10% of the royalties, license and other fees paid by third parties to SJKGC during the term of the License Agreement for providing Licensee Reports relating to the Indication within the Licensed Areas.

For the avoidance of doubt, the License Fee set forth above shall represent all the royalties, fees, charges, and other payments that shall be payable by Licensee to Licensor under the License Agreement for the license and rights granted and services and products to be received hereunder.

Term of the License Agreement

The term of the License Agreement is in perpetuity. SJKGC may terminate the license to Licensee Data as mentioned under the sub-paragraph headed License to Licensee Data above (a) if such license would violate applicable law or regulation or (b) to the extent any right of SJKGC to such Licensee Data expires or terminates.

Given that the term of the License Agreement is in perpetuity and, there is no risk associated with the termination of the License Agreement by the Vendor since according to the License Agreement the Vendor has no right to terminate the agreement, the Directors consider that the Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

THE PROPOSED SPECIFIC MANDATE

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate to be granted by the Shareholders at the EGM and the Class Meetings.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and therefore, no Shareholder is required to abstain from voting for the resolution to approve the Acquisition at the EGM and the Class Meetings.

EFFECTS ON THE SHAREHOLDING STRUCTURE

The table below sets out the changes to the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon completion of the Acquisition (assuming that there will not be any change in the issued share capital of the Company from the Latest Practicable Date to the Completion Date):

Holders of Domestic Shares or H Shares	As at the Latest Practicable Date		Immediately upon completion of the Acquisition (assuming that there will not be any change in the issued share capital of the Company from the Latest Practicable Date to the Completion Date)	
	Number of Shares	%	Number of Shares	%
Domestic Shares				
Tianjin TEDA International Incubator	182,500,000	11.44	182,500,000	10.77
Gu Hanqing	14,000,000	0.88	14,000,000	0.83
Xie Kehua	9,000,000	0.56	9,000,000	0.53
Guangzhou Wenguang Media Company Limited	12,000,000	0.75	12,000,000	0.71
Beijing Zhongxing Wuhuan Building Materials Company Limited	10,000,000	0.63	10,000,000	0.59
Shenzhen Xiangyong Investment Company Limited	180,000,000	11.29	180,000,000	10.62
Shandong Zhinong Fertilizers Company Limited	170,000,000	10.66	170,000,000	10.03
Dongguan Lvye Fertilizers Company Limited	<u>120,000,000</u>	<u>7.52</u>	<u>120,000,000</u>	<u>7.08</u>
Sub-total	<u>697,500,000</u>	<u>43.73</u>	<u>697,500,000</u>	<u>41.15</u>
H shares				
Public Shareholders	897,500,000	56.27	897,500,000	52.95
Vendor	<u>-</u>	<u>-</u>	<u>100,000,000</u>	<u>5.90</u>
Total	<u><u>1,595,000,000</u></u>	<u><u>100.00</u></u>	<u><u>1,695,000,000</u></u>	<u><u>100.00</u></u>

LETTER FROM THE BOARD

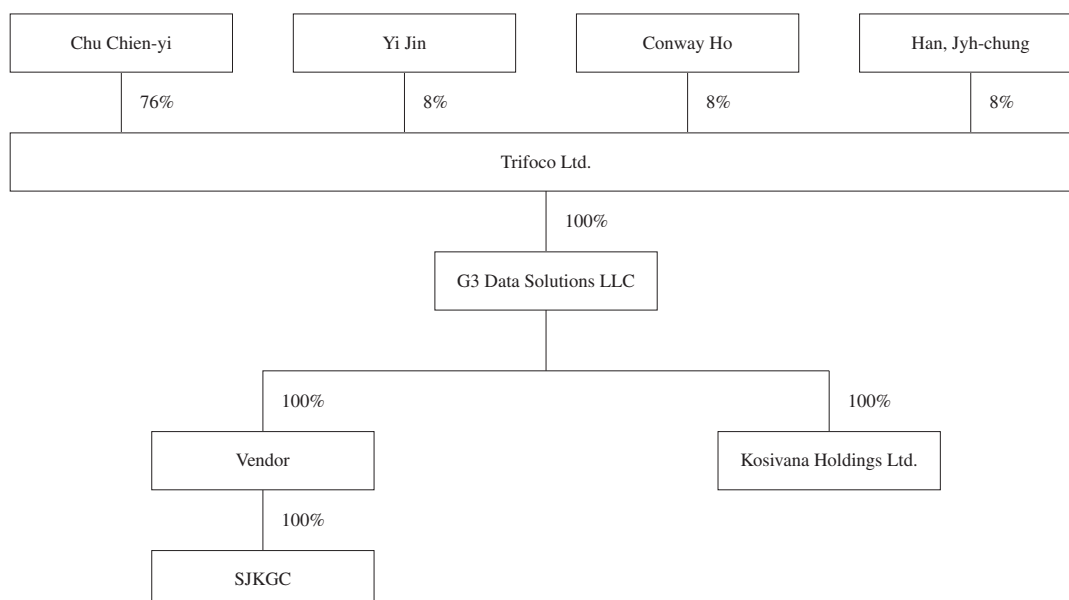
INFORMATION OF THE GROUP

The Group is currently engaged in two sectors: (i) biological compound fertilizer products, including series of biological compound fertilizer products under the brand of “Fulilong” used for the promotion of balanced growth of grains, fruit and vegetables, and (ii) health care products, including series of health care products under the brand of “Alpha”, covering diabetic health care products with the function of regulating the blood sugar level and sugar-free products beneficial to the health of human body. Biological compound fertilizer and health care sectors that the Group is engaged in are the sunrise industries encouraged by the PRC government which have a good prospect for development.

INFORMATION ON THE VENDOR

The Vendor was incorporated on 7 October 2015 in Seychelles with G3 Data Solutions LLC being its sole shareholder. The Vendor has been granted the exclusive worldwide license by Kosivana (a Cyprus corporation) to use certain proprietary intellectual property in relation to quantitative EEG data collection, analysis and subsequently for establishing the associated medical data bank.

SJK is the sole licensee of Kosivana, the ultimate holder and owner of the proprietary quantitative EEG analysis technology for diagnosis of various psychiatric/neurological diseases, to sub-license to third parties around the globe the right to use the quantitative EEG examination and diagnosis technology (NeuroRef) as well as the EEG database established accordingly, and to charge corresponding sub-licensing fees.



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Brief descriptions of background of each of the shareholders of the Vendor and Kosivana are as follows:

Mr. Chu Chien-yi is a director of SJKGC since 2015. He graduated from Taoyuan Nanya Polytechnic College in Taiwan. From 1995 to 2015, he served as the general manager of Panatech Real Estate Co., Ltd.

Dr. Yi Jin received his medical degree from the Shanghai Medical University in China and completed his residence training in neuropsychiatry at the Shanghai Institute of Mental Health in China. He served as a director of the Behavioral EEG Laboratory and a clinical professor in the Department of Psychiatry and Human Behavior in UC Irvine in the United States during the period between 1997 and 2007. He also worked as the director of the Department of Neuroscience in Brookside Institute in the United States from 2004 to 2008. Dr. Jin has received many research grant awards in the United States, including those from NARSAD, Stanley Foundation, Dana Foundation, and National Institute Mental Health. He also has patented several new inventions in neurosciences and clinical treatment for neurological and psychiatric disorders. During the past twenty-eight years' of brain research, Dr. Jin has published over forty peer-reviewed papers and presented in many academic conferences.

Mr. Conway Ho is an expert in proprietary embedded hardware technology, cloud computing and assembling software teams. He has specialized in cutting edge hardware and software technology licensed by Microsoft, AOL, Electronic Arts, Capcom, Time Warner, and others, with whom his development teams have worked on a wide variety of projects. He joined MeRT technology R & D team in 2010, and managed a team of top level software and hardware engineers to create a fully automated client/server based system, allowing the deployment of treatment protocols and reporting systems to offer viable solutions for supposedly incurable mental issues and indications such as Autism, PTSD, TBI, Alzheimer's, Schizophrenia, Depression, Anxiety, Stroke, and Pain management.

Han. Jyh-chung received his bachelor degree of Civil Engineering from National Taipei University of Technology in Taiwan. After graduation, JJ Han begun his work at Koo's organizations, and worked there for more than 20 years. The first 10 years, he focused on the Asia public construction projects, such as Bangkok MRT System and Malaysia Reclamation project, etc. Later than that, JJ Han had also participated in global investment projects. He joined MeRT technology R & D team in 2010, and helped setting up corporation structure and global development strategy in past 5 years.

Trifoco Ltd. is an investment holding company incorporated on 4 July 2013 in Seychelles. Its current shareholders are Chu Chien-yi, Jin Yi, Conway Ho and Han. Jyh-chung.

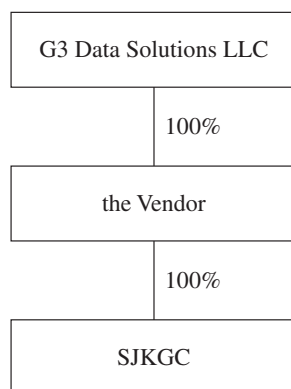
G3 Data Solutions LLC is an investment holding company incorporated on 7 October 2015 in Seychelles. Its current sole shareholder is Trifoco Ltd, and it is the current sole shareholder of both the Vendor and Kosivana, respectively.

LETTER FROM THE BOARD

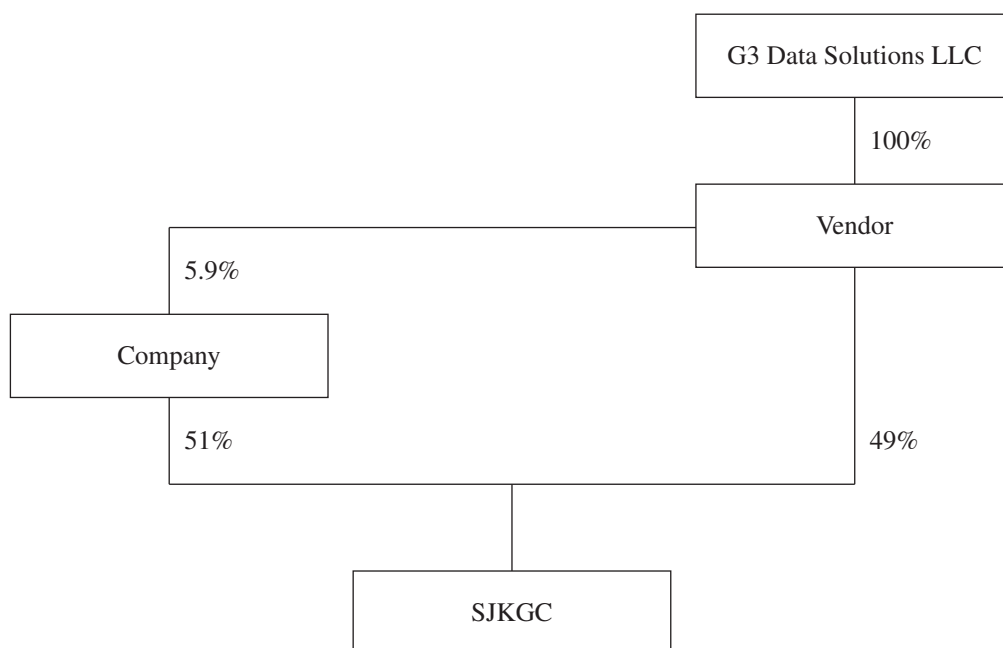
Each of Mr. Chu Chien-yi, Dr. Yi Jin, Mr. Conway Ho, Han. Jyh-chung, Trifoco Ltd. and G3 Data Solutions LLC is an Independent Third Party of the Company.

INFORMATION ON SJKGC

SJKGC, an exempted company limited by shares, was incorporated on 8 February 2016 in the Cayman Islands. As at the date of this circular, the Vendor is the sole shareholder of SJKGC.



The following diagram sets out the shareholding structure of SJKGC immediately after Completion (assuming that there will not be any change in the issued share capital of the Company from the Latest Practicable Date to the Completion Date):



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SJKGC shall be primarily engaged in licensing of the IP Rights and provision of EEG analysis relating to diagnostics and related technical support and training services to clinical institutions in the Licensed Areas by utilizing the IP Rights sub-licensed by the Vendor. The IP Rights cover patents, database, related technology, skills, information and training materials for EEG analysis and associated diagnostics. The patents include, but not limited to, the followings:

(a) U.S. Patent Application No. 13/858,783 (filed on 8 April 2013)

This patent integrates EEG recording and magnetic stimulation technology which represents new technology advancement in the use of multi array EEG acquisition that is immune to the strong magnetic field cause by magnetic stimulation and allows clinician to receive treatment diagnostic information in real-time (i.e. Doctor of Medicine (MD) can decide whether the suspected diagnosis is accurate during the magnetic stimulation by observing the EEG response to the magnetic stimulation).

(b) U.S. Patent Application No. 13/858,617 (filed on 8 April 2013, claiming benefit of provisional applications 61/621,089 and 61/621,399 both filed on 6 April 2012)

This patent is based on Pavlovian conditioning theory to treat patients who have responded to magnetic stimulation by using similar sound and frequency to the magnetic treatment protocol. The patient's response (especially the EEG response) will help the MDs differentiate the nature of diseases, either psychological or organic.

(c) U.S. Patent No. 9,308,385 (with US Patent Application No. 13/858,693 and issued on 12 April 2016)

This patent summarizes the new understanding of mathematical relationship among multiple organs in the body. It has been demonstrated arrhythmia or irregular movement of other organs which may result in brain and mental disorder. Magnetic stimulation set according to individual's specific frequency in the heart or intestine movement can effectively resynchronize the brain activity and subsequently normalize brain disorders. The effectiveness of the treatment will help MDs to identify the source of the brain or mental disorder.

This patent is expected to expire on 8 April, 2033.

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(d) U.S. Patent Application No. 15/066,754 (filed on 10 March 2016)

Pain signal is processed at various stages along the neuronal pathway. Nerve endings and peripheral nerves are the first stages to receive and evaluate the severity of harmful stimulation. Central nervous system (spinal cord and brain) further integrates and interprets the signal. The output of the process will result more compensatory reaction such as avoidance or muscle spasm. The degrees of reaction may reflect how the pain information is perceived. With this technology, MDs will gain diagnostic knowledge of the condition of the central or peripheral nerve system.

(e) U.S. Patent Application No. 15/087,209 (filed on 31 March 2016)

This patent application summarizes technology to make objective diagnosis of mental disorders using EEG and other biometric measurements. With this technology we will be able to develop multiple EEG measurements with advance statistical process in accordance with contemporary neuropsychiatric diagnosis.

DETAILS OF THE PRINCIPAL VALUATION ASSUMPTIONS

The Company has engaged BMI Appraisals Limited to provide independent opinion on the market value of 100% equity interest in SJKGC, which valuation report is set out in Appendix V to this circular.

Due to the changing economic and market conditions, a number of assumptions have to be adopted in the valuation. The major assumptions adopted in the valuation are as follows:

General Market Assumptions

- There will be no material change in the existing political, legal, fiscal, technological, economic and market conditions in the jurisdiction where SJKGC is currently or will be situated;
- There will be no material change in the taxation laws and regulations in the jurisdiction where SJKGC is currently or will be situated, that the tax rates will remain unchanged and that all applicable laws and regulations will be complied with;
- The market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;
- The supply and demand, both domestically and internationally, of the products and/or services of SJKGC or similar products and/or services will not differ materially from those of present or expected;

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- The market prices and the relevant costs, both domestically and internationally, of the products and/or services of SJKGC or similar products and/or services will not differ materially from those of present or expected;
- The products and/or services of SJKGC or similar products and/or services are marketable and liquid, that there are active markets for the exchange of the products and/or services of SJKGC or similar products and/or services; and
- The market data, industrial information and statistical figures obtained from Bloomberg Terminal and other publicly available sources are true and accurate.

Company-specific Assumptions

- All licenses, permits, certificates and consents issued by any local, provincial or national government or other authorized entity or organization that will affect the operation of SJKGC have been obtained or can be obtained upon request with an immaterial cost;
- The core operation of SJKGC will not differ materially from those of present or expected;
- The financial and operational information in respect of SJKGC have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Company;
- SJKGC currently has, or will have, adequate human capital and capacity required for the production and/or provision of the products and/or services of SJKGC, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of SJKGC;
- SJKGC has acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and working capital from time to time, and any scheduled interest or repayment of loan and payable will be paid on time;
- The senior management of SJKGC will implement only those prospective financial and operational strategies that will maximize the efficiency of the operation of SJKGC;
- The senior management of SJKGC has sufficient knowledge and experience in respect of the operation of SJKGC, and the turnover of any director, management or key person will not affect the operation of SJKGC;
- The senior management of SJKGC has adopted reasonable and appropriate contingency measures against any human disruption such as fraud, corruption and strike, and the occurrence of any human disruption will not affect the operation of SJKGC;

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- The senior management of SJKGC has adopted reasonable and appropriate contingency measures against any natural disaster such as fire, flood and hurricane, and the occurrence of any natural disaster will not affect the operation of SJKGC;
- SJKGC will be subject to 10% of withholding tax, as advised by the senior management of the Company; and
- SJKGC will engage downstream medical centers/institutions to promote and expand its business and relevant contracts will be signed accordingly.

Revenue

As SJKGC has no operating history, the revenue forecast was prepared based on financial projections of SJKGC. SJKGC will generate revenue by charging license fee from third parties such as medical institutions, etc., for providing analysis service of EEG examination and diagnosis. In the valuation, SJKGC is expected to start its operation from 2017. As advised by the senior management of SJKGC, SJKGC was in the process of in-depth negotiation in relation to a possible cooperation program with two companies, namely Company A and Company B, as at the date of valuation.

Company A is specialized in health check and medical services in the PRC. It plans to select its appropriate clinics in key cities in the PRC to establish the business. It is intended that the number of clinics covered will reach 70 by the end of 2020. Company B is a healthcare chain institution in the PRC. SJKGC will select Company B's clinics in key cities in the PRC to carry out patented EEG analysis services. It is intended that the number of clinics covered will reach 20 by the end of 2019. Company A, Company B and all of their connected persons and respective associates are Independent Third Parties of the Company.

In the valuation report as set out in Appendix V to this Circular, with reference to the cooperation program under negotiation, it is projected that SJKGC will promote its service to 30 clinics by the end of 2021. The increasing number of clinics using the analysis service of EEG examination and diagnosis provided by SJKGC is the main driver of the revenue growth.

The clinics will charge each patient for the EEG examination and diagnosis service. According to the cooperation program under negotiation, the clinic will offer a few plans for the EEG diagnosis based on different level of analysis. In our valuation, the lowest price was adopted in the valuation for prudent assumption.

Each clinic will be equipped with several EEG devices and was expected that the utilisation will be increased after the first month of operation. The utilisation of the EEG devices adopted in the valuation was considered to be a conservative estimation, as advised by the senior management of the SJKGC.

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As new clinics establish the business throughout each year in the forecast period, the number of EEG diagnoses and the average per clinic EEG diagnosis as well as the revenue will be gradually increased.

According to the preliminary cooperation program, SJKGC will be entitled to 50% of clinics' revenue generated from EEG examination and diagnosis as the royalty income.

After 5 years, the revenue was projected to increase at the long-term growth rate. The table below presents the first 5 years' revenue:

Year	2017	2018	2019	2020	2021
No. of Clinics	18	22	26	28	30
Average Per Clinic Revenue (US\$'000)	1,087	1,511	1,529	1,598	1,600
Clinics' Revenue (US\$'000)	19,562	33,238	39,758	44,740	48,000
Royalty Revenue for SJKGC (US\$'000)	9,781	16,619	19,879	22,370	24,000

Operating Expenses

The operating expenses consist of royalty payment to the Vendor, which is equivalent to 10% of the revenue of SJKGC, and other operating expenses, including salaries, rent, depreciation, etc. The projected operating expenses in the first 5 years are presented in the following table:

Year	2017	2018	2019	2020	2021
Royalty Payment to Vendor (US\$'000)	978	1,662	1,988	2,237	2,400
Other Operating Expenses (US\$'000)	838	1,038	1,263	1,542	1,950

Withholding Tax

SJKGC is not a PRC-resident enterprise. As advised by the senior management of SJKGC, the royalty revenue will be subject to a 10% withholding tax. The table below presents the projected withholding tax in the first 5 years:

Year	2017	2018	2019	2020	2021
Withholding Tax (US\$'000)	978	1,662	1,988	2,237	2,400

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Depreciation and Capital Expenditure

Most fixed assets of SJKGC are computer, server and leasehold improvements, of which the average useful life is estimated to be 5 years. The capital expenditure (CAPEX) was projected to acquire and maintain necessary fixed assets. The table below presents the projected depreciation and CAPEX in the first 5 years:

Year	2017	2018	2019	2020	2021
CAPEX (US\$'000)	154	61	68	216	124
Depreciation (US\$'000)	31	43	57	100	124

Net Working Capital

The net working capital (NWC) represents the account receivable less the account payable. The account receivable and the account payable were expected to be collected and paid in 1 month. The projected NWC and change of NWC in the first 5 years is presented as follows:

Year	2017	2018	2019	2020	2021
NWC (US\$'000)	666	1,164	1,390	1,558	1,648
Change of NWC (US\$'000)	666	497	227	167	90

Free Cash Flows

The projected free cash flows using the abovementioned formula in the first 5 years were as follows:

Year	2017	2018	2019	2020	2021
Royalty Revenue for SJKGC (US\$'000)	9,781	16,619	19,879	22,370	24,000
Less: Royalty Payment to Vendor (US\$'000)	978	1,662	1,988	2,237	2,400
Less: Other Operating Expenses (US\$'000)	838	1,038	1,263	1,542	1,950
Less: Withholding Tax (US\$'000)	<u>978</u>	<u>1,662</u>	<u>1,988</u>	<u>2,237</u>	<u>2,400</u>

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Year	2017	2018	2019	2020	2021
Net Operating Profit After Tax (US\$'000)	6,987	12,257	14,640	16,354	17,250
Add: Depreciation (US\$'000)	31	43	57	100	124
Less: CAPEX (US\$'000)	154	61	68	216	124
Less: Change of NWC (US\$'000)	<u>666</u>	<u>497</u>	<u>227</u>	<u>167</u>	<u>90</u>
Free Cash Flow (US\$'000)	<u><u>6,197</u></u>	<u><u>11,742</u></u>	<u><u>14,402</u></u>	<u><u>16,071</u></u>	<u><u>17,160</u></u>

The minimum guaranteed profit of US\$5,390,000 contained in the terms of the Profit Undertaking is calculated after taking into comprehensive consideration of the amount of net profit of the profit forecast for the three years from 2017 to 2019 and after a certain amount of discount, which is an amount confirmed and approved by the Company and the Vendor after undergoing adequate communication and negotiation. The Directors have carried out thorough examination and discussion regarding the difference between the free cash flow and the Profit Undertaking, and considered that the calculation of the minimum guaranteed profit is based on the actual circumstances of business cooperation and is therefore fair and reasonable.

The details of the principal assumptions in the valuation of SJKGC include the general market assumptions and company-specific assumptions of SJKGC. In company-specific assumptions of SJKGC, the valuation assumptions have been taken in full consideration of the target customers of SJKGC currently under negotiation and their business promotion plans. Based on the basic assumptions, the Directors consider that the assumptions used in the valuation by BMI Appraisals Limited are fair and reasonable.

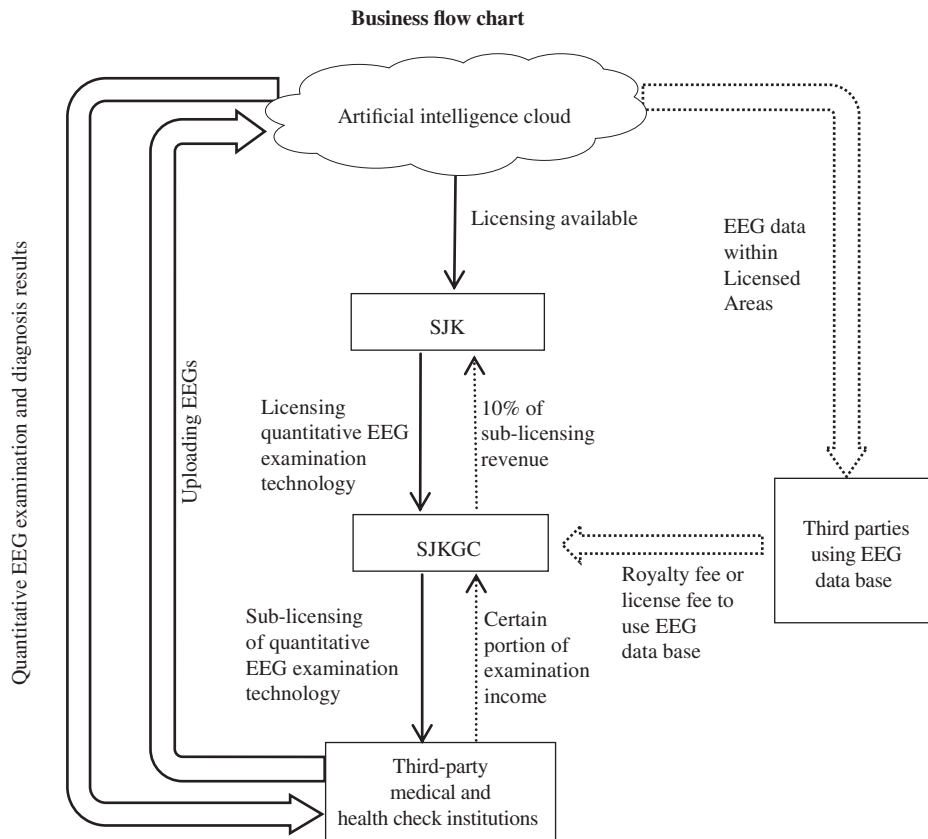
Business Model of SJKGC

At a consideration of license fee equal to 10% of the revenue from its acquired business, SJKGC is licensed irrevocably, specifically, exclusively and permanently by SJK to use quantitative EEG examination and diagnosis technology within the Licensed Areas, so as to charge from third parties, including medical and health check institutions, a sum of license fee and royalty fee equal to certain proportion of their revenue by providing them with technical support and training services relating to quantitative EEG examination or diagnosis. According to the specific examination and diagnosis means, third parties including medical and health check institutions will upload their acquired EEGs to the artificial intelligence cloud operated by SJKGC, which will automatically identify and analyze EEG, and pass back the examination and

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diagnosis reports formed accordingly to the third-party institutions. The artificial intelligence cloud, with a single server in possession of an analysis capacity of processing 176,000 EEGs per day, is designed with self-learning function and can be applied for quantitative and positioning detection and diagnosis of various psychiatric and neurological diseases in a precise manner, including autism, depression, bipolar disorder, drug addiction, insomnia, dementia, stroke, epilepsy, pain and pain-traumatic stress syndrome (PTSD).

In addition, SJKGC has been licensed with the long-term right to use the EEG database within the Licensed Areas. Where necessary, such quantitative EEGs may be cross paired with relevant information such as ECGs, blood samples, gene banks and patients' behavioral history/ medical history to produce various data commodities and compile conclusion report information by applying NeuroRef's proprietary analysis. SJKGC can license such data to third parties for use and receive revenue.



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Target Customers of SJKGC

Target customers of SJKGC include but not limited to hospitals, medical and health check institutions, and diagnose psychiatric and neurological patients.

In early July 2016, SJKGC as licensor has entered into a royalty-bearing sub-licensing agreement with each of a Japan company and a PRC company, whereby SJKGC has sub-licensed certain licensed rights, which it obtained under the License Agreement, to the Japan company within Japan and the PRC company within the Guangdong province of the PRC (excluding Shengzhen), respectively. The Japan company is a member of a major coalition of medical institutions in Southeast Asia, and the PRC company is a health management company with a network of clinics in the PRC. Both the Japan company and the PRC company are Independent Third Parties. The Directors consider that the sub-licensing agreements have been negotiated on an arm's length basis and on normal commercial terms which are fair and reasonable. The Directors are of the view that the entering into of the sub-licensing agreements by SJKGC will increase the commercial value that may be generated from the quantitative EEG examination and diagnosis technology and are in the interest of the Company and the Shareholders as a whole.

In addition, SJKGC is currently in the process of in-depth negotiation in relation to a possible cooperation program with Company A, which is specialized in health check and medical services in the PRC. Pursuant to the program under negotiation, SJKGC shall license Company A to use NeuroRef's patented quantitative EEG examination and diagnosis technology and shall provide relevant personnel training services; and Company A shall invest in quantitative EEG examination equipment at its own cost, bear examination costs, receive examination income from EEG examinees, and pay SJKGC 50% of its examination income for each EEG examination on a monthly basis. Company A plans to select its appropriate clinics in key cities in the PRC to establish such business. At the start-up stage, quantitative EEG analysis and diagnosis business will be firstly established in its selected demonstration clinics in Beijing, Shanghai, Guangzhou and Shenzhen in the PRC. Upon completion of training programs for operators at the demonstration clinics, the operators who have completed their training courses will be assigned to coordinate subsequent training programs to facilitate promotion at its other clinics step by step. It is intended that the number of clinics having received promotion will reach 70 by the end of 2020. The number of such clinics may increase depending on the subsequent cooperation between the two parties and business operations of both parties.

SJKGC is also in the process of in-depth negotiation in relation to a possible cooperation program with Company B, a healthcare chain institution in the PRC. Pursuant to the program under negotiation, SJKGC agrees to select Company B's clinics to carry out NeuroRef's patented quantitative EEG examination services in key cities in the PRC. According to the tentative schedule, it is intended that the number of clinics having received promotion will be up to 20 by the end of 2019.

Company A, Company B and all of their connected persons and respective associates are Independent Third Parties of the Company.

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According to the preliminary cooperation program between SJKGC and medical and health check institutions such as Company A and Company B, the medical and health check institutions will pay SJKGC 50% of its examination income for each EEG examination on a monthly basis. Moreover, according to the promotion goals and charging scheme of the collaborating clinics between several parties, the estimated royalty that the Company expects to receive from these cooperations will be about US\$9,780,000 in 2017.

The expected number of cooperative clinics that the medical and health check institutions may materialize are as follows:

Year	2017	2018	2019	2020	2021
No. of Clinics	18	22	26	28	30

Furthermore, SJKGC is also in the process of negotiation in relation to possible cooperation in quantitative EEG examination and diagnosis business with medical institutions in Japan and South Korea.

Risk Factors Associated with the business of SJKGC

The existing psychiatric diseases substantially depend on qualitative detection, and the existing neurological diseases mainly depend on both qualitative detection and detection equipment including CT, MRI and PET. This not only poses certain side effects to the human body, but also lacks objective and quantitative assessment, easily leading to misdiagnosis and inappropriate treatment. As a new EEG examination technology, the quantitative EEG examination and diagnosis technology licensed to SJKGC, though enjoying unique technical advantages of quantitative and positioning detection and diagnosis in a precise manner, exposes to certain market exploration risk due to limited market awareness at present. In future, the above market exploration risks will be avoided through the followings: firstly, in terms of selection of medical and health check institutions, we will mainly consider third-party medical and health check institutions with visibility, sound capability and credibility for cooperation and promotion; secondly, we will conduct comprehensive training for the personnel responsible for business operations of the third-party medical and health check institutions and fully mobilize and make full play of the initiatives of the relevant personnel, so as to help business promotion and development indirectly; thirdly, we will step up publicity efforts through various channels to achieve a gradual increase in market awareness.

Medical and health check institutions collect EEG from the subjects, pay a certain percentage of the income received as license fee, upload the corresponding EEG data to the artificial intelligence cloud and receive the examination and diagnosis reports. Given that the EEG and the corresponding examination and diagnosis data are stored in a virtual cloud of four servers, any terminal user will not be able to access any individual or aggregate data and relevant information once detached from the cloud, so as to avoid data theft caused by stolen servers. User

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programs do not store any patient information on local hard disks. Communication between all users and servers are using only version 1.2 of Transport Layer Security (TLS 1.2). User passwords are further encrypted over TLS 1.2 by using rotating ciphers, eliminating playback attacks. Server to server communication is exclusively TLS 1.2 using secret keys, server-specific challenges, and only allowing known IP addresses as methods of authentication. All servers are behind individual firewalls with only two specific non-well known service ports used for communication. All server data is stored on highly encrypted disks with a passphrase long enough to make a brute force password crack infeasible. But with breakthroughs in hacker technology, the right to use EEG data, the core resources of the Company, is still subject to the risk of being stolen. In future, it is planned that the cloud computing equipment will use a dedicated operating system (NBRL cloud plus MERAKI firewall), so that hacking will be completely impossible through commonly used computers.

SJKGC is permanently and exclusively licensed with the right to use the quantitative EEG examination and diagnosis technology within the Licensed Areas, and will charge sub-licensing fee from third-party medical and health check institutions and pay licensing fee to SJK, the licensor. Following this acquisition, the original business of TEDA Biomedical, the controlling shareholder of SJKGC, is biological compound fertilizer and healthcare sectors, relatively different from the neurology sector that SJKGC is engaged in. As such, SJKGC may be exposed to management risk arising from industry differences.

FINANCIAL INFORMATION OF SJKGC

As at the Latest Practicable Date, the Company was informed and warranted by the Vendor that SJKGC has not commenced business and its total assets amounted to US\$1,000 as at April 30 2016, and the net profit was US\$0 and the total revenue was US\$0 for the period from February 2016 to April 2016.

POSSIBLE FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, SJKGC will become an indirect non-wholly owned subsidiary of the Company, and its financial results will be consolidated into the financial results of the Company. The unaudited proforma financial information of the Enlarged Group illustrating the financial effects of the Acquisition on the assets, liabilities and earnings of the Group is set out in the Appendix II to this circular.

Assets

The audited consolidated total asset of the Group as at 31 December 2015 amounted to approximately RMB458,505,000. Assuming that the Acquisition had been completed on 30 April 2016, the unaudited proforma consolidated total asset of the Enlarged Group as set out in Appendix III to this circular would have increased to approximately RMB745,937,000.

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Liabilities

The audited consolidated total liabilities of the Group as at 31 December 2015 amounted to approximately RMB114,072,000. Assuming that the Acquisition had been completed on 30 April 2016, the unaudited proforma consolidated total liabilities of the Enlarged Group as set out in Appendix III to this Circular would have increased to approximately RMB114,072,000.

Earnings

It is expected that the effect of the Acquisition on the earnings of the Group is insignificant in 2016 as the related business will only be carried out by SJKGC after the Acquisition. However, with regard to the market prospect of diagnosis by EEG in the PRC, it is estimated that the Acquisition will substantially enhance the future prospects of EEG medical business for the Enlarged Group. The Directors are of the view that the Acquisition will make substantial contributions to the profit and earnings of the Enlarged Group after Completion.

Please be reminded that the above-mentioned financial effects of the Acquisition are for illustration purposes only. The actual financial effects will depend on the consolidated net asset value of the Group upon Completion and are subject to review by the auditors of the Company.

The Continuing Connected Transaction after Completion

Upon Completion, SJKGC will become an indirect 51% owned subsidiary of the Company with the Vendor still holding 49% of its entire issued share capital. Therefore, upon Completion, the Vendor will become a connected person of the Company pursuant to the GEM Listing Rules. Accordingly, the License Agreement will constitute a continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules thereupon.

It is expected that the proposed annual caps for the continuing connected transaction contemplated under the License Agreement for each of the three years ending 31 December 2017, 2018 and 2019 will not exceed the amounts set out below:

For the year ending 31 December	US\$
2017	1,270,000
2018	2,160,000
2019	2,580,000

According to the License Agreement, 10% of the licensing fee paid by sub-licensed institutions including third-party medical and health check institutions collected by SJKGC shall be paid by SJKGC to the Vendor as license and permission fee. The determination of the licensing and permission fee at the rate of 10% of SJKGC's operating revenue is based on the following considerations:

- (i) the uniqueness, pioneer nature and potential commercial value of quantitative EEG examination and diagnosis technology;

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- (ii) the common practice in the scope of patent licensing, according to which the total royalty charged by a product licensor is usually set at 10% of the product price;
- (iii) the basis for the determination of licensing and permission fee set by the Vendor in respect of other related businesses in other regions;
- (iv) the expenses (inclusive of depreciation, remuneration for technicians and other expenses) borne by the Vendor and its shareholders for the development, continual upgrade and daily maintenance of the artificial intelligence cloud server for identification and analysis of quantitative EEG and the network security system for security protection, as well as the ongoing training fees incurred due to the training provided by SJK to SJKGC; and
- (v) the arrangement that the 10% licensing and permission fee payable to the Vendor shall be paid out of the royalty income received by SJKGC from its authorized users, and that no licensing fee shall be paid to the Vendor in the absence of any realization of income by SJKGC.

In consideration of the aforesaid, the determination of the 10% licensing and permission fee takes into account not only the reasonable return to the Vendor as the intelligent property right owner, but also the reasonable return receivable by SJKGC from its operating activities. Therefore, the Directors of the Company are of the view that the determination of the licensing and permission fee at the rate of 10% of SJKGC's operating revenue is fair and reasonable.

The determination of the amount of the proposed annual caps for the continuing connected transaction contemplated under the License Agreement is calculated in accordance with this charging standard, meaning that in accordance with the program in relation to business promotion under in-depth negotiation between SJKGC and the hospitals, medical and health check institutions, the licensing and permission fee payable to the Vendor is 10% of the operating income of SJKGC, calculated from the number of domestic clinics and institutions and their corresponding number of patient diagnosed and charging standard for years 2017 to 2019.

In accordance with the program in relation to business promotion under negotiation with several third party medical and health check institutions, through a forecast of the number of clinics planned to conduct EEG examination and diagnosis in major cities around the PRC to estimate the number of EEG examination per clinic in 2017, whereas the operating revenue of medical and health check institutions can be calculated based on the charging standard of the examination. In accordance with the preliminary proposal currently under negotiation with a third party health check institution, SJKGC is entitled to 50% of the income of EEG examination. Based on the above calculation, the total business revenue expected to be generated of SJKGC is US\$19,560,000 times 50%, which equals to US\$9,780,000. Pursuant to the License Agreement entered into by SJKGC and the Vendor, SJKGC should pay 10% of its income, i.e. US\$978,000, to the Vendor. As the above profit forecast has fully considered the prudent principle and operation risks, the base of profit forecast has been adjusted 30% upwards when calculating the upper limit of the transaction which is taken as the upper limit of continuing connected transaction for calculation (meaning that US\$978,000 times 1.3, which equals to US\$1,270,000, to be the upper limit of the connected transaction). The calculation for years 2018 and 2019 are the same as year 2017.

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Regarding the rationality and fairness of the License Agreement, the Directors have conducted thorough discussion and analysis, examined the licensing documents entered into by the parties and the business promotion program of target users of SJKGC, as well as researched the charging standard of licensing permission fee of relevant businesses in other areas by the Vendor and carried out comprehensive comparison. Based on the above, the Directors are of the view that, firstly, the Purchaser and its related parties and the Vendor and its related parties are all independent third parties at present, the transaction is entered into based on business cooperation, and the licensing fee ratio is determined upon negotiation based on business cooperation conducts of both parties; secondly, the right to use the patented technology currently owned by SJKGC is unique (the rights to use quantitative EEG analysis and diagnosis technology licensed to SJKGC include five rights to the patented technologies. For the five technologies, in addition to patent application in the U.S., No. 13/858,617 and No. 13/858,783 has submitted international patent application in China, Hong Kong, Japan, Korea, Australia, Canada, Eurasia (including Armenia, Azerbaijan, Belarus, Kyrgyzstan, Kazakhstan, Russia, Tajikistan and Turkmenistan), European Patent Office, India, Mexico and Singapore; No. 13/858,693 has submitted international patent application in Japan, Korea, Australia, Canada, Eurasia, Mexico and Singapore. Still at the priority period of international patent application (until March 2017), No. 15/066,754 and No. 15/087,209 are being planned to submit international patent application in areas outside the U.S. The five patents have to be used together for SJKGC's quantitative EEG analysis and diagnosis business. As the five patent applications have been accepted in the above countries respectively, among which No. 13/858,617 has been granted the patent, the relevant technology has uniqueness), pioneering (details of characteristics of EEG examination and diagnosis technology licensed to SJKGC were described under the section headed "Necessity about the sub-licensed IP Rights" in this circular. Based on global information search and retrieval, the Company has found out that no alternative EEG examination and diagnosis technology can achieve the functions of the technology licensed to SJKGC which are set out as follows: (i) combine EEG and MRI technologies to address both temporal and special issues in the brain; (ii) use fully computerized Artificial Intelligence to analyze EEG which is able to analyze 176,000 sets of records per day per server. In comparison, a well trained neurologist can read about 8 to 10 EEGs a day. EEG data is all stored in the cloud; (iii) use large database to assist objective diagnosis for mental disorders) and exclusive (SJKGC has been licensed by SJK in the Licensed Areas to exclusively own the rights to use the EEG examination and diagnosis technology), and the Directors consider the licensing fee payable by SJKGC to the Vendor is reasonable from the perspective of technology licensing. In view of the foregoing, the Directors of the Company believe that the terms of the sub-license agreement are in the interests of the Company and its shareholders as a whole.

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the License Agreement are less than 5%, the transactions contemplated thereunder are only subject to the announcement, reporting and annual review requirements under Chapter 20 of the GEM Listing Rules.

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THE TECHNOLOGY LICENSE AGREEMENT BETWEEN THE VENDOR AND KOSIVANA

The Vendor and Kosivana, owner of the intellectual property rights of the business related to quantitative EEG examination and diagnosis, signed a technology license agreement on 15 April 2016, licensing the Vendor an exclusive and world wide right to use the Intellectual Property Rights of the business related to quantitative EEG examination and diagnosis owned by Kosivana; SJK has the right to sub-license the use to third parties on its own without requiring the further approval of Kosivana. The term of the technology license agreement entered into between Kosivana and the Vendor is in perpetuity. Given that the term of the technology license agreement is in perpetuity, and there is no risk associated with the termination or revoke of the granted license by Kosivana since according to the agreement Kosivana has no right to do so, the Directors consider that the agreement is in the interest of the Company and the Shareholders as a whole.

In respect of the above licensing, SJK has to pay Kosivana a license fee of 10% of its income generated from sub-licensing third-parties to use the Intellectual Property Rights.

The owner of the Intellectual Property Rights of the business related to quantitative EEG examination and diagnosis is Kosivana, an independent third party of the Company and its related parties, and without any related relationship; Kosivana and the Vendor are related parties, both of which are wholly-owned by G3 Data Solutions LLC.

As Kosivana (being the original IP Rights licensor) and SJK are both under 100% control of G3 Data Solutions LLC, regardless of the amount of licensing fee agreed by both parties for IP Rights licensing, revenue generated therefrom may be deemed to be obtained by the original IP Rights licensor Kosivana. In view of this, the Directors of the Company consider that the licensing fee payable by SJK to the original IP Rights licensor Kosivana, regardless of how much the amount will be, shall be deemed as an internal benefit arrangement entered into by both parties under the 100% common control and is not related to SJKGC, and therefore shall be considered fair and reasonable.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE AGREEMENT

The Company intends to take the strategic opportunity that the development and model of traditional medical and pharmaceutical system in the medical and healthcare industry will be accelerated and transformed during the 13th Five Year Plan period and fully leverage on the advantages of the capital market in Hong Kong to secure mature medical and healthcare projects based on cloud technology, Big Data and the field of neurology, with promising market prospect and leading international technology, in the high-end medical devices and diagnosis and treat fields by mergers and acquisitions, strive to exploit late-mover advantage and foster new sources of profit growth, aiming to achieve the Company's upgrade in strategy and innovation.

Currently, the incidence of psychiatric and neurological disorders is increasing in the human society. For example, autism has witnessed a change from being a rare disease to an epidemic disease across the globe, and the current prevalence rate of autism is about 1% in the PRC, with

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over 10 million patients. According to the statistics of the Centers for Disease Control and Prevention of the United States, the incidence of autism spectrum disorder was 1/5000 in the United States in 1975, which had risen to 1/68 as at 2014 (*Note 1*); with the incidence of depression standing at 3.1% according to the data of the World Health Organization. According to incomplete statistics, the current incidence of depression in the PRC is as high as 5% to 6%, and there has been an uptrend in incidence year by year recently (*Note 2*); According to the estimates of the 2015 report of the Alzheimer's Disease International, there will be 9.9 million new cases of dementia each year, i.e. one new case every 3 seconds (*Note 3*); Statistical data show that the incidence of insomnia is between 18% to 23% among the Japanese, between 32% to 35% among the Americans, and about 30% among the Chinese (*Note 4*). Current standard of diagnosis for psychiatric illness is based only on phenomenology such as The Diagnostic and Statistical Manual of Mental Disorders recommended by American Psychiatric Association. Lack of objective and quantitative assessment often leads to misdiagnosis and inappropriate treatment. In 2013, US National Institute of Health openly questioned the validity of the current diagnostic system and started to search for more scientific methods.

*Note 1: The data is published on the website of the China News Network
(<http://www.chinanews.com/jk/2015/04-02/7180266.shtml>) on April 2 2015;*

*Note 2: The data is published on the website of the China News Network
(<http://www.chinanews.com/gn/2014/12-06/6851541.shtml>) on December 6 2014;*

*Note 3: The data is published on the website of the Asia Pacific Daily
(<http://www.apdnews.com/it/Environmental/242597.html>) on September 21 2015;*

*Note 4: The data is published on the website of the Dongbei Network
(<http://health.dbw.cn/system/2010/05/26/052529879.shtml>) on May 26 2010.*

Most neuropsychiatric disorders are originated from the brain. The IP Rights that SJKGC has been irrevocably, exclusively and permanently licensed to use in the Licensed Areas, are evolved based on developments in multiple disciplines including neuroscience physics in thermodynamics and electromagnetism and signal processing. The technology exhibits the following characteristics:

- (a) Accurate quantitative analysis of EEG by using unique techniques to achieve 2D/3D reduction and positioning of brain function and lesions.

Similar to ECG, EEG is in itself a traditional and conventional detection technology. The unique technology licensed to SJKGC can specially classify and convert the EEG signals obtained to achieve accurate and quantitative description of the genera function and specific lesions using 2D/3D brain images to help diagnose various types of neuropsychiatric disorders. The results in turn will further assist clinicians to offer individualized treatment recommendations. Therefore, the quantitative EEG detection technology, which SJKGC has acquired exclusive rights to use is the only technology of its kind that is capable of quantitatively analyze the brain function and provide

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individualized treatment protocol accordingly (The management of the Company has not found the same technology through searching the global literature). Part of the relevant technology has been cleared by the United States Food and Drug Administration and used in clinical diagnosis and treatment of neuropsychiatric diseases including autism, depression, drug addiction, insomnia, and posttraumatic stress disorder (PTSD) respectively in the United States, Taiwan, Mexico, Panama and other countries or regions. In addition, due to the significant effect in the treatment of PTSD by the Magnetic EEG/ECG-guided Resonance Therapy (MeRT) technology based on the quantitative EEG detection technology, in June 2016, members of the U.S. Representatives submitted a joint bill that the MeRT technology would be used for veterans to treat a variety of diseases such as PTSD (*Note 5*).

- (b) A cloud possessing artificial intelligence and self-learning ability offers automatic EEG signal processing, data storage, and high dimensional computation in combing with medical information to enable the diagnostic and treatment protocol more economical and scalable.

Through opening up of the cloud with artificial intelligence by the licensing party, the right for SJKGC to use the quantitative EEG detection and diagnosis technology is achieved. Managing the right to use the technology by delegating it to a third party is simple, and significant economy of scale can easily be achieved. A single cloud server has a daily processing capacity of 176,000 EEGs, and the licensing party has currently built four cloud servers, outperforming by a large margin the daily capacity of identifying 10 EEGs by skilled physicians, which breaks the capacity bottleneck while being less error prone. In addition, the cloud with artificial intelligence possesses self-learning functions, and with increasing EEG data uploaded, the completeness of its database and the accuracy of diagnosis and detection will continue to strengthen.

- (c) In view of the proprietary techniques, the precise quantitative EEG analysis technology owned exclusively by the licensing party and the resulting EEG database of a large number of people can be used for conducting quantitative analysis of the personality traits and talent advantages of children and adults.

Individual differences in the human brain structure lead to differences in personality traits and talents. The EEG detection and diagnosis technology which SJKGC has acquired the exclusive right to use in the Licensed Areas can be used for conducting quantitative EEG analysis of individual differences in the brain, and an EEG database of a large number of people has been formed over a long period of time. Therefore,

Note 5: please refer to the website link for details as follows:

- (i) <http://knight.house.gov/news/documentsingle.aspx?DocumentID=596&from=singlemessage&isappinstalled=0>
- (ii) <http://cvbj.biz/2016/06/29/denham-supports-bill-expand-veterans-treatment-options/>

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through a special comparison method that is licensed, quantitative EEG analysis can be used to accurately interpret the personality traits of individuals from healthy groups and the potential talent advantages of children, thus, providing a scientific basis for tailored nurturing of children.

- (d) The exclusive rights licensed to SJKGC in the Licensed Areas, including but not limited to the right to use the EEG database, which are formed based on detection and diagnosis, are under continuous improvement, and will probably create revenue for the Company.

Due to the technical difficulty of collecting nervous system data, large scale nervous system databases are scarce resources worldwide. In view of the above characteristics of the detection and diagnosis technology which SJKGC has acquired the exclusive right to use in the Licensed Areas, the population density of the Licensed Areas, and the irrevocable, proprietary and exclusive rights to use the relevant information, including but not limited to EEG, ECG, blood samples, gene databases and behavioral/medical history of patients, licensed to SJKGC in the Licensed Areas, which are formed based on detection and diagnosis and are under continuous improvement, the relevant test data can be cross-matched based on need to form various data commodities by conducting proprietary NeuroRef analysis, and the resulting data of the conclusion reports can be licensed to third parties for use to generate revenue.

The mainland China area has the densest and the largest proportion of population in the Licensed Areas, and it accounts for more than 95.87% of the population of the Licensed Areas, so the importance of the mainland China area market is the most prominent. The market that SJKGC plans to explore initially is the mainland China area, and the third-party institutions currently under negotiation at a more advanced stage are located in this region. In view of this, the current valuation report as the basis of the acquisition pricing which issued by the valuer is also prepared based on the market conditions of the mainland China area. Based on the professional advice confirmed by the domestic legal adviser of the Company, according to the PRC Administrative Regulations regarding Import and Export of Technologist, the “EEG examination and diagnosis analysis technology” which SJKGC intends to license to institutions within the PRC would fall into the category of “unrestricted technology” and therefore the license agreement between SJKGC and each medical institution or health check institution for licensing the IP rights should not be subject to be approved or consent by the relevant regulatory authorities. In whole, for such technology to be licensed by SJKGC to medical institution or health check institution in the mainland China area, no separate approval or permission by relevant regulatory authorities of the PRC government is required.

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In view of the Directors of the Company that in the mainland China area, the most prominent market which accounts for more than 95.87% of the population of the Licensed Areas and on which the valuation of the acquisition was based, the quantitative EEG detection and diagnosis technology does not need to obtain the authorization from relevant regulatory authorities within Chinese government. Based on the above factors, it is fair and reasonable that obtaining necessary approval for authorization to use relative technologies is not included as one of the conditions precedents in the acquisition agreement entered into between the Company and the Vendor.

According to the 12th Five Year Plan for Food Industry Development jointly published by the National Development and Reform Commission of the PRC and Ministry of Industry and Information Technology of the PRC, “nutrition and health food manufacturing industry” was included as an encouraged and key development industry to the national development plan for the first time. In addition, Ministry of Industry and Information Technology of the PRC has issued the “Guidance on Prompting the Restructuring and Development of Fertilizer Industry” in 2015, huge efforts will be devoted to develop new fertilizers to facilitate the promotion of the product structure of the compound fertilizer industry as one of the key development directions of the 13th Five Year Plan. Therefore, biological compound fertilizer and health care sectors that the Group is engaged in are the sunrise industries encouraged by the country which have a good prospect for development, and provides stable income and cash flow for the group to open up new business. The Group will continue to carry out its existing business and to ensure its steady development.

According to the Company’s profit forecast, the compound fertilizer business and EEG project of the Company will, through their own operating activities, be able to provide relatively sufficient working capital to all business segments for the next twelve months. In response to the seasonal financing gap of working capital due to the nature of such businesses, the Company may capitalize on bank facilities to flexibly use and address the need to replenish working capital as a result of low and high seasons.

After the Completion, even though the management team of the Group has no direct experience in operating and performing EEG detection and diagnosis, the quantitative EEG detection and diagnosis business, SJKGC will be in a good position to expand substantially and rapidly with a low management threshold and low operating cost business model and the characteristics of the quantitative EEG detection and diagnostic technology which it has acquired the licensed rights to use. In addition, the Vendor will also remain as a shareholder of SJKGC which allows SJKGC to utilize its expertise and experience in providing EEG related services.

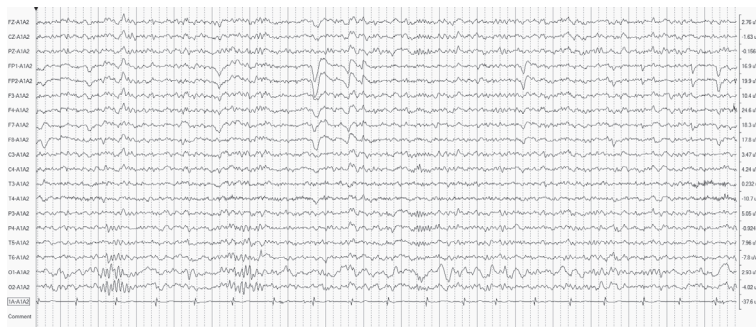
In light of the above, the Directors are of the view that the Acquisition and the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole, which will become the entry point for the Group to carry out strategic transformation to the high-end healthcare sector and venture into the forefront of global scientific development starting from brain science, laying a solid foundation for the future development of the Company (Note 6). In addition, within the licensed rights, the quantitative EEG detection and diagnostic

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technology which SJKGC has acquired the exclusive licensed rights to use can diagnose a series of neurological/psychiatric illnesses through precise and quantitative EEG detection and diagnosis, including autism, dementia and drug addiction, so as to provide assistance to more and more patients in need. As such, the Group hopes to shoulder more corporate social responsibility and give a helping hand to people in need.

Necessity about the sub-licensed IP Rights

German neurologist Hans Berger discovered that the brain produces weak bioelectric currents in a spontaneous and rhythmical manner, and successfully recorded the world's first EEG of human brain in 1924. EEG has been utilized in the clinical diagnosis in the United States, Britain and France since 1938. EEG records the brain's electric potential variation through an array of electrodes placed on the scalp and displays it either on paper or, after digital processing, on a computer screen in a real-time. The number of electrodes and recording time vary significantly depending on the study need. However, the locations of electrodes are predetermined according to a well-recognized positioning system (International 10-20 montage system). EEG is considered to be non-invasive, safe, and reliable.

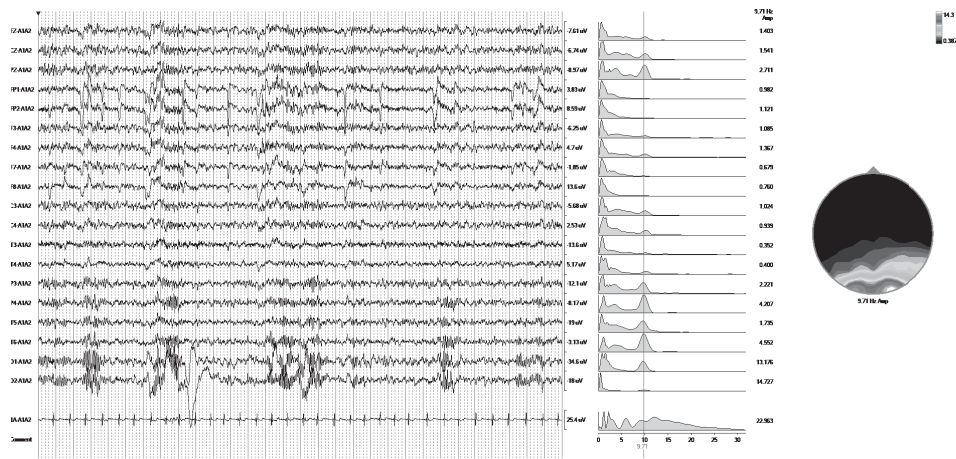


The diagram above is a traditional EEG of human brain. It shows electric voltage variation of cerebral cortex in superficial layers. It does not reflect any activities in deep brain structures. Using this technology, an experienced neurologist can identify abnormal discharge at cortex, which is constructive to the diagnosis of epilepsy. Deep structure lesions and other neurological/psychiatric disorders, however, cannot be diagnosed using this technology.

Note 6: the 13th Five Year Plan of the PRC government has incorporated “brain science and brain-related research” as one of the country's key innovation and engineering projects; The China Brain Project, led by Ministry of Science and Technology of the PRC and the National Natural Science Foundation of China, is one of the key projects among the six long-term scientific engineering projects, which will be announced in 2016 with a time-span of 15 years (2016-2030). Internationally, the U.S. has initiated the BRAIN Initiative in April 2013, and subsequently EU and Japan have initiated the Human Brain Project and Brain/Minds Project in 2013 and 2014 respectively. The websites of the brain projects are as follows: brain project of the U.S.: <http://braininitiative.nih.gov/>; brain project of EU: <https://www.humanbrainproject.eu/>; brain project of Japan: <http://brainminds.jp/en/>.

LETTER FROM THE BOARD

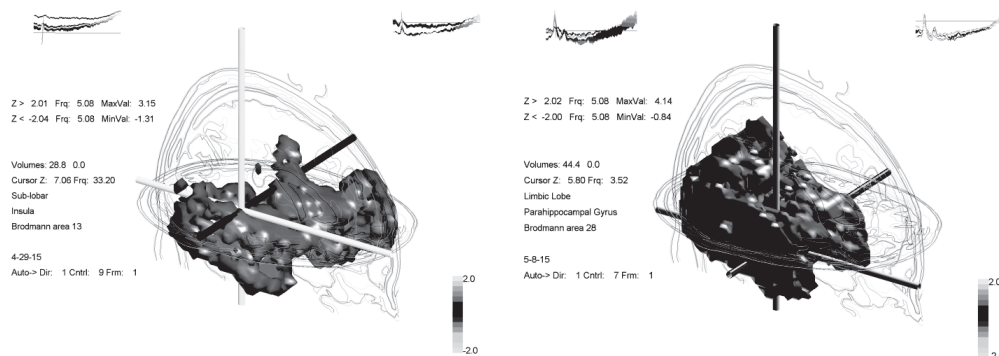
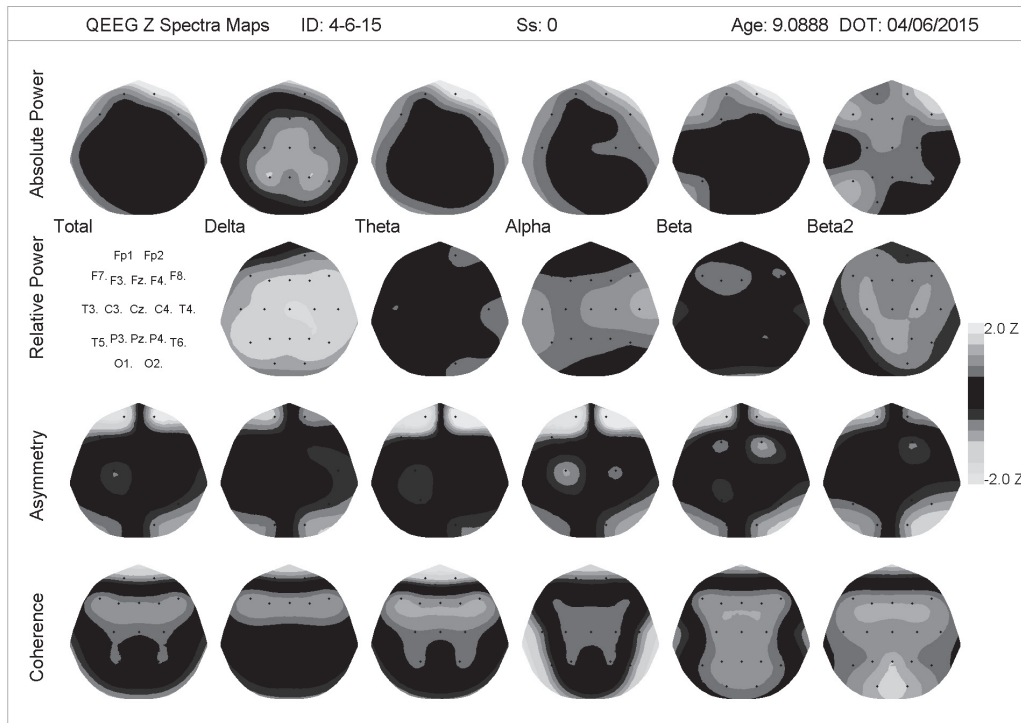
There is no difference in the means to acquire EEGs between the quantitative EEG technology licensed to SJKGC and traditional technologies show above. It is the subsequent analysis and diagnostic modality that make this technology unique. By making low resolution electromagnetic imaging analysis of EEGs acquired through traditional means, this technology can accurately estimate the electric currents intensity in three-dimensional brain structure. By comparing with a large EEG database and overlapping with a high resolution MRI imaging, it allows further functional diagnosis in precise anatomical structures, which provides new insight into neuropsychiatric diagnosis and individualized treatment.



The diagrams above illustrate the differences between traditional EEG and the quantitative EEG technology licensed to SJKGC.

LETTER FROM THE BOARD

The diagram on the left is a traditional EEG. The diagrams in the middle and on the right show EEG after mathematical maneuverer in frequency and spatial domains by the technology licensed to SJKGC. The unique topographic profile suggests that the patient may be suffering from autism. In addition, the licenced program further displays more information on such EEG by statistically comparing with a normative database as follows:



- (i) distribution of absolute power spectra by frequency and space;
- (ii) relative power density by frequency and space;
- (iii) statistical comparison of given parameters with a normative database by standard deviation (Z-score) to quantitatively describe whether it's higher than, close to or lower than the average values in normal population;
- (iv) lateral symmetry between left and right brain hemispheres;
- (v) functional connectivity among all brain regions.
- (vi) brain anatomical distribution of the Z-score of interested parameter.

LETTER FROM THE BOARD

Based on the quantitative analysis of individual EEGs above, this technology can not only assist to diagnose a particular neurological/psychiatric disease (such as autism, depression, bipolar disorder, drug addiction, trauma syndrome, insomnia, stroke, dementia, pain, epilepsy, etc.), but also precisely identify the type and location of lesion in 3D image. In addition to help diagnose neuropsychiatric disorder, the analysis of all these parameters may help determine individual's the personality and special talent and thus provide a scientific basis for personalized cultivation for children and occupational adaptability for adults.

Due to the fact that the brain lesions of patients suffering from psychiatric diseases (such as autism, depression, bipolar disorder, drug addiction, trauma syndrome, insomnia, pain, etc.) are not visible, the globally prevailing clinical examination methods cannot objectively and quantitatively determine the type or severity of the diseases. The standard diagnostic procedure as of today is subjective, fuzzy and qualitative through observation of patients' behavioural characteristics, which often leads to misdiagnosis and incorrect treatment. Improper treatment may cause severe harm to the body and mind. Certain psychiatric diseases (such as Alzheimer's disease, stroke, etc.) which incur organic lesion in a visible manner may be diagnosed with the assistance of CT, MRI and PET examination results, but in addition to radioactive radiation damage, such examinations are limited to the spatial structure or description of immediate or average metabolic state of the brain, and cannot carry out whole-process observation of brain functions in a dynamic manner. Diagnosis of many diseases is therefore limited. Integrated with dynamic EEG, MRI imaging technology, database statistical technology and classification diagnosis, the quantitative EEG examination and diagnosis technology licensed to SJKGC comprehensively observes and analyzes the functional status of the brain on a spatial and temporal basis, providing more comprehensive and accurate reference to clinical diagnosis and treatment efforts.

Prior to completion of the Acquisition, SJKGC is 100% controlled by the Vendor while the Vendor and Kosivana, which is the owner of the IP Rights of the quantitative EEG detection and diagnosis businesses, is 100% controlled by G3 Data Solution LLC, and their ultimate shareholders are four natural persons: Chu Chien-yi, Yi Jin, Conway Ho and Han Jyh-chung (please refer to paragraph headed "Information on the vendor" in this circular for the share structure). As such, Kosivana, the owner of the IP Rights in relation to the quantitative EEG detection and diagnosis, licensed the exclusive, proprietary and long-term rights of such IP Rights worldwide to SJK, and SJK licensed the exclusive, proprietary and long-term rights of such IP Rights in the Licensed Areas to SJKGC, and agreed that SJKGC can license third parties to use such IP Rights within the Licensed Areas without the approval of SJK for the purpose of profit-making. In addition, SJKGC owns the long-term rights to use the licensed EEG database in the Licensed Areas.

LETTER FROM THE BOARD

Neither similar quantitative EEG examination technology nor similar technology which can be applied to conduct quantitative and positioning examination and diagnosis on neurological/psychiatric diseases was found in the world during the global literature retrieval conducted by the Company. The EEG examination and diagnosis technology licensed irrevocably, specifically, exclusively and permanently to SJKGC within the Licensed Areas is, according to the knowledge of the Company, the one and the only technology which can apply quantitative EEG analysis to the clinical neurological/psychiatric field. In addition, due to the technical difficulty in acquiring data on the nervous system, large-scaled database of the nervous system is rare around the globe. However, East Asian Region, where SJKGC is licensed, is most populous in the world, and is believed to shape the world's largest EEG database in the future. Licensed with the long-term right to use the database established by employing the quantitative EEG examination technology, SJKGC may process various data commodities produced therefrom based on needs, and compile conclusion report information by applying NeuroRef's proprietary analysis. SJKGC may license such information to third parties for use and receive revenue.

Based on the above, the Directors are of the view that, although (1) SJKGC is a newly established company with only US\$1,000 of net assets, (2) its previous performance results are unavailable, (3) it does not possess the necessary IP assets, and has to obtain sub-licensing of IP assets from the Vendor and pay licensing fee, given that neither identical or similar technology has been found in the market as an alternative and SJKGC has to rely on the proprietary quantitative EEG examination and diagnosis technology to secure its business operations, and the relevant quantitative EEG examination and diagnosis technology is globally and exclusively licensed to the Vendor by the owner of the technology Kosivana, both of which are under 100% control by the same shareholder, and taking into consideration the commercial value that may be generated from the quantitative EEG examination and diagnosis technology, the Acquisition and the Consideration determined are reasonable and fair.

IMPLICATIONS UNDER THE GEM LISTING RULES

As more than one of the applicable percentage ratios are greater than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the requirements of reporting, announcement and Shareholders' approval pursuant to the GEM Listing Rules.

PROPOSED AMENDMENTS TO THE ARTICLES

The capital structure of the Company is set out in the Articles. The provisions in the Articles concerning the capital structure of the Company are as follows:

1. Article 20 sets out the total issued share capital of the Company and the respective number of the Domestic Shares and the H Shares; and
2. Article 23 sets out the existing total issued share capital of the Company.

LETTER FROM THE BOARD

The capital structure of the Company will be altered upon completion of the Acquisition. Accordingly, the Directors will seek from the Shareholders at the EGM and the Class Meetings the approval and authority to amend the Articles to reflect the new capital structure of the Company as a result of the number of the Consideration Shares to be issued under the Agreement.

Subject to obtaining the approval and authority to make the proposed amendments to the Articles as described above, the Directors will amend the Articles accordingly.

Set out below are the proposed amendments in the event that the Consideration Shares are issued and the shareholding of Domestic Shares remains unchanged:

1. Article 20 of Chapter 3 “Shares and Registered Capital”:

Original:

“Following several times of increase of share capital after its establishment, the Company has issued 1,595,000,000 ordinary shares, including 697,500,000 domestic invested shares that accounted for 43.73% of the total amount of ordinary shares in issue by the Company and 897,500,000 overseas listed foreign shares that accounted for 56.27% of the total amount of ordinary shares in issue by the Company.

The share capital structure of the Company is as follows: 1,595,000,000 ordinary shares, in which 697,500,000 shares are issued domestic invested shares, of which 182,500,000 shares held by Tianjin TEDA International Incubator, the promoter, 180,000,000 shares held by Shenzhen Xiangyong Investment Company Limited, 170,000,000 shares held by Shandong Zhinong Fertilizers Company Limited, 120,000,000 shares held by Dongguan Lvye Fertilizers Company Limited, 14,000,000 shares held by Gu Hanqing (顧漢卿), the promoter, 12,000,000 shares held by Guangzhou Wenguang Media Company Limited, 10,000,000 shares held by Beijing Zhongxing Wuhuan Building Materials Company Limited and 9,000,000 shares held by Xie Kehua, the promoter and 897,500,000 shares held by shareholders of overseas listed foreign shares.”

Proposed amendment:

“Following several times of increase of share capital after its establishment, the Company has issued 1,695,000,000 ordinary shares, including 697,500,000 domestic invested shares that accounted for 41.15% of the total amount of ordinary shares in issue by the Company and 997,500,000 overseas listed foreign shares that accounted for 58.85% of the total amount of ordinary shares in issue by the Company.

LETTER FROM THE BOARD

The share capital structure of the Company is as follows: 1,695,000,000 ordinary shares, in which 697,500,000 shares are issued domestic invested shares, of which 182,500,000 shares held by Tianjin TEDA International Incubator, the promoter, 180,000,000 shares held by Shenzhen Xiangyong Investment Company Limited, 170,000,000 shares held by Shandong Zhinong Fertilizers Company Limited, 120,000,000 shares held by Dongguan Lvye Fertilizers Company Limited, 14,000,000 shares held by Gu Hanqing (顧漢卿), the promoter, 12,000,000 shares held by Guangzhou Wenguang Media Company Limited, 10,000,000 shares held by Beijing Zhongxing Wuhuan Building Materials Company Limited and 9,000,000 shares held by Xie Kehua, the promoter and 997,500,000 shares held by shareholders of overseas listed foreign shares.”

2. Article 23 of Chapter 3 “Shares and Registered Capital”:

Original:

“The registered capital of the Company will increase to RMB159,500,000 after the completion of capital increase. The registered capital of the Company shall be registered with the administration authority for Industry and Commerce and filed with the authority for the examination and approval of companies as authorised by the State Council and the securities regulatory authority under the State Council.”

Proposed Amendment:

“The registered capital of the Company will increase to RMB169,500,000 after the completion of capital increase. The registered capital of the Company shall be registered with the administration authority for Industry and Commerce and filed with the authority for the examination and approval of companies as authorised by the State Council and the securities regulatory authority under the State Council.”

SHAREHOLDERS’ MEETINGS

The EGM and the Class Meetings will be held for considering and, if thought fit, passing the ordinary resolution to approve the Agreement, the Specific Mandate and the transactions contemplated thereunder.

Notices of the EGM, the Class Meeting of the holders of H Shares, and the Class Meeting of the holders of Domestic Shares to be held at 9:30 a.m., 10:00 a.m. and 10:30 a.m. respectively on Monday, 12 September 2016 at 9th Floor, Block A2, Tianda High-Tech Park, No. 80, The 4th Avenue, TEDA, Tianjin, the PRC, are set out on pages 118 to 126 of this circular.

LETTER FROM THE BOARD

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 17M 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 Monday, 22 August 2016 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.

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.

RECOMMENDATION

The Directors, including the independent non-executive Directors, consider that the Agreement, the Specific Mandate and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors, including the independent non-executive Directors, recommend the Shareholders to vote in favour of all the resolutions to be proposed at the EGM and the Class Meetings.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

WARNING NOTICE

Shareholders and potential investors of the Company should be aware that the Acquisition is subject to the fulfillment of Conditions Precedent, as set out in the subsection headed "Conditions Precedent" of this circular, being satisfied, and consequently the Acquisition may or may not proceed and the transactions contemplated under the Agreement including the sub-licensing of intellectual property rights related to EEG to SJKGC may or may not materialize. Accordingly, they are advised to exercise caution when dealing in the securities of the Company and if they are in any doubt about their position, they should consult their professional advisers.

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

I. FINANCIAL SUMMARY**The Group**

- (1) Financial information for the year ended 31 December 2013 is disclosed in pages 37 to 96 of the annual report of the Company for the year ended 31 December 2013 published on 25 March 2014;
- (2) Financial information for the year ended 31 December 2014 is disclosed in pages 35 to 92 of the annual report of the Company for the year ended 31 December 2014 published on 27 March 2015;
- (3) Financial information for the year ended 31 December 2015 is disclosed in pages 40 to 102 of the annual report of the Company for the year ended 31 December 2015 published on 31 March 2016;

The above information is published on both the website of the Stock Exchange (<http://www.hkgem.com/>) and the website of the Company (www.bioteda.com).

II. INDEBTEDNESS STATEMENT

At the close of business on 31 May 2016, being the Latest Practicable Date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding debts as follows: bank borrowings of approximately RMB39,300,000, of which RMB11,000,000 was secured by certain directors and pledge of part of the stock of subsidiaries of the Group, RMB18,300,000 was mortgage of property and land of the subsidiaries of the Group and another RMB10,000,000 was mortgage of corporate guarantee of Tianjin TEDA Credit Guaranty Center;

At the close of business on 31 May 2016, the financial indebtedness event of the Enlarged Group is as follows: the put option indebtedness regarding non-controlling interest resulting from the earlier transaction of the Group of selling 49.84% equity interest of the Group's investment company due to the Group's failure to fulfil certain provisions. At 31 May 2016, the total amount of the put option was RMB24,663,375.

As at 31 May 2016, the Enlarged Group provided a guarantee of approximately RMB15,000,000 to secure banking facilities utilised by an associate.

Save as aforesaid or otherwise disclosed herein, and except for intra-group liabilities and normal trade payables in the ordinary course of business, the Enlarged Group did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits (whether secured, unsecured, pledged or unpledged) or any guarantees or other contingent liabilities at the close of business on 31 May 2016.

III. WORKING CAPITAL STATEMENT OF THE ENLARGED GROUP

The Directors are of the view that, after taking into account the effects of the Completion of the Acquisition, the capital needs of the SJKGC company and the financial resources available to the Enlarged Group (including capital injection of the Group, internally available and produced capital and available bank financing after the completion of the Acquisition), the Group has sufficient working capital to satisfy its requirements for at least the next 12 months from the date of this circular barring unforeseen circumstances.

IV. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, the date to which the latest audited financial statements of the Group were made up.

V. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Group is currently engaged in two sectors: (i) biological compound fertilizer products, including series of biological compound fertilizer products under the brand of “Fulilong” used for the promotion of balanced growth of grains, fruit and vegetables, and (ii) health care products, including series of health care products under the brand of “Alpha”, covering diabetic health care products with the function of regulating the blood sugar level and sugar-free products beneficial to the health of human body. Biological compound fertilizer and health care sectors that the Group is engaged in are the sunrise industries encouraged by the country which have a good prospect for development. The Group will continue to carry out its existing business.

With regard to the Acquisition, as mentioned in the “Letter from the Board” of this circular, the acquisition of SJKGC will become the entry point for the Group to carry out strategic transformation to the high-end healthcare sector in order to generate more revenue for SJKGC and the Enlarged Group as a whole.

Looking forward, the Group will continue to strive for business transformation and growth, and will capture opportunities for maximizing return to its shareholders.

The following is the text of a report received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

25 July 2016

The Board of Directors
Tianjin TEDA Biomedical Engineering Company Limited

Dear Sirs,

We set out below our report on the financial information of Shu Ju Ku Greater China, Ltd. (the "Target Company"), which comprises the statement of financial position of the Target Company as at 30 April 2016, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the Target Company for the period from 8 February 2016 (date of incorporation) to 30 April 2016 (the "Relevant Period") and a summary of significant accounting policies and other explanatory information (the "Financial Information"), for inclusion in Appendix II to the circular of the Company dated 25 July 2016 (the "Circular") in connection with the proposed acquisition of 51% equity interest in the Target Company by Tianjin TEDA Biomedical Engineering Company Limited ("Tianjin TEDA").

The Target Company was incorporated in the Cayman Islands on 8 February 2016 as a company with limited liability under the Companies Law Cap. 22 of the Cayman Islands.

As at the date of this report, the Target Company has neither direct nor indirect interests in subsidiaries and associates. The Target Company has determined 31 December as the end of each reporting period.

No audited statutory financial statements have been prepared by the Target Company and as there is no statutory audit requirement in its jurisdiction of establishment.

For the purpose of this report, the directors of the Target Company have prepared the financial statements of the Target Company for the Relevant Period in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") including Hong Kong Accounting Standards ("HKASs") and Interpretation, (the "Underlying Financial Statements").

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

The directors of the Company are responsible for the preparation of the Financial Information and Comparative Financial Information that give a true and fair view in accordance with HKFRSs and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of the Hong Kong Limited (the "GEM Listing Rules"), and accounting policies adopted by the Company as set out in the annual report of the Company for the period ended 30 April 2016.

Our responsibility is to express an opinion on the Financial Information based on our procedures and to report our opinion to you.

For the purpose of this report, we carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the financial position of the Target Company as at 30 April 2016 and of the Target Company's financial performance and cash flows for the Relevant Period.

I. FINANCIAL INFORMATION

(A) Statement of Comprehensive Income

	<i>Notes</i>	From 08 February 2016 (date of incorporation) to 30 April 2016 US\$
Revenue	6	–
Administrative expenses		<u>–</u>
Profit before income tax		–
Income tax expense	8	<u>–</u>
Profit and total comprehensive income for the period attributable to owners of the Target Company	9	<u><u>–</u></u>

(B) Statement of Financial Position

	<i>Notes</i>	As at 30 April 2016 US\$
Current assets		
Cash and bank balances		<u>1,000</u>
Net current assets		<u>1,000</u>
Net assets		<u><u>1,000</u></u>
Capital and reserves		
Share capital	<i>12</i>	<u>1,000</u>
Total equity		<u><u>1,000</u></u>

(C) Statement of Changes in Equity

	Share capital US\$	Retained profits US\$	Total equity US\$
Issue of ordinary shares (<i>note 12</i>)	1,000	–	1,000
Profit and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>
At 30 April 2016	<u><u>1,000</u></u>	<u><u>–</u></u>	<u><u>1,000</u></u>

(D) Statement of Cash Flows

	From 08 February 2016 (date of incorporation) to 30 April 2016 <i>US\$</i>
Cash flows from operating activity	
Profit before income tax	—
Cash flows from financing activity	
Proceeds from issue of ordinary shares	1,000
Net cash generated from financing activity	1,000
Cash and cash equivalents at beginning of period	—
Cash and cash equivalents at end of period	1,000
Represented by: Cash and bank balances	<u>1,000</u>

II. NOTES TO THE FINANCIAL INFORMATION

1. General information

The Target Company was incorporated in the Cayman Islands on 8 February 2016 with limited liability under the Companies Law Cap. 22 of the Cayman Islands. The address of its registered office is Floor 4, Willow House, Cricket Square, PO Box 268, Grand Cayman KY1-1104, Cayman Islands.

The Target Company does not commence business up to the date of this report.

2. Adoption of new and revised Hong Kong Financial Reporting Standards

The Target Company has adopted all of new and revised standards, amendments and interpretation (hereinafter collectively referred to as "HKFRSs") issued by the HKICPA, which are effective for the accounting periods beginning on 8 February 2016 (date of incorporation) in the preparation of Financial Information throughout the Relevant Period.

The Target Company has not early adopted the following new and revised HKFRSs, potentially relevant to the Target Company that have been issued but are not yet effective, in the Financial Information.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
HKFRS 9 (2014)	Financial Instruments ²
HKFRS 14	Regulatory Deferral Accounts ¹
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

The Target Company is in the process of making an assessment of the potential impact of the new/revised HKFRSs and the directors of the Target Company so far concluded that the application of the new/revised HKFRSs will have no material impact on the results and the financial position of the Target Company.

3. Basis of preparation

(a) Statement of compliance

The Financial Information has been prepared in accordance with the accounting policies set out in note 4, which comply with the HKFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The Financial Information has been prepared under the historical cost.

(c) Functional and presentation currency

The Financial Information are presented in United States dollars ("US\$"), which is the same as the functional currency of the Target Company.

4. Significant accounting policies

(a) Financial instruments

(i) Financial assets

The Target Company classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Target Company assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(iv) Derecognition

The Target Company derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

(b) Foreign currency

Transactions entered into by the Target Company in currencies other than the currency of the primary economic environment in which the entity operates (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

(c) Income tax

Income taxes for the period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profits.

Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(d) Related parties

A related party is a person or entity that is related to the Target Company.

- (A) A person or a close member of that person's family is related to the Target Company if that person:
- (i) has control or joint control over the Target Company;
 - (ii) has significant influence over the Target Company; or
 - (iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company.
- (B) An entity is related to the Target Company if any of the following conditions applies:
- (i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (A);

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

(e) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks. Bank overdrafts that are repayable on demand and form an integral part of the Target Company's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(g) Events after the reporting period

Events after the reporting period that provide additional information about the Target Company's position at the end of the reporting period are adjusting events and are reflected in the Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Financial Information when material.

5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Target Company's accounting policies, the directors of the Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

No critical accounting judgements and key sources of estimation uncertainty are identified.

6. Revenue

The Target Company did not commence business during the Relevant Period.

7. Segment information

During the Relevant Period, the Target Company did not commence business. The intended principal activities of the Target Company is engaged in the provision of electroencephalogram analysis relating to diagnostics and related technical support and training services to clinical institutions in the licensed areas. The directors have identified that the intended principal activities is the only segment of the Target Company and this segment did not generate income or expenses during the Relevant Period.

All the assets of the Target Company are located in the Peoples' Republic (the "PRC") during the Relevant Period.

8. Income tax expense

No provision for profit tax is required since the Target Company has no assessable profit for the Relevant Period. No provision for deferred tax has been made in the Financial Information as there was no material temporary difference.

9. Profit for the period

The Target Company's profit for the Relevant Period is stated after charging the following:

	From 08 February 2016 (date of incorporation) to 30 April 2016 US\$
Auditor's remuneration	–
Director's remuneration	–
	<hr/>

10. Benefits and interests of directors**(a) Director's emoluments**

During the Relevant Period, no directors' emoluments were paid or payable to the director of the Target Company.

The directors of the Target Company did not waive any emolument during the Relevant Period.

(b) Director's material interests in transactions, arrangement or contracts

No significant transactions, arrangements and contracts in relation to the Target Company's business to which the Target Company and in which a director of the Target Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the Relevant Period or at any time throughout the Relevant Period.

11. Dividends

No dividends has been declared or paid by the Target Company during the Relevant Period.

12. Share capital

As at 30 April 2016

US\$

Authorised:

At date of incorporation and 30 April 2016

20,000,000 ordinary shares at US\$0.0001 each (*Note a*) 2,000*Issued and fully paid:*

At date of incorporation and 30 April 2016

10,000,000 ordinary shares at US\$0.0001 each (*Note a*) 1,000

Note a: The Target Company was incorporated in the Cayman Islands on 8 February 2016 with an authorised share capital of US\$2,000 divided into 20,000,000 ordinary shares of par value of US\$0.0001 each. 10,000,000 shares were issued.

13. Capital risk management

The Target Company's objective of managing capital is to safeguard the Target Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Target Company monitors capital (including share capital and retained profits) by regularly reviewing the capital structure. In order to maintain or adjust the capital structure, the Target Company may adjust the amount of dividends paid to shareholders.

The Target Company had no borrowings as at 30 April 2016.

14. Financial risk management

The Target Company did not commence business during the Relevant Period. The Target Company is exposed to liquidity risk and currency risk. The Target Company's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Target Company by closely monitoring the individual exposure as follows:

(a) Liquidity risk

The Target Company's policy is to regularly monitor its current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(b) *Currency risk*

Currency risk to the Target Company is minimal as most of the Target Company's transactions are carried out in United States dollars.

15. Summary of financial assets and financial liabilities by category

The following table shows the carrying amount of financial assets and liabilities as defined in note 4(a).

As at 30 April 2016

US\$

Financial assets

Loans and receivables (including cash and bank balances)	<u><u>1,000</u></u>
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The fair value of the Target Company's financial assets are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 April 2016 and no dividend or other distribution has been declared, made or paid by the Target Company in respect of any period subsequent to 30 April 2016.

Yours faithfully,

BDO Limited

Certified Public Accountants

Lam Pik Wah

Practising Certificate number P05325

Hong Kong

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED
GROUP**

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the “Unaudited Pro Forma Financial Information”) which has been prepared based on the consolidated statement of financial position of the Group as at 31 December 2015 as set out in the Company’s published annual report for the year ended 31 December 2015, after making pro forma adjustments as set out in the notes below.

The Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 7.31 of the GEM Rules for the purpose of illustrating the effect of the Acquisition as if it had taken place on 31 December 2015. It has been prepared on the basis of the notes set out below and is consistent with the accounting policies adopted by the Group.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 31 December 2015 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical information of the Group as set out in the published annual report of the Company for the year ended 31 December 2015 and other financial information included elsewhere in this circular.

(a) The Unaudited Pro Forma Financial Information of the Enlarged Group

	Audited consolidated statement of assets and liabilities of the Group as at 31 December 2015 RMB'000 (note 1)	Audited statement of assets and liabilities of the Target Company as at 30 April 2016 RMB'000 (note 2)	Unaudited RMB'000 (note 3 and 4)	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	70,715	–	–	70,715
Intangible assets	–	–	329,409	329,409
Interest in an associate	20,675	–	–	20,675
Prepaid land lease payments	8,233	–	–	8,233
Total non-current assets	99,623	–		429,032
Current assets				
Inventories	90,378	–	–	90,378
Trade and bills receivables	78,395	–	–	78,395
Prepayments and other receivables	79,562	–	–	79,562
Amount due from an associate	4,910	–	–	4,910
Bank balances and cash	105,637	6	(41,983)	63,660
Total current assets	358,882	6		316,905
Current liabilities				
Trade payables	24,748	–	–	24,748
Other payable and accruals	17,472	–	–	17,472
Financial liabilities	24,145	–	–	24,145
Current tax liabilities	2,707	–	–	2,707
Bank borrowings	45,000	–	–	45,000
Total current liabilities	114,072	–		114,072
Net current assets	244,810	6		202,833
Total assets less current liabilities	344,433	6		631,865
Net assets	344,433	6		631,865

(b) Notes to Unaudited Pro Forma Financial Information of the Enlarged Group

1. The balances are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2015 as set out in the Group's published annual results for the year ended 31 December 2015.
2. The balances are extracted from the audited statement of financial position of the Target Company as at 30 April 2016 as set out in Appendix II to this circular and converted to the presentation currency of the Group. The conversion of US\$ into RMB for the statement of financial position of the Target Company is based on the exchange rate of US\$1 to RMB6.459, exchange rate applied in the circular. No representation is made that US\$ amounts have been, could have been or could be converted into RMB, or vice versa, at that rate or at any other rates or at all.
3. Pursuant to the Sale and Purchase Agreement entered on 16 April 2016, the total consideration for the Acquisition is to be satisfied upon completion of acquisition by an aggregate of US\$6,500,000 (equivalent to approximately RMB41,983,000 million) in cash and the allotment and issue of 100,000,000 shares of the Company (the "Consideration Shares").
4. Upon the completion of the Acquisition, the director of the Company consider the Company holds 51% equity interests in the Target Company, are in substance acquisition of assets, instead of an acquisition of business and therefore is excluded from the scope of Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("HKFRS 3 (Revised)").

For the purpose of the Unaudited Pro Forma Financial Information and for illustrative purpose only, the director of the Group has assessed the fair value of assets acquired by the Group with reference to the valuation performed by BMI Appraisals, an independent professional qualified valuer, as at 30 April 2016 (the "Valuation"). Multi-period Excess Earning Method has been adopted by BMI Appraisals in performing the Valuation of the Target Company's intangible assets (i.e. the sub-leased IP rights).

The Multi-period Excess Earnings Method is predicated on the basis that the value of an intangible asset is the present value of the earnings it generates, net of a reasonable return on other assets which also contribute to that stream of earnings. The excess earnings are the amount of anticipated economic benefits that exceeds the required rates of return on the contributory assets, including the fixed assets, the working capital and the workforce assembled, used to generate those anticipated economic benefits which were then discounted at an appropriate discount rate of approximately 24.92% to arrive at the fair value of the intangible assets. Weighted average cost of capital plus additional premium was adopted as the discount rate for the excess earnings cash flow.

Details of the net identifiable assets of the Target Company with reference to the Valuation are as follows:

	Fair value <i>RMB'000</i>
Intangible assets (<i>note a</i>)	329,409
Cash and bank balances	<u>6</u>
Net identifiable assets	329,415
Less: Non-controlling interests of 49% in the Target Company	<u>(161,413)</u>
Net identifiable assets attributable to the Group	<u>168,002</u>
	<i>RMB'000</i>
Aggregate consideration (<i>note b</i>)	<u><u>168,002</u></u>

Note a: Intangible assets represent sub-leased IP rights for provision of diagnosis analysis in relation to brain or mental disorders for license fees.

Note b: Aggregate consideration is estimated to include below:

	<i>Notes</i>	<i>RMB'000</i>
<i>Aggregate consideration comprised:</i>		
– Cash payment	<i>(i)</i>	41,983
– Consideration shares	<i>(ii)</i>	<u>126,019</u>
The aggregate amount of the fair value of the total consideration		<u><u>168,002</u></u>

- (i) Pursuant to the Agreement, an aggregate amount of US\$6,500,000 in cash in which the Company shall pay by way of wire transfer the sum of US\$500,000 to an account separately designated by the Vendor within 90 days from the date of Agreement while the remaining amount of US\$6,000,000 shall be paid by the date of completion of the Acquisition (the “Completion date”).

- (ii) As the acquisition is considered as acquisition of assets, fair value of Consideration Shares was estimated with reference to excess of fair value of assets acquired and the cash payment consideration.

Since the fair values of the acquired assets of the Target Company as at the Completion Date may be substantially different from the fair values used in the preparation of the Unaudited Pro Forma Financial Information, the final amount of the acquired assets may be different from the amounts presented above.

- 5. For the purpose of this Unaudited Pro Forma Financial Information, the directors confirm that they have assessed impairment of acquired intangible assets under Hong Kong Accounting Standard 36 “Impairment of Assets” by considering whether the carrying amount of the intangible assets will exceed its recoverable amount, being higher of value in use and fair value less cost to sell, as if the Acquisition had been completed. The directors conclude that no impairment in value of the intangible assets is considered necessary. In reporting on the Unaudited Pro Forma Financial Information, our reporting accountant considered that the impairment assessment made by the directors has been properly compiled on the basis stated in the unaudited pro forma financial information of the Enlarged Group and the basis that is consistent with the accounting policies adopted by the Company.

Upon the completion of the Acquisition and at the end of the each reporting period, the Group will adopt consistent accounting policies and principal assumptions as used in the Unaudited Pro Forma Financial Information to assess the impairment of the intangible assets in the future financial periods.

- 6. According to the Agreement, the Vendor warrants to the Company that the Target Company in each of the three financial years of 2017, 2018 and 2019 (from 1st January to 31 December every year) will have an audited after tax profit of not less than US\$5,390,000. (the “Profit Guarantee”).

If the Profit Guarantee is not met, the Vendor irrevocably agrees and guarantees that whilst the Target Company’s audited after tax profit is less than US\$5,390,000, the Vendor shall pay, in an appropriate manner, to the Target Company money in the amount equal to US\$5,390,000 minus the Target Company’s actual audited after tax profit of that year, and meanwhile the Company will have priority to cash dividends of the Target Company, to ensure and guarantee that the Company can get cash dividends of not less than US\$2,750,000 of that year.

Refer to the Profit Guarantee arrangement, the directors of the Company considered any compensation that would be given by the Vendor to the Target company in case of any shortfall of the Profit Guarantee or any priority in cash dividend as a result of the above arrangement would only be recognised when those events taken placed subsequent to completion of acquisition.

7. No other adjustments have been made to reflect any trading results or other transactions of the Group and the Target Company entered into subsequent to 31 December 2015 and 30 April 2016 respectively. Unless otherwise stated, the adjustments above do not have a recurring effect.

**B. LETTER FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA
FINANCIAL INFORMATION**

The following is the text of a report received from BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION
INCLUDED IN A CIRCULAR**

25 July 2016

**TO THE DIRECTORS OF TIANJIN TEDA BIOMEDICAL ENGINEERING COMPANY
LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Tianjin TEDA Biomedical Engineering Company Limited (the "Company") and its subsidiaries (collectively the "Group"), and Shu Ju Ku Greater China, Ltd. (the "Target Company") (collectively the "Enlarged Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages 68 to 73 of the Company's circular dated 25 July 2016, in connection with the proposed acquisition of the Target Company (the "Transaction") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on page 68.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Enlarged Group's financial position as at 31 December 2015 as if the Transaction had taken place at 31 December 2015. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the year ended 31 December 2015, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statement and Other Assurance and Related Services Engagements” and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus”, issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Company, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Yours faithfully,

BDO Limited

Certified Public Accountants

Hong Kong

Set out below is the management discussion and analysis on SJKGC for the period from its incorporation date on 8 February 2016 to 30 April 2016:

Unless stated otherwise, terms used herein shall have the same meanings as those defined in the circular.

BUSINESS AND FINANCIAL REVIEW

SJKGC, an exempted company limited by shares, was incorporated on 8 February 2016 in the Cayman Islands. As at the date of this circular, the Vendor is the sole shareholder of SJKGC.

SJKGC shall be primarily engaged in licensing of the IP Rights and provision of EEG analysis relating to diagnostics and related technical support and training services to clinical institutions in the PRC, Hong Kong, Macau, Japan and Korea by utilizing the IP Rights sub-licensed by the Vendor.

Prior to the Acquisition, the operating business of SJKGC was principally conducted by the Vendor.

SJKGC recorded no revenue for the period from 8 February 2016 (date of incorporation) to 30 April 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 April 2016, SJKGC recorded US\$1,000 net current assets, US\$1,000 cash and cash equivalents, US\$0 trade receivables or other payables and accruals.

CAPITAL STRUCTURE

The primary objectives of SJKGC's capital management are to safeguard SJKGC's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. SJKGC manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, SJKGC may adjust dividend payments to its shareholders or issue new shares. SJKGC is not subject to any externally imposed capital requirement.

As at 30 April 2016, SJKGC had an authorized share capital of US\$2,000 divided into 20,000,000 ordinary shares and the issued share capital of the SJKGC was US\$1,000 comprised of 10,000,000 issued and fully paid ordinary shares of US\$0.0001 each. There was no material change in capital structure of the SJKGC.

ADMINISTRATIVE COST

For the period from its incorporation on 8 February 2016 to 30 April 2016, SJKGC had not yet incurred related costs.

FINANCE COST

For the period from its incorporation on 8 February 2016 to 30 April 2016, SJKGC had not yet incurred related costs.

PROPERTY, PLANT AND EQUIPMENT

As at 30 April 2016, SJKGC had no property, plant and equipment.

INVESTMENT PROPERTIES

As at 30 April 2016, SJKGC had no investment properties.

CASH AND BANK BALANCES

The cash and bank balances of the SJKGC consist of US\$1,000.

CHARGE ON COMPANY ASSETS

There is currently no charge on any of the assets of SJKGC.

CONTINGENT LIABILITIES

SJKGC did not have any significant contingent liability.

CAPITAL COMMITMENTS

As at 30 April 2016, SJKGC did not have any significant capital commitment.

AMOUNTS DUE TO SHAREHOLDERS

There is currently no amount due to the shareholders of SJKGC.

RELATED PARTY TRANSACTION

For the period from the incorporation date of SJKGC on 8 February 2016 to 30 April 2016, there had been no related party transaction.

FOREIGN EXCHANGE EXPOSURE

Since SJKGC's recognized assets and liabilities were substantially denominated in US\$, the Board considers that SJKGC has no potential foreign exchange exposure.

GEARING RATIO

As at 30 April 2016, SJKGC's gearing ratio (being ratio of total liabilities to total assets) was 0%.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

As at 30 April 2016, SJKGC did not hold any significant investments or plan for material investments or capital assets in future period.

EMPLOYEES AND REMUNERATION POLICY

During the period from the incorporation date of SJKGC on 8 February 2016 to 30 April 2016, SJKGC did not employ any employee and hence the SJKGC did not incur any staff costs nor did it adopt any remuneration policies, bonus and share option schemes and training schemes.

SJKGC would launch remuneration policy in line with the prevailing market practice including discretionary bonus and remunerates based on its employees performance and contribution.

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation as at 31 March 2016 of the market value of the 100% equity interest in SJK Greater China Ltd.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

33rd Floor, Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心33室
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

25 July 2016

The Directors

Tianjin TEDA Biomedical Engineering Company Limited

9/F, Block A2

Taida Hi-Tech Park

No. 80, The 4th Avenue

Tianjin Economic and Technological Development Area

Tianjin, The People's Republic of China

Dear Sirs,

1. INSTRUCTIONS

We refer to the instructions from Tianjin TEDA Biomedical Engineering Company Limited (referred to as the “Company”) for us to provide our independent opinion on the market value of 100% equity interest in SJK Greater China Ltd. (referred to as “SJKGC”) as at 31 March 2016 (referred to as the “Date of Valuation”).

This report presents the basis of valuation, the background of the Company and SJKGC, an industry overview, the source of information, the scope of work, the valuation assumptions and the valuation approach. It also explains the valuation methodology and valuation parameters utilized and presents our conclusion of value.

2. BASIS OF VALUATION

Our valuation has been carried out on the basis of market value. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

3. BACKGROUND OF THE COMPANY AND SJKGC

Background of the Company

The Company is a joint stock company incorporated in the People's Republic of China (referred to as the "PRC") with limited liability and has been listed on the Growth Enterprise Market (GEM) of the Stock Exchange of Hong Kong Limited (stock code: 8189) since 18 June 2002. The Company is currently engaged in two sectors:

- (i) biological compound fertilizer products, including series of biological compound fertilizer products under the brand of "Fulilong" used for the promotion of balanced growth of grains, fruit and vegetables; and
- (ii) health care products, including series of health care products under the brand of "Alpha", covering diabetic health care products with the function of regulating the blood sugar level and sugar-free products beneficial to the health of human body.

Background of SJKGC

SJKGC, an exempted company limited by shares, was incorporated on 8 February 2016 in the Cayman Islands (registration number: 308468). Shu Ju Ku Inc. (referred to as the "Vendor") is the sole shareholder of SJKGC as at the Date of Valuation.

SJKGC will be primarily engaged in the provision of electroencephalogram (EEG) analysis relating to diagnostics and related technical support and training services to clinical institutions in the People's Republic of China, Hong Kong, Macau, Japan and Korea (collectively referred to as the "Licensed Areas") by utilizing the intellectual property rights sub-licensed by the Vendor. The intellectual property rights cover patents, database, related technology, skills, information and training materials for EEG analysis and associated diagnostics. They include, but are not limited to, the following:

(a) *U.S. Patent Application Docket No. 13/858,783 (filed on 8 April 2013)*

This patent integrates EEG recording and magnetic stimulation technology which represents new technology advancement in the use of multi-array EEG acquisition that is immune to the strong magnetic field caused by magnetic stimulation, and allows clinician to receive treatment diagnostic information in real-time. That means, Doctor of Medicine (MD) can decide whether the suspected diagnosis is accurate during the magnetic stimulation by observing the EEG response to the magnetic stimulation.

- (b) U.S. Patent Application No. 13/858,617 (filed on 8 April 2013, claiming benefit of provisional applications 61/621,089 and 61/621,399 both filed on 6 April 2012)**

This patent is based on Pavlovian conditioning theory to treat patients who have responded to magnetic stimulation by using similar sound and frequency to the magnetic treatment protocol. The patient's response (especially the EEG response) will help the MDs differentiate the nature of diseases, either psychological or organic.

- (c) U.S. Patent No. 9,308,385 (with US Patent Application No. 13/858,693 and issued on 12 April 2016)**

This patent summarizes the new understanding of mathematical relationship among multiple organs in the body. It has been demonstrated arrhythmia or irregular movement of other organs which may result in brain and mental disorder. Magnetic stimulation set according to individual's specific frequency in the heart or intestine movement can effectively resynchronize the brain activity and subsequently normalize brain disorders. The effectiveness of the treatment will help MDs to identify the source of the brain or mental disorder. This patent is expected to expire on 8 April 2033.

- (d) U.S. Patent Application No. 15/066,754 (filed on 10 March 2016)**

Pain signal is processed at various stages along the neuronal pathway. Nerve endings and peripheral nerves are the first stages to receive and evaluate the severity of harmful stimulation. Central nervous system (spinal cord and brain) further integrates and interprets the signal. The output of the process will result in more compensatory reaction such as avoidance or muscle spasm. The degrees of reaction may reflect how the pain information is perceived. With this technology, MDs will gain diagnostic knowledge of the condition of the central or peripheral nerve system.

- (e) U.S. Patent Application No. 15/087,209 (filed on 31 March 2016)**

This patent application summarizes technology to make objective diagnosis of mental disorders using EEG and other biometric measurements. With this technology, we will be able to develop multiple EEG measurements with advance statistical process in accordance with contemporary neuropsychiatric diagnosis.

Under the licence agreement on 30 May 2016, within the Licensed Areas, SJKGC is licensed irrevocably, specifically and exclusively on perpetual basis to provide analysis service of EEG examination and diagnosis to third parties such as medical institutions, etc., and to charge license fee. The relevant technology is developed based on research related to hermodynamics, electromagnetic physics and the human brain metabolism, signal processing, etc. and part of it has been approved by the Food and Drug Administration (FDA) in the United States, and has applied for the detection and subsequent treatment of autism, depression, drug addiction, severe insomnia and war syndrome and other brain disorders respectively in the United States, Mexico and other countries.

Moreover, within the Licensed Areas, SJKGC shall irrevocably, specifically and exclusively have right to use relevant information formed by examination and diagnosis, including, but not limited to, EEG, Electrocardiography (ECG), blood samples, gene banks and patient medical history, etc. and SJKGC can produce different data commodities with relevant examination data based on needs by applying proprietary Neuro Ref analysis to compiling conclusion report information for licensing third parties to use and receive revenue.

Throughout the term of the license agreement, within the Licensed Areas, SJKGC grants to the Vendor a limited, non-exclusive, non-transferable, non-sublicensable, royalty-free right and license to access, use, reproduce and create derivative works of the SJKGC's data, in connection with SJKGC's access to or use of the intellectual property rights, solely to create diagnosis report for SJKGC, and for no other purpose, unless the parties agree otherwise in writing. SJKGC may terminate the license if such license would violate applicable law or regulation or to the extent any right of SJKGC to such data expires or terminates.

Currently, SJKGC has initiated in-depth negotiation in relation to a cooperation program with several domestic hospitals, medical and health check institutions. Pursuant to the program under negotiation, SJKGC shall franchise licensees to use NeuroRef's patented quantitative EEG examination and diagnosis technology and shall provide relevant personnel training services. The licensees shall invest in quantitative EEG examination equipment at its own cost, bear examination costs, receive examination income from EEG examinees, and pay SJKGC 50% of its examination income for each EEG examination on a monthly basis. The business is expected to be promoted to key cities, such as Beijing, Shanghai, Guangzhou and Shenzhen in the PRC. Furthermore, SJKGC is also in the process of negotiation in relation to possible cooperation in quantitative EEG examination and diagnosis business with medical institutions in Japan and South Korea.

According to the information and knowledge of the Company, as at 30 April 2016, the total assets of SJKGC amounted to US\$1,000 with no revenue and net profit for the period from February 2016 to April 2016.

On 16 April 2016, the Company, the Vendor and SJKGC entered into an agreement pursuant to which the Company conditionally agreed to purchase, and the Vendor conditionally agreed to sell 51% of the entire issued shares of SJKGC to the Company, at a consideration of US\$27,000,000.

According to the agreement, the Vendor warrants to the Company that SJKGC in each of the three financial years of 2017, 2018 and 2019 will have an audited after tax profit of not less than US\$5,390,000. If the above guarantee is not met, the Vendor irrevocably agrees and guarantees that whilst SJKGC's audited after tax profit is less than US\$5,390,000, the Vendor shall pay, in an appropriate manner, to SJKGC in the amount equal to US\$5,390,000 minus SJKGC's actual audited after tax profit of that year.

4. INDUSTRY OVERVIEW

Global Mental Health

Mental health is an integral and essential component of health. The World Health Organization (referred to as "WHO") constitution states: "Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity." An important implication of this definition is that mental health is more than just the absence of mental disorders or disabilities. Mental health is a state of well-being in which an individual realizes his or her own abilities, can cope with the normal stresses of life, can work productively and is able to make a contribution to his or her community.

The world's population is ageing rapidly. Between 2015 and 2050, the proportion of the world's older adults is estimated to almost double from about 12% to 22%. In absolute terms, this is an expected increase from 900 million to 2 billion people over the age of 60. Older people face special physical and mental health challenges which need to be recognized.

Over 20% of adults aged 60 and over suffer from a mental or neurological disorder (excluding headache disorders) and 6.6% of all disability (disability adjusted life years) among over 60s is attributed to neurological and mental disorders. These disorders in the elderly population account for 17.4% of years lived with disability. The most common neuropsychiatric disorders in this age group are dementia and depression. Anxiety disorders affect 3.8% of the elderly population, substance use problems affect almost 1% and around a quarter of deaths from self-harm are among those aged 60 or above. Substance abuse problems among the elderly are often overlooked or misdiagnosed.

Mental health problems are under-identified by health-care professionals and older people themselves, and the stigma surrounding mental illness makes people reluctant to seek help.

Depression

Depression is a common mental disorder and one of the main causes of disability worldwide. Globally, an estimated 350 million people are affected by depression. More women are affected than men. Depression is characterized by sadness, loss of interest or pleasure, feelings of guilt or low self-worth, disturbed sleep or appetite, tiredness, and poor concentration. Sufferers may also have multiple physical complaints with no apparent physical cause. Depression can be long-lasting or recurrent, substantially impairing people's ability to function at work or school and to cope with daily life. At its most severe, depression can lead to suicide.

Bipolar affective disorder

This disorder affects about 60 million people worldwide. It typically consists of both manic and depressive episodes separated by periods of normal mood. Manic episodes involve elevated or irritable mood, over-activity, pressure of speech, inflated self-esteem and a decreased need for sleep. People who have manic attacks but do not experience depressive episodes are also classified as having bipolar disorder.

Epilepsy

Epilepsy is a chronic non-communicable disorder of the brain that affects people of all ages. Approximately 50 million people worldwide have epilepsy, making it one of the most common neurological diseases globally. Nearly 80% of the people with epilepsy live in low- and middle-income countries. People with epilepsy respond to treatment approximately 70% of the time. About 75% of people with epilepsy living in low- and middle- income countries do not get the treatment they need. In many parts of the world, people with epilepsy and their families suffer from stigma and discrimination.

Dementia

According to WHO, 47.5 million people have dementia worldwide. Dementia is usually of a chronic or progressive nature in which there is deterioration in cognitive function (i.e. the ability to process thought) beyond what might be expected from normal ageing. It affects memory, thinking, orientation, comprehension, calculation, learning capacity, language and judgement. The impairment in cognitive function is commonly accompanied, and occasionally preceded, by deterioration in emotional control, social behaviour, or motivation. Dementia is caused by a variety of diseases and injuries that affect the brain, such as Alzheimer's disease or stroke.

Schizophrenia

Schizophrenia is a severe mental disorder, affecting about 21 million people worldwide. Psychoses, including schizophrenia, are characterized by distortions in thinking, perception, emotions, language, sense of self and behaviour. Common psychotic experiences include hallucinations (hearing, seeing or feeling things that are not there) and delusions (fixed false beliefs or suspicions that are firmly held even when there is evidence to the contrary). The disorder can make it difficult for people affected to work or study normally.

Schizophrenia typically begins in late adolescence or early adulthood. Treatment with medicines and psychosocial support is effective. With appropriate treatment and social support, affected people can lead a productive life, be integrated in society. Facilitation of assisted living, supported housing and supported employment can act as a base from which people with severe mental disorders, including Schizophrenia, can achieve numerous recovery goals as they often face difficulty in obtaining or retaining normal employment or housing opportunities.

Autism spectrum disorders

According to WHO, 1 in 160 children has an autism spectrum disorder (ASD). ASD consists of a range of conditions characterised by some degree of impaired social behaviour, communication and language, and a narrow range of interests and activities that are both unique to the individual and carried out repetitively. ASD begins in childhood but tends to persist into adolescence and adulthood. While some people with ASD are able to live independent and productive lives, others have severe disabilities and require life-long care and support. Evidence-based psychosocial interventions, such as behavioural treatment, can reduce difficulties in communication and social behaviour, with a positive impact on wellbeing and quality of life. Interventions targeting people with ASD need to be accompanied by broader actions for making physical, social and attitudinal environment more accessible, inclusive and supportive. Worldwide, people with ASD are often subject to stigma, discrimination and human rights violations. Globally, access to services and support for people with ASD is inadequate.

The PRC Mental Health

According to the latest Mental Health Atlas Country Profile 2014 prepared by WHO, the total population of the PRC was approximately 1,402 million with only US\$367 of health expenditure per person while the global average by country of US\$1,127. The estimated rate of disability-adjusted life years and suicide due to mental disorders were 2,449 and 8.7 to every 100,000 population respectively, which are equivalent to approximately 34 million of deaths due to mental disorders in the PRC. There were 728 mental hospitals operating in the PRC with only 66,651 of the total reported staff and the reported rate of 1.7 of psychiatrists to every 100,000 population. The number of mental health outpatient visits was approximately 25.4 million.

Outpatient care

Total number of outpatient visits (per 100,000 population)	1,814
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Inpatient care

Mental hospitals	728
Total reported staff	66,651

Source: Mental health Atlas country profile 2014, WHO

Electroencephalogram (EEG)

An electroencephalogram (EEG) is a test used to evaluate the electrical activity in the brain. Brain cells communicate with each other through electrical impulses. An EEG can be used to help detect potential problems associated with this activity, and also it can track and record brain wave patterns. Small, flat metal discs called electrodes are attached to the scalp with wires. The electrodes analyze the electrical impulses in the brain and send signals to a computer, where the results are recorded. The electrical impulses in an EEG recording lines which allow doctors to quickly assess whether there are abnormal patterns. Any irregularities may be a sign of seizures or other brain disorders.

An EEG is used to detect problems in the electrical activity of the brain that may be associated with certain brain disorders. The measurements given by an EEG are used to confirm or rule out various conditions, such as a head injury, a brain tumor, memory problems, sleep disorders, stroke, dementia, etc. When someone is in a coma, an EEG may be performed to determine the level of brain activity. The test can also be used to monitor activity during brain surgery.

The EEG has been used for many years and is considered as a safe procedure. The test causes no discomfort. The electrodes record activity. They do not produce any sensation. In addition, there is no risk of getting an electric shock. When someone has epilepsy or another seizure disorder, the stimuli presented during the test (such as a flashing light) may cause a seizure. However, the technician performing the EEG is trained to safely manage the situation should this occur.

Depending on the pattern of the results, a diagnosis can be made right away and the doctor will either declare the brain's electrical activity as normal or abnormal. There are several types of brain waves that can show up on the test, including:

- Alpha waves: This type of wave has a frequency of 8 to 12 cycles per second and occurs only during the waking state or when one is mentally alert but has his or her eyes closed;
- Beta waves: This type of wave has a frequency of 13 to 30 cycles and occurs when one is alert;
- Delta waves: This is the type of wave that occurs when one is sleeping and is also what can normally be found in young children; and
- Theta waves: Similar to the Delta waves, this type of wave occurs only when one is asleep and has a frequency of 4 to 7 cycles per second.

In case of the results is normal, electrical activity in the brain is seen in an EEG as a pattern of waves. Different levels of consciousness, such as sleeping and waking, have a specific range of frequencies of waves per second that are considered normal. The EEG will show if the frequency of waves or patterns are normal. Normal activity typically means that the patient do not have a brain disorder.

On the other hand, if the results appear to be abnormal, it may be due to, for instances, abnormal bleeding, sleep disorder, encephalitis (swelling of the brain), a tumor, head injury, etc.

5. SOURCE OF INFORMATION

For the purpose of our valuation, we have been furnished with the financial and operational information in respect of SJKGC provided by the senior management of the Company.

We have no reason to doubt the truth and accuracy of the information provided to us, and we have been confirmed by the senior management of the Company that no material facts have been omitted from the information provided to us.

Apart from the information provided by the senior management of the Company, we also obtained market data, industrial information and statistical figures from Bloomberg Terminal and other publicly available sources.

6. SCOPE OF WORKS

The following processes have been conducted by us in the course of our valuation:

- Interviewed with the senior management of the Company in respect of the core operation of SJKGC;
- Obtained relevant financial and operational information in respect of SJKGC from the senior management of the Company;
- Examined the basis and assumptions of the financial and operational information in respect of SJKGC provided by the senior management of the Company;
- Conducted appropriate research to obtain sufficient market data, industry information and statistical figures from Bloomberg Terminal and other publicly available sources; and
- Prepared the valuation and this report in accordance with generally accepted valuation procedures and practices.

7. VALUATION ASSUMPTIONS

Due to the changing economic and market conditions, a number of assumptions have to be adopted in our valuation. The major assumptions adopted in our valuation are as follows:

General Market Assumptions

- There will be no material change in the existing political, legal, fiscal, technological, economic and market conditions in the jurisdiction where SJKGC is currently or will be situated;
- There will be no material change in the taxation laws and regulations in the jurisdiction where SJKGC is currently or will be situated, that the tax rates will remain unchanged and that all applicable laws and regulations will be complied with;
- The market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;
- The supply and demand, both domestically and internationally, of the products and/or services of SJKGC or similar products and/or services will not differ materially from those of present or expected;

- The market prices and the relevant costs, both domestically and internationally, of the products and/or services of SJKGC or similar products and/or services will not differ materially from those of present or expected;
- The products and/or services of SJKGC or similar products and/or services are marketable and liquid, that there are active markets for the exchange of the products and/or services of SJKGC or similar products and/or services; and
- The market data, industrial information and statistical figures obtained from Bloomberg Terminal and other publicly available sources are true and accurate.

Company-specific Assumptions

- All licenses, permits, certificates and consents issued by any local, provincial or national government or other authorized entity or organization that will affect the operation of SJKGC have been obtained or can be obtained upon request with an immaterial cost;
- The core operation of SJKGC will not differ materially from those of present or expected;
- The financial and operational information in respect of SJKGC have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Company;
- SJKGC currently has, or will have, adequate human capital and capacity required for the production and/or provision of the products and/or services of SJKGC, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of SJKGC;
- SJKGC has acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and working capital from time to time, and any scheduled interest or repayment of loan and payable will be paid on time;
- The senior management of SJKGC will implement only those prospective financial and operational strategies that will maximize the efficiency of the operation of SJKGC;
- The senior management of SJKGC has sufficient knowledge and experience in respect of the operation of SJKGC, and the turnover of any director, management or key person will not affect the operation of SJKGC;
- The senior management of SJKGC has adopted reasonable and appropriate contingency measures against any human disruption such as fraud, corruption and strike, and the occurrence of any human disruption will not affect the operation of SJKGC;

- The senior management of SJKGC has adopted reasonable and appropriate contingency measures against any natural disaster such as fire, flood and hurricane, and the occurrence of any natural disaster will not affect the operation of SJKGC;
- SJKGC will be subject to 10% of withholding tax, as advised by the senior management of the Company; and
- SJKGC will engage downstream medical centers/institutions to promote and expand its business and relevant contracts will be signed accordingly.

8. VALUATION APPROACH

General Valuation Approaches

The following generally accepted valuation approaches have been considered in the course of our valuation: (1) the income approach; (2) the market approach; and (3) the cost approach.

Income Approach

The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The discounted cash flow (DCF) method is the most fundamental and prominent method of the income approach. In applying the DCF method, the free cash flows of the subject asset in future years were determined from the net income after tax plus non-cash expenses, such as depreciation and amortization expenses, and after-tax interest expense; the result was then less non-cash incomes, investment in capital expenditure and investment in net working capital.

Market Approach

The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the guideline company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The sales comparison method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Cost Approach

The cost approach provides an indication of value based on the principle that an informed buyer would pay no more than the cost of producing the same or a substitute asset with equal utility as the subject asset.

Under the cost approach, the historical cost method measures the cost incurred throughout the development of the subject asset at the time it was developed. The replication cost method measures the amount of investment that would be required to develop an asset similar to the subject asset. The replacement cost method measures the amount of investment that would be required to develop the subject asset as it currently exists.

Selected Valuation Approach

The selection of a valuation approach is based on, among other criteria, the quantity and quality of the information provided, access to available data, supply of relevant market transactions, type and nature of the subject asset, purpose and objective of the valuation and professional judgment and technical expertise.

Although SJKGC is a newly established company and has no operating history, the income approach was considered to be the most appropriate valuation approach in the valuation, as it can accurately reflect the business model of SJKGC, which is unique when compared with other companies. It also takes the future growth potential and firm-specific issues of SJKGC into consideration.

The market approach, instead, relies generally on deriving value through a measure of the values of industry comparables or market transactions. Given the characteristics of SJKGC, there was a lack of explicitly industry comparables or market transactions available as at the Date of Valuation to derive an indicative value of SJKGC with sufficient level of accuracy. Accordingly, the market approach was abandoned. The cost approach was also considered as inappropriate as the replication cost of SJKGC may not represent the value of SJKGC.

9. VALUATION METHODOLOGY

Under the income approach, the discounted cash flow (DCF) method was adopted in the valuation. The DCF method is the most fundamental and prominent method of the income approach. In applying the DCF method, the free cash flows were computed using the following formula:

$$FCF = NOPAT + NCE - NCI - InvFA - InvNWC$$

Where:

<i>FCF</i>	=	free cash flow
<i>NI</i>	=	net operating profit after tax
<i>NCE</i>	=	non-cash expenses
<i>NCI</i>	=	non-cash incomes
<i>InvFA</i>	=	investment in capital expenditure
<i>InvNWC</i>	=	investment in net working capital

The results were then discounted using a discount rate, or the cost of capital, to determine the present value of the expected cash flows.

The present value of the expected cash flows was computed using the following formula:

$$PVFCF = FCF_1 / (1 + r)^1 + FCF_2 / (1 + r)^2 + \dots + FCF_n / (1 + r)^n$$

Where:

<i>PVFCF</i>	=	present value of free cash flows
<i>FCF</i>	=	free cash flow
<i>r</i>	=	discount rate
<i>n</i>	=	number of year of projections

Revenue

As SJKGC has no operating history, the projected revenue forecast was prepared based on financial projections of SJKGC. SJKGC will generate revenue by charging license fee from third parties such as medical institutions, etc., for providing analysis service of EEG examination and diagnosis. In our valuation, SJKGC is expected to start its operation from 2017. As advised by the senior management of SJKGC, SJKGC was in the process of in-depth negotiation in relation to a possible cooperation program with 2 companies, namely Company A and Company B as at the Date of Valuation.

Company A is specialized in health check and medical services in the PRC. It plans to select its appropriate clinics in key cities in the PRC to establish the business. It is intended that the number of clinics covered will reach 70 by the end of 2020. Company B is a healthcare chain institution in the PRC. SJKGC will select Company B's clinics in key cities in the PRC to carry out patented EEG analysis services. It is intended that the number of clinics covered will reach 20 by the end of 2019.

In our valuation, with reference to the cooperation program under negotiation, it is projected that SJKGC will promote its service to 30 clinics by the end of 2021. The increasing number of clinics using the analysis service of EEG examination and diagnosis provided by SJKGC was the main driver of the revenue growth.

The clinics will charge each patient for the EEG examination and diagnosis service. According to the cooperation program under negotiation, the clinics will offer a few plans for the EEG diagnosis based on different level of analysis. In our valuation, the lowest price was adopted in the valuation for prudent assumption.

Each clinic will be equipped with several EEG devices and was expected that the utilisation will be increased after the first month of operation. The utilisation of the EEG devices adopted in the valuation was considered to be a conservative estimation, as advised by the senior management of the SJKGC.

As new clinics establish the business throughout each year in the forecast period, the number of EEG diagnoses and the average per clinic EEG diagnosis as well as the revenue will be gradually increased.

According to the preliminary cooperation program, SJKGC will be entitled to 50% of clinics' revenue from EEG examination and diagnosis as the royalty income.

After discussed with the senior management of SJKGC, it is considered that the adopted basis would be reasonably prudent, compared to cooperation program under negotiation as at the Date of Valuation.

After 5 years, the revenue was projected to increase at the long-term growth rate. The table below presents the first 5 years' revenue:

Year	2017	2018	2019	2020	2021
No. of Clinics	18	22	26	28	30
Average Per Clinic Revenue (US\$'000)	1,087	1,511	1,529	1,598	1,600
Clinics' Revenue (US\$'000)	19,562	33,238	39,758	44,740	48,000
Royalty Revenue for SJKGC (US\$'000)	<u>9,781</u>	<u>16,619</u>	<u>19,879</u>	<u>22,370</u>	<u>24,000</u>

Operating Expenses

The operating expenses consist of royalty payment to Vendor, which is equivalent to 10% of the revenue of SJKGC, and other operating expenses, including salaries, rent, depreciation, etc. The projected operating expenses in the first 5 years are presented in the following table:

Year	2017	2018	2019	2020	2021
Royalty Payment to Vendor (US\$'000)	978	1,662	1,988	2,237	2,400
Other Operating Expenses (US\$'000)	<u>838</u>	<u>1,038</u>	<u>1,263</u>	<u>1,542</u>	<u>1,950</u>

Withholding Tax

SJKGC is not a PRC-resident enterprise. As advised by the senior management of SJKGC, the royalty revenue will be subject to a 10% withholding tax. The table below presents the projected withholding tax in the first 5 years:

Year	2017	2018	2019	2020	2021
Withholding Tax (US\$'000)	<u>978</u>	<u>1,662</u>	<u>1,988</u>	<u>2,237</u>	<u>2,400</u>

Depreciation and Capital Expenditure

Most fixed assets of SJKGC are computer, server and leasehold improvements, of which the average useful life is estimated to be 5 years. The capital expenditure (CAPEX) was projected to acquire and maintain necessary fixed assets. The table below presents the projected depreciation and CAPEX in the first 5 years:

Year	2017	2018	2019	2020	2021
CAPEX (US\$'000)	154	61	68	216	124
Depreciation (US\$'000)	<u>31</u>	<u>43</u>	<u>57</u>	<u>100</u>	<u>124</u>

Net Working Capital

The net working capital (NWC) represents the account receivable less the account payable. The account receivable and the account payable were expected to be collected and paid in 1 month. The projected NWC and change of NWC in the first 5 years is presented as follows:

Year	2017	2018	2019	2020	2021
NWC (US\$'000)	666	1,164	1,390	1,558	1,648
Change of NWC (US\$'000)	<u>666</u>	<u>497</u>	<u>227</u>	<u>167</u>	<u>90</u>

Free Cash Flows

The projected free cash flows using the abovementioned formular in the first five years were as follows:

Year	2017	2018	2019	2020	2021
Royalty Revenue for SJKGC (US\$'000)	9,781	16,619	19,879	22,370	24,000
Less: Royalty Payment to Vendor (US\$'000)	978	1,662	1,988	2,237	2,400
Less: Other Operating Expenses (US\$'000)	838	1,038	1,263	1,542	1,950
Less: Withholding Tax (US\$'000)	<u>978</u>	<u>1,662</u>	<u>1,988</u>	<u>2,237</u>	<u>2,400</u>
Net Operating Profit After Tax (US\$'000)	6,987	12,257	14,640	16,354	17,250
Add: Depreciation (US\$'000)	31	43	57	100	124
Less: CAPEX (US\$'000)	154	61	68	216	124
Less: Change of NWC (US\$'000)	<u>666</u>	<u>497</u>	<u>227</u>	<u>167</u>	<u>90</u>
Free Cash Flow (US\$'000)	<u>6,197</u>	<u>11,742</u>	<u>14,402</u>	<u>16,071</u>	<u>17,160</u>

10. VALUATION PARAMETERS

Comparable Companies

For the purpose of our valuation, we referred to the information in respect of publicly listed companies that are considered to be comparable to SJKGC (referred to as the “Comparable Companies”).

Selection Criteria of the Comparable Companies

The selection of the Comparable Companies was based on the comparability of the overall industry sector and geographical location. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

The selection criteria of the Comparable Companies are as follows:

- The company is principally engaged in the electroencephalography related business;
- Shares of the company are listing in a major stock exchange and have been actively trading for at least 5 years of time; and
- Detailed financial and operational information in respect of the company are available at Bloomberg Terminal or other publicly available sources.

Selected Comparable Companies

After a thorough research on the available sources, we found that the business of SJKGC was so unique that no comparable companies with exactly the same business could be identified in the market; therefore we selected companies which are principally engaged in the electroencephalography related business. Given the abovementioned selection criteria, we have identified four Comparable Companies. Size premium was considered in the computation of discount rate for the difference in size between SJKGC and the Comparable Companies. Details of the Comparable Companies are as follows:

Comparable Company 1

Name of Company	:	Compumedics Limited
Bloomberg Ticker	:	CMP AU
Stock Exchange	:	Australian Securities Exchange

Company Description : Compumedics Limited is a medical device company involved in the development, manufacture and commercialisation of diagnostics technology for the sleep, brain and ultrasonic blood-flow monitoring applications.

Comparable Company 2

Name of Company : Nihon Kohden Corporation
Bloomberg Ticker : 6849 JP
Stock Exchange : Tokyo Stock Exchange
Company Description : Nihon Kohden is a manufacturer, developer and distributor of medical electronic equipment. The major product lines are patient monitors, electroencephalographs, evoked potential and electromyograph systems, electrocardiographs, defibrillators and hematology analyzers.

Comparable Company 3

Name of Company : Elekta AB
Bloomberg Ticker : EKTAB SS
Stock Exchange : Stockholm Stock Exchange
Company Description : Elekta is a human care company pioneering significant innovations and clinical solutions for treating cancer and brain disorders.

Comparable Company 4

Name of Company : Natus Medical Incorporated
Bloomberg Ticker : BABY US
Stock Exchange : NASDAQ Stock Market
Company Description : Natus Medical Incorporated is a manufacturer of medical devices and software and a service provider for the newborn care, neurology, sleep, hearing and balance markets. Natus products are used in hospitals, clinics and laboratories worldwide.

Discount Rate

The Weighted Average Cost of Capital (WACC) was adopted as the discount rate for the valuation. It is the required return on the capital investment of a company. The cost of capital will be different for each source of capital and class of securities a company has, reflecting the different risks. The WACC is the weighted average of the costs of each of the different types of capital, and the weights are proportion of the company's capital that comes from each source.

The WACC was computed using the following formula:

$$WACC = R_e (E/V) + R_d (D/V) (1 - T_c)$$

Where:

<i>WACC</i>	=	weighted average cost of capital
<i>R_e</i>	=	cost of equity
<i>R_d</i>	=	cost of debt
<i>E</i>	=	value of the firm's equity
<i>D</i>	=	value of the firm's debt
<i>V</i>	=	sum of the values of the firm's equity and debt
<i>T_c</i>	=	corporate tax rate

The WACC comprises two components: the cost of equity and the cost of debt. The cost of equity was determined using the Capital Asset Pricing Model (CAPM). The CAPM describes the relationship between the risk of a particular asset, its market price and the expected return to the investor, that investors required additional return to compensate additional risk associated.

The cost of equity under the modified CAPM was computed using the following formula:

$$R_e = R_f + \beta * MRP + RP_S + RP_U$$

Where:

<i>R_e</i>	=	cost of equity
<i>R_f</i>	=	risk-free rate
<i>β</i>	=	beta coefficient
<i>MRP</i>	=	market risk premium
<i>RP_S</i>	=	size premium
<i>RP_U</i>	=	company-specific risk premium

Risk-free Rate

R_f The risk-free rate (R_f) represents the time value of money. It is the theoretical rate of return of an investment with no risk of financial loss. The yield rate of bonds issued by a government or agency where the risks of default are so low as to be negligible are commonly applied as the risk-free rate.

The yield rate of the 10-year Central Government Bond of the PRC as at the Date of Valuation, as extracted from Bloomberg Terminal, was adopted as the risk-free rate in the valuation.

Beta Coefficient

β The beta coefficient (β) measures the risk of an asset relative to the overall market. It reflects the sensitivity of an asset's value to economic variables or risks that affect the values of all risky assets, including economic growth rates, interest rates, exchange rates and inflation rates.

In the valuation, as SJKGC is not listing in any major stock exchange or be marketable in any over-the-counter market, it is not possible to determine its beta coefficient directly. Instead, the beta coefficient for SJKGC was determined as the average of the betas of the Comparable Companies, with adjustment for differences in corporate tax rates and leverage compositions.

The adjusted betas of the Comparable Companies, which measure their risks relative to the market, as extracted from Bloomberg Terminal, were derived from the corresponding raw betas, modified by the assumption that a security's beta moves toward the market average over time with the following generally accepted formula:

$$\text{Adjusted Beta} = (1/3) + (2/3) * \text{Raw Beta}$$

The unlevered beta was calculated to consider the differences in corporate tax rates and leverage compositions of SJKGC and the Comparable Companies. The unlevered beta removes the effects of the use of leverage on the capital structure of a firm. Removing the debt component allows an investor to compare the base level of risk between various companies.

The unlevered beta was computed using the following formula:

$$\beta_{unlevered} = \beta_{levered} / [1 + (1 - T_c) (D/E)]$$

Where:

$\beta_{unlevered}$	=	unlevered beta
$\beta_{levered}$	=	levered beta
T_c	=	corporate tax rate
D	=	value of the firm's debt
E	=	value of the firm's equity
D/E	=	debt-to-equity ratio

The average of the unlevered betas of the Comparable Companies was then being relevered based on the specific corporate tax rate and the expected debt-to-equity ratio applied to SJKGC.

The relevered beta was computed using the following formula:

$$\beta_{relevered} = \beta_{unlevered} * [1 + (1 - T_c) (D/E)]$$

Where:

$\beta_{relevered}$	=	relevered beta
$\beta_{unlevered}$	=	unlevered beta
T_c	=	corporate tax rate
D	=	value of the firm's debt
E	=	value of the firm's equity
D/E	=	debt-to-equity ratio

Market Risk Premium

MRP The market risk premium (MRP) is the implied risk premium expected from the market using forecasted growth rates, earnings, dividends, payout ratios and current values. It represents the additional return required by an investor as compensation for investing in equities rather than a risk-free instrument.

The market risk premium of the PRC as at the Date of Valuation was computed using the market risk premium of the United States and the country risk premium of the PRC.

The market risk of the United States was determined with reference to “2016 Valuation Handbook-Guide to Cost of Capital”, published by Duff & Phelps Corporation. And, the country risk premium of the PRC was calculated under the combined approach, which was the average of the risk premium calculated under the country bond approach and relative equity market approach. Duff & Phelps Corporation is a premier global valuation and corporate finance advisor with expertise in complex valuation, dispute and legal management consulting, M&A, restructuring as well as compliance and regulatory consulting. The valuation handbook published by Duff & Phelps Corporation is well recognized in the valuation industry.

Size Premium

By considering the size of SJKGC, a size premium was adopted in the valuation with reference to “2016 Valuation Handbook – Guide to Cost of Capital”, published by Duff & Phelps Corporation. Duff & Phelps Corporation is a premier global valuation and corporate finance advisor with expertise in complex valuation, dispute and legal management consulting, M&A, restructuring as well as compliance and regulatory consulting. The valuation handbook published by Duff & Phelps Corporation is well recognized in the valuation industry.

Company-specific Risk Premium

By considering the additional risk factors associated with the operation of SJKGC, a company-specific risk premium was adopted in the valuation. The additional risk factors considered were as follows:

- Start-up stage: SJKGC is a start-up company with no operation history. It requires time to implement its business plans; and
- Technological obsolescence: There is a risk that new EEG related technology evolved and the underlying technologies for the analysis service of EEG examination and diagnosis might be obsolete. SJKGC might lose its competitiveness in such case.

Modeling Risk Premium

By considering that the business of SJKGC was so unique that no comparable companies with exactly the same business could be identified in the market, a modeling risk premium was adopted in the valuation for the difference in business of SJKGC and the Comparable Companies.

Cost of Equity

The cost of equity was determined using the CAPM.

Terminal Value

In a DCF method, the cash flow is projected for each year into the future for a certain number of years, after which unique annual cash flows cannot be forecasted with reasonable accuracy. At that point, rather than attempting to forecast the varying cash flow for each individual year, a terminal value is used to represent the discounted value of all subsequent cash flows.

The terminal value was computed using the following formula:

$$TV_t = CF_{t+1}/(r - g)$$

Where:

TV_t	=	terminal value at the final year of projection
CF_{t+1}	=	cash flow in one year after the final year of projection
r	=	discount rate
g	=	long-term growth rate

The long-term growth rate represents the rate at which the cash flow will grow perpetually after the final year of projection. After determining the terminal value at the final year of projection, the result was then discounted to the Date of Valuation to derive the present value of the terminal value.

Discount for Lack of Marketability

The discount for lack of marketability is a downward adjustment to the value of an investment to reflect its reduced level of marketability. The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted into cash if the owner chooses to sell.

The discount for lack of marketability reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

When determining the discount, we have made reference to the “Determining Discounts for Lack of Marketability – A Companion Guide to The FMV Restricted Stock Study 2015 Edition”, published by FMV Opinions, Inc. The FMV Restricted Stock Study is an updated research on the discount for lack of marketability database that provides the empirical support needed to determine DLOM. Relevant private placement transactions from July 1980 through September 2014 have been examined

As SJKGC is unlikely to undergo public offering and shares of SJKGC are unlikely to be listed in any major stock exchange or be marketable in any over-the-counter market in the near future, a discount for lack of marketability has been adopted in the valuation.

Adopted Rates of Valuation Parameters

In the valuation, the adopted rates of the abovementioned valuation parameters are as follows:

Valuation Parameter	As at 31 March 2016
a. Risk-free Rate	2.89%
b. Beta Coefficient	0.745
c. Market Risk Premium	11.18%
d. Size Premium	3.58%
f. Company-specific Premium	5.00%
g. Model Risk Premium	1.00%
h. Cost of Equity	20.80%
i. Discount Rate	20.80%
j. Long-term Growth Rate	2.14%
k. Discount for Lack of Marketability	16.11%

11. SENSITIVITY ANALYSIS

The sensitivity analysis has been applied to determine the impact of changes in the discount rate and the price of diagnosis on the market value of SJKGC. The results of the sensitivity analysis were as follows:

SENSITIVITY ANALYSIS ON DISCOUNT RATE

Change in Discount Rate (%)	Discount Rate (%)	Market Value (US\$)	Change in Market Value (%)
2.0%	22.80%	51,000,000	-12.07%
1.0%	21.80%	54,000,000	-6.90%
-	20.80%	58,000,000	-
-1.0%	19.80%	61,000,000	5.17%
-2.0%	18.80%	66,000,000	13.79%

SENSITIVITY ANALYSIS ON THE PRICE OF DIAGNOSIS

Change in Price (%)	Price of Each Diagnosis (US\$)	Market Value (US\$)	Change in Market Value (%)
10.0%	208	64,000,000	10.34%
5.0%	198	61,000,000	5.17%
-	189	58,000,000	-
-5.0%	179	54,000,000	-6.90%
-10.0%	170	51,000,000	-12.07%

12. REMARK

For the purpose of our valuation, we have been furnished with information provided by the senior management of the Company. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made or liability assumed for the accuracy of any data, opinions or estimates identified as being furnished by others, which have been used in formulating our analysis.

Unless otherwise stated, all money amounts stated herein are in United States Dollars (US\$).

13. CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices that rely on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to uncertainties and contingencies that are beyond the control of the Company, SJKGC or us.

Based on our investigation and analysis outlined in this report, it is our opinion that the market value of the 100% equity interest in SJKGC as at 31 March 2016 was **US\$58,000,000 (UNITED STATES DOLLARS FIFTY EIGHT MILLION ONLY)**.

We hereby certify that we have neither present nor prospective interest in the Company, SJKGC or the result reported.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Marco T. C. Sze
*B.Eng(Hon), PGD(Eng), MBA(Acct),
CFA, AICPA/ABV, RBV, CIM*
Director

Note:

Mr. Marco T. C. Sze is a Chartered Financial Analyst, a member of the American Institute of Certified Public Accountants (AICPA) and is accredited in Business Valuation by the AICPA. In addition, he is a Registered Business Valuer under the Hong Kong Business Valuation Forum and a member of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM). He has extensive experience in valuing similar assets or companies as that of SJKGC worldwide.

The following is the full text of a letter from Titan Financial Services Limited in connection with the projection underlying the valuation report of SJKGC, prepared for the purpose of incorporation in this circular.

25 July 2016

The Board of Directors
Tianjin TEDA Biomedical Engineering Company Limited
No.12 Tai Hua Road
The 5th Avenue
TEDA
Tianjin
PRC

Dear Sirs,

We refer to the valuation report dated 25 July 2016 prepared by BMI Appraisals Limited (“**BMI**”) in relation to valuation of the market value of 100% equity interest in SJKGC (the “**Valuation**”) as at 31 March 2016 as set out in Appendix V to the circular of the Company dated 25 July 2016 (the “**Circular**”). The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast (the “**Profit Forecast**”) under Rule 19.61 of the GEM Listing Rules. Capitalised terms used in this letter shall have the same meanings as defined in the Circular, unless the context requires otherwise.

We have (i) reviewed the Profit Forecast upon which the Valuation has been made; (ii) discussed with the management of the Company and BMI; and (iii) reviewed the information and documents provided by the Company which formed part of the bases and assumptions upon which the Profit Forecast has been prepared. We have also reviewed the letter issued by BDO dated 25 July 2016, the reporting accountants of the Company, as set out in Appendix VII to the Circular regarding the calculations upon which the Profit Forecast has been made. We noted that in the opinion of BDO that the discounted future cash flows, so far as the arithmetical accuracy of the calculations is concerned, have been properly complied, in all material respects, in accordance with the bases and assumptions adopted by the Directors in the Valuation. The Profit Forecast is based on a number of bases and assumptions pertaining to the business of the Target Company. As the relevant bases and assumptions are about future events which may or may not occur, the actual financial performance of the business of SJKGC may or may not achieve as expected and the variation may be material.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions adopted by BMI on the Valuation, for which BMI and the Company are responsible, we are of the opinion that the Profit Forecast, for which you as the Directors are solely responsible, has been made after due and careful enquiry by you. However, we express no opinion on which the actual cash flows would eventually be achieved in correspondence with the Profit Forecast. We have assumed that all information, materials and representations so supplied, including all information, materials and representations referred to or contained in the Circular, for which the Directors are wholly responsible, were true, accurate, complete and not misleading at the time they were supplied or made and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, expressed or implied, is made by us on the accuracy, truth or completeness of such information, materials, opinions and/or representations. Circumstances could have developed or could develop in the future that, if known to us at the time of this letter, would have altered our respective assessment and review. We accept no responsibility to any other person in respect of, arising out of or in connection with our works. Our opinion has been given solely for the compliance with Rule 19.62(3) of the GEM Listing Rule and for no other purposes.

Yours faithfully,
for and on behalf of
Titan Financial Services Limited
Eric Koo
Managing Director

The Board of Directors
Tianjin TEDA Biomedical Engineering Company Limited
No. 12 Tai Hua Road
The 5th Avenue, TEDA
Tianjin
PRC

25 July 2016

Dear Sirs,

**TIANJIN TEDA BIOMEDICAL ENGINEERING COMPANY LIMITED (THE
“COMPANY”) THE DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN
CONNECTION WITH THE BUSINESS VALUATION ON SHU JU KU GREATER CHINA,
LTD. (THE “TARGET GROUP”)**

Independent Assurance Report

In accordance with our agreed terms of engagement, we have examined the arithmetical accuracy of the calculations of the discounted future estimated cash flows of Shu Ju Ku Greater China, Ltd. (the “Underlying Forecast”) on which the valuation prepared by BMI Appraisals Limited dated 25 July 2016 in respect of 100% equity interest in the Target Company as at 31 March 2016 (the “Valuation”) is based. The Valuation, based on the Underlying Forecast, is regarded as a profit forecast under Rule 19.61 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and will be included in a circular to be issued by Tianjin Teda Biomedical Engineering Company Limited (the “Company”) dated 25 July 2016 (the “Circular”).

Responsibilities of directors for the Underlying Forecast

The directors of the Company (the “Directors”) are solely responsible for the preparation of the Underlying Forecast in accordance with the bases and assumptions adopted by the Directors as set out in Appendix V to the Circular (the “Assumptions”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the Underlying Forecast for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants’ responsibility

Our responsibility is to express a conclusion, based on our work, on the arithmetical accuracy of the calculations of the Underlying Forecast on which the Valuation is based, and to report our conclusion to you, as a body, solely for the purpose of reporting under paragraph 29(2) of Appendix 1B of the GEM Listing Rules, and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work. Because the Underlying Forecast relates to cash flows, no accounting policies of the Company have been adopted in its presentation.

We conducted our engagement in accordance with the terms of our engagement and Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. We have planned and performed our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations is concerned, the Directors have properly compiled the Underlying Forecast in accordance with the Assumptions. We performed procedures on the arithmetical calculations and the compilations of the Underlying Forecast in accordance with the Assumptions. Our work was substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion on the Underlying Forecast.

The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from those used in the Valuation and the variation may be material. Accordingly we have not reviewed, considered or conducted any work on the completeness, reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon; and our work does not constitute any valuation on the Target Company.

Conclusion

In our opinion, the Underlying Forecast, so far as the arithmetical accuracy of the calculations is concerned, has been properly compiled, in all material respects, in accordance with the Assumptions adopted by the Directors as set out in Appendix V.

Yours faithfully

BDO Limited

Certified Public Accountants

Hong Kong

1. 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.

2. SHARE CAPITAL

	Number of Shares	Issued Share Capital (RMB)
Shares in issue as at the Latest Practicable Date	1,595,000,000	159,500,000
Issue and Allotment of Consideration Shares upon Completion of the Acquisition	1,695,000,000	169,500,000

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

As at the Latest Practicable Date, the interests of the Directors and Supervisors of the Company and their respective associates in the Company and its associated corporations (within the meaning of Part XV of the SFO) were as follows:

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

Directors/Supervisors/ Executive Officers	Personal	Family	Corporate	Others	Total	Percentage of Issued share capital
Ms. Sun Li	-	-	300,000,000 (Note1)	-	300,000,000	18.81%
Mr. Chen Yingzhong	-	-	170,000,000 (Note2)	-	170,000,000	10.66%

Notes:

- 180,000,000 of these shares are held by Shenzhen Xiangyong Investment Company Limited ("Xiangyong Investment") and 120,000,000 by Dongguan Lvye Fertilizers Company Limited ("Lvye Fertilizers"). Ms. Sun Li is the beneficial owner who is holding 15% equity interest in Beijing Yingguxinye Investment Co., Ltd, which is holding 100% equity interest in both Xiangyong Investment and Lvye Fertilizers, respectively. All of the shares represent domestic shares.
- These shares are held by Shandong Zhinong Fertilizers Company Limited ("Zhinong Fertilizers"), and Mr. Chen Yingzhong is the beneficial owner who is holding 100% equity interest in Zhinong Fertilizers. All of the shares represent domestic shares.

Save as disclosed in this paragraph, as at the Latest Practicable Date, none of the directors, supervisors and other executive officers of the Company had interests in any securities, underlying shares and debentures of the Company or any of its associated corporations, which were required (a) to notify the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) otherwise to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

4. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the following persons (other than the Directors and the Supervisors of the Company) had interests and short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

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

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

Note: All of the shares represent domestic share.

Save as disclosed above, as at the Latest Practicable Date, the Directors of the Company were not aware of any other person (other than the Directors and the Supervisors of the Company) who had an interest and short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

5. SERVICE CONTRACTS

None of the Directors or Supervisors has any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' AND SUPERVISORS' INTERESTS

- (a) None of the Directors or Supervisors had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Company, or was proposed to be acquired, or disposed of by, or leased to any member of the Company since 31 December 2015, the date to which the latest published audited financial statements of the Company were made up.
- (b) None of the Directors or Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Enlarged Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close associates was interested in any business (apart from the business of the Enlarged Group) which competes or is likely to compete either directly or indirectly with the business of the Enlarged Group (as would be required to be disclosed under the GEM Listing Rules if each of them were a controlling shareholder).

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company within the two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) the sale and purchase agreement dated 31 August 2014 entered into between the Company, Tianjin Jinnasen Technology Development Co. Ltd. and Tang Huiyue in respect of the disposal of 49.84% equity interest in Tianjin Alpha Health Care Products Co., Ltd (“Tianjin Alpha”) at a consideration of RMB22,000,000;

- (b) the placing agreement dated 20 April 2015 entered into between the Company and China Merchants Securities (HK) Co., Limited (as the placing agent), pursuant to which the Company agreed to appoint the placing agent for the purpose of procuring, on a best effort basis, subscribers for the aggregate of not more than 192,500,000 total placing H Shares at HK\$0.70 per share;
- (c) the capital increase agreement dated 24 June 2015 entered into between the Company, Tianjin Alpha, all its founding equityholders (including the Company, Tianjin Jinnasen Technology Development Co. Ltd. and Tang Huiyue) and seven independent individual third parties (the “Investors”), pursuant to which the Investors agreed to make the capital contribution of RMB14 million to Tianjin Alpha, of which RMB3.5 million were allocated to registered capital. In addition, on the even date, Jinnasen signed an undertaking in the form of a supplemental agreement in favour of the Company warranting to act in concert with and act according to the decision of the Company in voting at equityholders’ meeting and management of Tianjin Alpha until 30 September 2015;
- (d) the memorandum of understanding dated 15 April 2016 entered into between the Company and Donghai International Financial Holdings Company Limited in respect of the intended establishment of TEDA Donghai Biomedicine Merger and Acquisition Fund Management Company Limited* (泰達東海生物醫藥併購基金管理有限公司) for an intended investment fund;
- (e) the Agreement; and
- (f) the Supplemental Agreement.

9. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group.

10. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinions or advice for inclusion in this circular:

Name	Qualification
BDO Limited (“BDO”)	Certified Public Accountants
BMI Appraisals Limited	Professional Valuer
Titan Financial Services Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of BDO, BMI Appraisals Limited and Titan Financial Services Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name in the form and context in which it appears as at the Latest Practicable Date.

As at the Latest Practicable Date, each of BDO, BMI Appraisals Limited and Titan Financial Services Limited did not have any shareholding, directly or indirectly, in the Company or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of the Company.

As at the Latest Practicable Date, each BDO, BMI Appraisals Limited and Titan Financial Services Limited did not have any direct or indirect interests in any assets which had been since 31 December 2015, the date of which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by, or leased to, or proposed to be acquired or disposed of by, or leased to, the Company.

11. GENERAL

- (a) The registered office of the Company is situated at No. 12 Tai Hua Road, the 5th Avenue, TEDA, Tianjin, PRC.
- (b) The head office and principal place of business of the Company is situated at 9th Floor, Block A2, Tianda Hi-Tech Park, No. 80, the 4th Avenue, TEDA Tianjin, PRC.
- (c) The Hong Kong representative office of the Company is situated at 4/F., The Chinese Club Building, Nos. 21-22 Connaught Road Central, Central, Hong Kong.
- (d) The share registrar of the Company is Computershare Hong Kong Investor Services Limited situated at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) The company secretary of the Company is Mr. Ng Ka Kuen Raymond who is a member of the Hong Kong Institute of Certified Public Accountant.
- (f) The compliance officer of the Company is Ms. Sun Li. Ms. Sun has been the compliance officer of the Company since November 2015 and is also an executive Director since August 2015. Ms. Sun has obtained the certificate of Security Qualification from the Securities Association of China.
- (g) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the representative office of the Company in Hong Kong at 4/F., The Chinese Club Building, Nos. 21-22 Connaught Road Central, Central, Hong Kong, during normal business hours from 9:00 a.m. to 5:30 p.m. on any Business Day from the date of this circular up to and including the date of the EGM:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 December 2014 and 2015 respectively;
- (c) the accountants' report of SJKGC, the text of which is set out in Appendix II of this circular;
- (d) the letter from BDO in respect of the unaudited pro forma statement of assets and liabilities of the Enlarged Group, the text of which is set out in Appendix III of this circular;
- (e) the valuation report of SJKGC issued by BMI Appraisals Limited, the text of which is set out in Appendix V of this circular;
- (f) the letter from Titan Financial Services Limited in relation to the valuation report of SJKGC, the text of which is set out in Appendix VI of this circular;
- (g) the letter from BDO in relation to the valuation report of SJKGC, the text of which is set out in Appendix VII of this circular;
- (h) the Agreement and the Supplemental Agreement;
- (i) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (j) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix; and
- (k) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



泰 达

天津泰达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, 12 September 2016 at 9:30 a.m. to consider and, if thought fit, pass the following resolutions:

AS SPECIAL RESOLUTIONS

“THAT:

- (a) the agreement (the “**Agreement**”) dated 16 April 2016 entered into among the Company as purchaser, Shu Ju Ku Inc. as vendor (the “**Vendor**”), and Shu Ju Ku Greater China, Ltd. (“**SJKGC**”) in relation to the acquisition of 51% equity interest in SJKGC at a total consideration of US\$27,000,000 (a copy of the Agreement marked “**A**” has been produced to the Meeting and signed by the chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the supplemental agreement (the “**Supplemental Agreement**”) dated 25 April 2016 entered into among the Company, the Vendor and SJKGC to amend and supplement the Agreement (a copy of the Supplemental Agreement marked “**B**” has been produced to the Meeting and signed by the chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) the allotment and issue of 100,000,000 new H Shares (the “**Consideration Shares**”) at the issue price of HK\$1.60 per Consideration Share by the Company to the Vendor to settle part of the consideration payable by the Company under the Agreement in accordance with the terms and conditions of the Agreement and all transactions contemplated thereunder be and is hereby approved, confirmed and ratified;
- (d) subject to The Listing Division of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Consideration Shares, the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate (the “**Specific Mandate**”) to allot and issue the Consideration Shares pursuant to the Agreement;
- (e) the Directors be and are hereby authorised to amend the Articles of Association of the Company and complete all relevant registration and filing procedures as the Directors think fit so as to reflect the new capital structure of the Company upon the exercise of power to allot, issue and deal with the H Shares as conferred under paragraph (d) above;
- (f) all transactions contemplated thereunder or incidental to or in connection with the Specific Mandate, and all actions taken or to be taken by the Company pursuant to the Agreement and the Supplemental Agreement, be and are hereby generally and unconditionally approved, ratified and confirmed; and
- (g) any one or more Director(s) be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal, where applicable) which he/she/they consider(s) necessary, desirable or expedient to give effect to the Specific Mandate, the Agreement and the Supplemental Agreement and the transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

Yours faithfully

For and on behalf of the Board of

Tianjin TEDA Biomedical Engineering Company Limited

Sun Li

Chairman

Tianjin, the PRC

25 July 2016

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 17M 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 13 August 2016 to 12 September 2016 (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 12 August 2016 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 22 August 2016. 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

NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES



泰 达

天津泰达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, 12 September 2016 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:

AS SPECIAL RESOLUTIONS

“THAT:

- (a) the agreement (the “**Agreement**”) dated 16 April 2016 entered into among the Company as purchaser, Shu Ju Ku Inc. as vendor (the “**Vendor**”), and Shu Ju Ku Greater China, Ltd. (“**SJKGC**”) in relation to the acquisition of 51% equity interest in SJKGC at a total consideration of US\$27,000,000 (a copy of the Agreement marked “A” has been produced to the Meeting and signed by the chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the supplemental agreement (the “**Supplemental Agreement**”) dated 25 April 2016 entered into among the Company, the Vendor and SJKGC to amend and supplement the Agreement (a copy of the Supplemental Agreement marked “B” has been produced to the Meeting and signed by the chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES

- (c) the allotment and issue of 100,000,000 new H Shares (the “**Consideration Shares**”) at the issue price of HK\$1.60 per Consideration Share by the Company to the Vendor to settle part of the consideration payable by the Company under the Agreement in accordance with the terms and conditions of the Agreement and all transactions contemplated thereunder be and is hereby approved, confirmed and ratified;
- (d) subject to The Listing Division of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Consideration Shares, the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate (the “**Specific Mandate**”) to allot and issue the Consideration Shares pursuant to the Agreement;
- (e) the Directors be and are hereby authorised to amend the Articles of Association of the Company and complete all relevant registration and filing procedures as the Directors think fit so as to reflect the new capital structure of the Company upon the exercise of power to allot, issue and deal with the H Shares as conferred under paragraph (d) above;
- (f) all transactions contemplated thereunder or incidental to or in connection with the Specific Mandate, and all actions taken or to be taken by the Company pursuant to the Agreement and the Supplemental Agreement, be and are hereby generally and unconditionally approved, ratified and confirmed; and
- (g) any one or more Director(s) be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal, where applicable) which he/she/they consider(s) necessary, desirable or expedient to give effect to the Specific Mandate, the Agreement and the Supplemental Agreement and the transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

Yours faithfully

For and on behalf of the Board of

Tianjin TEDA Biomedical Engineering Company Limited

Sun Li

Chairman

Tianjin, the PRC

25 July 2016

NOTICE OF CLASS MEETING OF THE HOLDERS OF H SHARES

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 17M 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 13 August 2016 to 12 September 2016 (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 12 August 2016 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 22 August 2016. 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 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

NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES



泰 达

天津泰达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, 12 September 2016 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:

AS SPECIAL RESOLUTIONS

“THAT:

- (a) the agreement (the “**Agreement**”) dated 16 April 2016 entered into among the Company as purchaser, Shu Ju Ku Inc. as vendor (the “**Vendor**”), and Shu Ju Ku Greater China, Ltd. (“**SJKGC**”) in relation to the acquisition of 51% equity interest in SJKGC at a total consideration of US\$27,000,000 (a copy of the Agreement marked “**A**” has been produced to the Meeting and signed by the chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the supplemental agreement (the “**Supplemental Agreement**”) dated 25 April 2016 entered into among the Company, the Vendor and SJKGC to amend and supplement the Agreement (a copy of the Supplemental Agreement marked “**B**” has been produced to the Meeting and signed by the chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES

- (c) the allotment and issue of 100,000,000 new H Shares (the “**Consideration Shares**”) at the issue price of HK\$1.60 per Consideration Share by the Company to the Vendor to settle part of the consideration payable by the Company under the Agreement in accordance with the terms and conditions of the Agreement and all transactions contemplated thereunder be and is hereby approved, confirmed and ratified;
- (d) subject to The Listing Division of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Consideration Shares, the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate (the “**Specific Mandate**”) to allot and issue the Consideration Shares pursuant to the Agreement;
- (e) the Directors be and are hereby authorised to amend the Articles of Association of the Company and complete all relevant registration and filing procedures as the Directors think fit so as to reflect the new capital structure of the Company upon the exercise of power to allot, issue and deal with the H Shares as conferred under paragraph (d) above;
- (f) all transactions contemplated thereunder or incidental to or in connection with the Specific Mandate, and all actions taken or to be taken by the Company pursuant to the Agreement and the Supplemental Agreement, be and are hereby generally and unconditionally approved, ratified and confirmed; and
- (g) any one or more Director(s) be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal, where applicable) which he/she/they consider(s) necessary, desirable or expedient to give effect to the Specific Mandate, the Agreement and the Supplemental Agreement and the transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

Yours faithfully

For and on behalf of the Board of

Tianjin TEDA Biomedical Engineering Company Limited

Sun Li

Chairman

Tianjin, the PRC

25 July 2016

NOTICE OF CLASS MEETING OF THE HOLDERS OF DOMESTIC SHARES

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 13 August 2016 to 12 September 2016 (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 22 August 2016. 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