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**AK MEDICAL HOLDINGS LIMITED**

**愛康醫療控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1789)**

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF THE ENTIRE EQUITY INTEREST IN  
THE TARGET COMPANY**

**THE SHARE PURCHASE AGREEMENT**

The Board is pleased to announce that on 6 April 2020 (after trading hours of the Stock Exchange), the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Share Purchase Agreement with the Seller, pursuant to which the Purchaser has agreed to purchase, and the Seller agreed to sell, the Equity Interest, representing the entire equity interest in the Target Company for a consideration of a sum of US\$40,200,000 (subject to adjustment), which shall be settled by cash.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

**LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratio (as defined under the Listing Rules) for the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the announcement and reporting requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

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## THE SHARE PURCHASE AGREEMENT

### Date

6 April 2020

### Parties

Purchaser: AK Medical International Limited, an indirect wholly-owned subsidiary of the Company

Seller: Medtronic China Kanghui Holdings, an exempted company incorporated under the laws of the Cayman Islands with limited liability

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the Seller and its ultimate beneficial owner(s) is third party independent of and not connected with the Company and its connected persons.

### Subject Matter

Pursuant to the Share Purchase Agreement, the Purchaser has agreed to purchase, and the Seller has agreed to sell, the Equity Interest, representing the entire equity interest in the Target Company held by the Seller. Further details of the Target Company are set out below in the section headed “Information of the Seller and the Target Company” in this announcement.

### Consideration and Payment Terms

The consideration payable by the Purchaser for the Acquisition shall be a sum of US\$40,200,000, subject to adjustment (the “**Initial Purchase Price**”).

The Initial Purchase Price shall be paid by the Purchaser or its affiliate(s) on the Completion Date in the following manner:

- (a) US\$4,020,000 shall be deposited in full by wire transfer into the Escrow Account (the “**Escrow Amount**”). The purpose of the Escrow Amount is to indemnify the Purchaser against all losses arising out of or in connection with the breach of the representations and warranties made by the Seller set forth in the Share Purchase Agreement; and
- (b) US\$36,180,000, being the amount of the Initial Purchase Price less the Escrow Amount, shall be deposited in full by wire transfer into the Seller Designated Account.

### *Release of the Escrow Amount*

On or before the Completion Date, the Purchaser, the Seller and the Escrow Agent shall enter into the Escrow Agreement. Subject to the terms and conditions of the Escrow Agreement, 50% of the Escrow Amount shall be released and disbursed to the Seller Designated Account at the earlier of (i) the early termination of Transitional Services Agreement pursuant to the terms thereof, and (ii) the 90th day following the Completion Date, and the amount of the Escrow Amount remained held in the Escrow Account shall be released and disbursed to the Seller Designated Account upon the expiry of 12 months from the Completion Date.

### *Adjustment of the Initial Purchase Price*

The Initial Purchase Price is subject to the following two sets of adjustments:

#### Cash True-Up Adjustment

- (a) within 90 days after the Completion Date, the Seller shall prepare and furnish the Purchaser a statement (the “**Cash Statement**”) indicating the final amount of cash of the Target Company as of the Cut-Off Time;
- (b) the Cash Statement shall become final and binding unless the Purchaser delivers to the Seller a written notice of objection, and in such case, the Purchaser and the Seller shall attempt in good faith to resolve the disputed amount within 30 days after delivery of the objection;
- (c) if the Purchaser and the Seller are unable to resolve the disputed amount within such period, either the Purchaser or the Seller may submit for resolution the unresolved disputed amount in writing to an agreed accounting firm as an arbiter for resolution. The agreed accounting firm will render its determination within 30 days of the submission and its determination will be conclusive and binding; and
- (d) in the event that the final amount of cash of the Target Company (as agreed or determined) is lower than the aggregate amount of the Retained Cash, unpaid accrued payroll as of the Cut-off Time (if any) and Unpaid Dividend (if any) (the amount of such deficit, the “**Cash True-Up Amount**”), the Seller shall pay the Purchaser, as an adjustment to the Initial Purchase Price, an amount equal to such Cash True-Up Amount, by wire transfer of funds no later than 30 days after the date on which the final amount of cash of the Target Company has been agreed or determined.

## Net Working Capital Adjustment

- (a) within 90 days after the Completion Date, the Seller shall prepare and furnish the Purchaser a statement (the “**Net Working Capital Statement**”) indicating the final amount of the net working capital of the Target Company as at the Cut-Off Time (the “**Closing Net Working Capital**”);
- (b) if the Closing Net Working Capital of the Company is less than RMB76,000,000, the parties thereto shall negotiate in good faith on any further adjustment to Initial Purchase Price with regards to the amount by which the Closing Net Working Capital is less than the Benchmark Net Working Capital; and
- (c) if the Closing Net Working Capital of the Company is greater than RMB80,000,000, the parties thereto shall negotiate in good faith on any further adjustment to Initial Purchase Price with regards to such amount by which the Closing Net Working Capital exceeds the Benchmark Net Working Capital.

Accordingly, the final purchase price for the Acquisition (the “**Final Purchase Price**”) would be adjusted by the Cash True-Up Amount (if any) and the aforesaid net working capital adjustment (if any).

The consideration for the Acquisition, being the Initial Purchase Price or the Final Purchase Price (as the case may be), was arrived at after arm’s length negotiations between the Seller and the Purchaser on normal commercial terms with reference to, among others, (i) the business development opportunity and prospects of the Target Company; (ii) the net assets value of the Target Company; and (iii) the level of cash and working capital of the Target Company. The Directors consider that the consideration and the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## Completion Conditions

### *Purchaser Completion Conditions*

Unless otherwise waived by the Purchaser in writing, the performance of the Purchaser’s obligation to complete the Acquisition upon the Completion is subject to each of the following conditions having been satisfied:

- (i) the representation and warranties made by the Seller set forth in the Share Purchase Agreement shall be true and accurate in all material respects as at the Completion Date as if made on the Completion Date (except to the extent any such representation or warranty expressly relates to a specific date or a specific period of time, in which case only as of such specific date or for such specific period of time), except where the failure of such representations and warranties to be true and correct would not have a material adverse change on the Target Company;
- (ii) there shall not be any instituted or pending action or governmental order by any person or any governmental authority seeking to restrain, prohibit or otherwise interfere with the completion of the Acquisition; and

- (iii) the Target Company shall have obtained all corporate authorizations required by applicable laws in its jurisdiction and the charter documents of the Target Company necessary for the completion of the Acquisition contemplated under the Share Purchase Agreement and other Transaction Documents.

#### *Seller Completion Conditions*

Unless otherwise waived by the Seller in writing, the performance of the Seller's obligation to complete the Acquisition upon the Completion is subject to each of the following conditions having been satisfied:

- (i) the Purchaser shall have executed and delivered to the Seller each Transaction Document to which it is a party;
- (ii) the Purchaser shall have performed in all material respects all of its obligations under the Share Purchase Agreement required to be performed by it at or before the Completion Date;
- (iii) the representations and warranties made by the Purchaser set forth in the Share Purchase Agreement shall be true and accurate in all material respects as at the Completion Date as if made on the Completion Date (except to the extent any such representation or warranty expressly relates to a specific date or a specific period of time, in which case only as of such specific date or for such specific period of time);
- (iv) there shall not be any instituted or pending action or governmental order by any person or any governmental authority seeking to restrain, prohibit or otherwise interfere with the completion of the Acquisition;
- (v) the full amount of the Seller Distribution shall have been distributed and paid to the Seller or its designee pursuant the Share Purchase Agreement;
- (vi) the Target Company shall have paid the accrued payroll (till the Completion Date) to all employees of the Target Company; and
- (vii) the Purchaser shall have obtained all corporate authorizations required by applicable laws and charter documents of the Purchaser necessary for the completion of the Acquisition contemplated under the Share Purchase Agreement and other Transaction Documents.

## **Termination**

The Share Purchase Agreement may be terminated at any time before the Completion in the following manner:

- (i) by written consent of both the Purchaser and the Seller;
- (ii) by the Purchaser at any time after six months following the date of the Share Purchase Agreement (or such other date as agreed by the Purchaser and the Seller) (the “**Termination Date**”) if the Purchaser Completion Conditions are not satisfied, or waived in writing by the Purchaser unless the failure to satisfy such Purchaser Completion Conditions results primarily from the Purchaser breaching its representation or warranty set forth in the Share Purchase Agreement; or
- (iii) by the Seller at any time after the Termination Date if the Seller Completion Conditions are not satisfied, or waived by the Seller on or before the Termination Date unless the failure to satisfy such conditions results primarily from the Seller breaching its representation or warranty set forth in the Share Purchase Agreement.

## **Completion**

The Completion shall take place on a date no later than the fifth business day after all the Completion Conditions (other than those conditions that by their terms are to be satisfied at Completion, but subject to the satisfaction or waiver in writing by the Purchaser or the Seller at Completion of such conditions) have been satisfied or waived in writing or on such other date as both the Purchaser and the Seller may agree.

Upon the Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Company.

## **INFORMATION OF THE COMPANY AND THE PURCHASER**

The Company is a limited liability company incorporated in the Cayman Islands and its shares have been listed and traded on the Stock Exchange since 20 December 2017. The Group is principally engaged in the design, development, manufacture and distribution of orthopedic implants in the PRC.

The Purchaser is a company incorporated under the laws of Hong Kong with limited liability on 28 July 2015 and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

## INFORMATION OF THE SELLER AND THE TARGET COMPANY

### *Seller*

The Seller, an exempted company incorporated under the laws of the Cayman Islands with limited liability, holds the entire equity interest in the Target Company as at the date of this announcement. The Seller is principally engaged in holding company business.

### *Target Company*

The Target Company, a company established under the laws of the PRC with limited liability, is wholly-owned by the Seller and is a company engaged in the production, marketing and research of orthopedic implants and surgical instruments in the PRC.

Set out below are the financial information of the Target Company as extracted from its financial statements for the years ended 31 December 2018 and 2019, respectively:

	<b>Year ended 31 December</b>	
	<b>2018</b>	<b>2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(unaudited)</i>
Revenue	139,928	85,832
Profit/(Loss) before taxation	13,090	12,895
Profit/(Loss) after taxation	7,311	9,671

The net asset value of the Target Company as at 31 December 2018 and 31 December 2019 was approximately RMB276,317,940 (audited) and RMB186,615,000 (unaudited), respectively.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company is an orthopedic company with well-established history and brand recognition, and possesses professional knowledge and techniques in designing, developing and manufacturing orthopedic implants and surgical instruments. The Board considers that it is a long-term strategic goal of the Group to become one of the leaders in orthopedic field in the PRC. The acquisition of the Target Company is in line with such strategic goal of the Group, and will improve the overall financial performance of the Group in the future.

The benefits of the Acquisition to the Group include:

**1. Further broadening the product line of the Group's orthopedic business for the development as an orthopedic platform company**

The Group has been focusing on the development and manufacturing of orthopedic implants for many years, and possesses a comprehensive product line and an extensive distribution network in the area of orthopedic joint products. The Company is committed to pursuing opportunities for penetrating into other orthopedic segments and broadening the product line of orthopedic business.

The Target Company has made great amount of diligent efforts in orthopedic spine and trauma fields for 24 years, and possesses comprehensive product line, stable product quality and mature sales channels, which facilitate the Company's rapid expansion into orthopedic spine and trauma business and generate sales income therefrom.

**2. Creating synergy with the Group's existing orthopedic spine business to forge an orthopedic company with a bigger scale**

Currently, the Group has the innovative 3D-printed spinal interbody cages and artificial vertebral bodies developed by its 3D-printed technology, which provide surgical solutions in spinal fusion and reconstruction.

The Target Company has an outstanding orthopedic spine product line. Upon the completion of the Acquisition, the 3D product line of the Group together with the Target Company's orthopedic spine product line will create a comprehensive product portfolio, providing all-rounded solutions for spinal surgeries. By mutual penetration of the Group's established sales network and the Target Company's sales network, the Group will be able to seize a remarkable opportunity to expand its business channels and forge an orthopedic company with a bigger scale.

**3. During innovation of trauma solutions with 3D-printing technology applied in the trauma product line**

The combination of the Group's 3D ITI surgery planning, 3D surgical guide technology and 3D orthopedic filling system with the Target Company's extensive trauma product line will further drive the expansion of trauma product portfolio, which provides innovative solutions of traumatic treatment to enhance its competitiveness.



## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio (as defined under the Listing Rules) for the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the announcement and reporting requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following respective meanings:

“Acquisition”	the acquisition of the Equity Interest by the Purchaser from the Seller pursuant to the Share Purchase Agreement
“Benchmark Net Working Capital”	RMB78,000,000
“Board”	the board of Directors
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	AK Medical Holdings Limited (愛康醫療控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on 17 July 2015 and the shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 1789)
“Completion”	completion of the Acquisition pursuant to the Share Purchase Agreement
“Completion Conditions”	the Purchaser Completion Conditions and the Seller Completion Conditions
“Completion Date”	the date of the Completion, details of which are set forth in the section headed “Completion” in this announcement
“Cut-Off Time”	11:59 PM of the calendar day immediately preceding the Completion Date
“Director(s)”	director(s) of the Company
“Equity Interest”	the entire equity interest in the Target Company held by the Seller
“Escrow Account”	the escrow account which shall be opened in the name of the Seller and under the escrow of the Escrow Agent
“Escrow Agent”	an independent third party that shall be appointed as an escrow agent pursuant to the Escrow Agreement

“Escrow Agreement”	an escrow agreement to be entered into among the Purchaser, the Seller and the Escrow Agent in the form and substance set forth in the Share Purchase Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	AK Medical International Limited (愛康醫療國際有限公司), a company incorporated in Hong Kong with limited liability on 28 July 2015 and an indirect wholly-owned subsidiary of the Company
“Purchaser Completion Conditions”	the Purchaser’s conditions for Completion and the details of which are set forth in the section headed “Completion Conditions” in this announcement
“Retained Cash”	RMB18,500,000
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Medtronic China Kanghui Holdings, an exempted company incorporated under the laws of Cayman Islands with limited liability
“Seller Completion Conditions”	the Seller’s conditions for Completion and the details of which are set forth in the section headed “Completion Conditions” in this announcement
“Seller Designated Account”	the bank account which shall be designated by the Seller no later than three business days before the Completion Date
“Seller Distribution”	an aggregate amount equal to the Seller’s good faith estimate of the excess of (i) the cash of the Target Company as of the Cut-Off Time over (ii) the Retained Cash plus unpaid accrued payroll as of the Cut-off Time (if any) in the form of dividend and/or other distribution reasonably determined by the Seller; and such aggregate amount shall be paid by the Target Company to the Seller on or prior to the Completion pursuant to the Share Purchase Agreement
“Shareholder(s)”	holder(s) of the share(s) in the Company

“Share Purchase Agreement”	the share purchase agreement dated 6 April 2020 and entered into between the Purchaser, the Seller and the Target Company in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Beijing Libeier Bio-engineering Institute Co., Ltd.* (北京理貝爾生物工程研究所有限公司), a company established under the laws of the PRC with limited liability and is wholly owned by the Seller as at the date of this announcement
“Transaction Documents”	collectively, the Share Purchase Agreement (including each schedule and appendix thereto), the Escrow Agreement, the Transitional Services Agreement, the termination and license agreement, and other agreements, certificates, instruments and documents entered into or delivered at or before the Completion in connection with the Share Purchase Agreement and the Acquisition
“Transitional Services Agreement”	a transitional services agreement in the form and substance set forth in the Share Purchase Agreement to be entered into between the Seller and the Target Company on or before the Completion for the provision of services during the transition period
“Unpaid Dividend”	the portion of the Seller Distribution that has not been paid to the Seller as of the Cut-Off Time
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

By Order of the Board  
**AK Medical Holdings Limited**  
**Li Zhijiang**  
*Chairman*

Hong Kong, 6 April 2020

\* *for identification purpose only*

*As at the date of this announcement, the Board comprises Mr. Li Zhijiang, Ms. Zhang Bin, Mr. Zhang Chaoyang and Ms. Zhao Xiaohong as executive Directors, Mr. Li Wenming and Dr. Wang David Guowei as non-executive Directors, and Mr. Dang Gengting, Mr. Kong Chi Mo and Mr. Li Shu Wing David, as independent non-executive Directors.*