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## **IVD Medical Holding Limited**

### **華檢醫療控股有限公司**

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

**(Stock Code: 1931)**

## **CONTINUING CONNECTED TRANSACTIONS RENEWAL OF LEASE TRANSACTIONS**

### **RENEWAL OF LEASE TRANSACTIONS**

Reference is made to the section headed “Connected Transactions” in the Prospectus of the Company dated 29 June 2019. The Group has been leasing premises in Hong Kong and the PRC from the Founding Group and Shinva Group in accordance with the principles and annual caps for the three years ending 31 December 2021 as set out in the Prospectus.

The Group expects that certain of the lease transactions with the Founding Group and Shinva Group will continue to be conducted or will be entered into after 31 December 2021. Accordingly, on 31 December 2021, the Company entered into the Founding Group Framework Lease Agreement with Mr. Ho, Mr. Leung and Mr. Lin, and the Shinva Framework Lease Agreement with Shinva to renew the continuing connected transactions with the Founding Group and Shinva Group, respectively.

### **IMPLICATIONS UNDER THE LISTING RULES**

#### *The Founding Group Framework Lease Agreement*

Each of Mr. Ho, Mr. Leung and Mr. Lin is an executive Director, and a controlling shareholder of the Company. They are thus connected persons of the Company, and the entering into of the Founding Group Framework Lease Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) calculated with reference to the annual caps under the Founding Group Framework Lease Agreement exceed 0.1% but all applicable percentage ratios are less than 5%, the transactions contemplated under the Founding Group Framework Lease Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

### *The Shinva Framework Lease Agreement*

As at the date of this announcement, Shinva, through its wholly-owned subsidiary Huatuo, is a controlling shareholder of the Company. Shinva is thus a connected person of the Company. Accordingly, the entering into of the Shinva Framework Lease Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) calculated with reference to the annual caps under the Shinva Framework Lease Agreement exceed 0.1% but all applicable percentage ratios are less than 5%, the transactions contemplated under the Shinva Framework Lease Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

#### **(1) The Founding Group Framework Lease Agreement**

On 31 December 2021, the Company entered into the Founding Group Framework Lease Agreement with Mr. Ho, Mr. Leung and Mr. Lin with respect to the lease transactions between the Group and the Founding Group. Set out below is a summary of the major terms of the Founding Group Framework Lease Agreement:

*Date:*

31 December 2021

*Parties:*

Lessee: The Company

Lessor: Mr. Ho, Mr. Leung and Mr. Lin

*Term:*

From 1 January 2022 to 31 December 2024 (subject to the satisfaction of the conditions precedent of the Founding Group Framework Lease Agreement).

*Conditions precedent:*

The Founding Group Framework Lease Agreement will only be effective upon all necessary or appropriate approvals, permits and consents for the Founding Group Framework Lease Agreement and the transactions contemplated thereunder having been obtained (including without limitation, the approval by the Board and (where required), by the independent Shareholders).

*Transaction:*

Pursuant to the Founding Group Framework Lease Agreement, the Group may lease properties from the members of the Founding Group for use as office premises, dormitory, warehouse, or for other business needs.

Relevant parties will enter into separate agreements setting out the specific terms for the individual lease transactions, such as the rental amount, timing and manner of payment, area to be leased, and term. These specific terms shall not contradict or be inconsistent with the terms under the Founding Group Framework Lease Agreement. All such separate agreements shall also be in compliance with the relevant laws, regulations and rules applicable to the Company (including, among other things, the Listing Rules).

*Pricing policy:*

The terms for individual lease transactions under the Founding Group Framework Lease Agreement shall be on normal commercial terms, which shall be determined at arm's length and on a fair and reasonable basis, and shall be no less favourable to the Group than those available from Independent Third Parties. In particular, the rental payable shall be a fixed amount, and shall be determined with reference to the prevailing market rate of rental of similar properties located nearby or at similar areas, and taking into account the size, facilities within the premises, locations and conditions of the premises, and shall be no less favourable to the Group than those available from Independent Third Parties.

**Annual caps for the next three years**

In accordance with the HKFRS 16 applicable to the Group effective from 1 January 2019, the Group will recognise the rental payments to be paid by the Group under the Founding Group Framework Lease Agreement as acquisition of right-of-use asset and a lease liability, which are measured at the present value, discounted using the lessee's incremental borrowing rate in the year of entering into the lease where the relevant member(s) of the Group act as a lessee.

The transactions under the Founding Group Framework Lease Agreement will be treated as continuing connected transactions of the Company, and the Company is required to set annual caps on the total value of right-of-use assets to be recognised by the Company for the year ending on 31 December 2022, 2023 and 2024.

The annual caps in respect of the total value of right-of-use assets related to leases which has been or to be entered into as contemplated under Founding Group Framework Lease Agreement for the year ending 31 December 2022, 2023 and 2024 are RMB18,000,000, RMB12,000,000 and RMB6,000,000, respectively.

In arriving at the annual caps under the Founding Group Framework Lease Agreement, the Board has considered the following:

- (i) the monthly rents payable by the Group under the existing tenancy agreements with the Founding Group that are expected to be continued and/or entered into for the years ending 31 December 2022, 2023 and 2024;
- (ii) the historical transaction amounts for the leasing of properties during the years ended 31 December 2019 and 2020 and the eleven months ended 30 November 2021;
- (iii) the prevailing and projected market rates of similar properties in the vicinity;
- (iv) the Group's preliminary negotiations in respect of the terms of leasing upon expiration of the existing tenancy agreements;

- (v) the business development and expansion of the Group and the possibility of entering into of new lease transactions in the forthcoming years;
- (vi) with reference to the expiration date of the existing tenancy agreements, the Group expects to renew a number of the existing tenancy agreements in the year ending 31 December 2022. In light of the application of HKFRS16 as set out above, and the incremental borrowing rate expected to be applied when measuring the lease liability, the Company expects that the transaction amount will be higher in the year ending 31 December 2022; and
- (vii) provision of buffer for inflation, an unexpected increase in the demand for the Group's need of premises, and level of rental in the PRC and Hong Kong real estate market.

*Historical transaction amount and annual caps*

The Group is currently leasing several premises owned by the members of the Founding Group in Shanghai, Hangzhou of the PRC, and in Hong Kong, as offices and dormitories as of the date of this announcement.

Set out below are the historical annual caps, actual rent amount, and value of right-of-use assets (rounded to the nearest thousands) in respect of the continuing connected transactions in which the Company rented properties from the Founding Group in the year ended 31 December 2019 and 2020, and the year ending 31 December 2021:

	<b>For the year ended 31 December</b>		<b>For the year ending 31 December</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<b><i>Rent Amount</i></b>			
<i>Annual caps</i>	4,549	4,751	4,974
			<b>For the eleven months ended 30 November 2021</b>
			<i>(RMB'000)</i>
<i>Actual transaction amount</i>	2,882	4,747	4,634
<b><i>Value of right-of-use assets</i></b>	9,095	8,010	4,826

*Note:* The figures in respect of the eleven months ended 30 November 2021 are extracted from the unaudited management account of the Group, and subject to audit.

The Board considers that the rents payable under the above existing leases between the Group and the Founding Group are fair, reasonable, and comparable to the prevailing market rates for similar premises in the vicinity.

## **(2) The Shinva Framework Lease Agreement**

On 31 December 2021, the Company entered into the Shinva Framework Lease Agreement with Shinva with respect to the lease transactions between the Group and Shinva Group. Set out below is a summary of the major terms of the Shinva Framework Lease Agreement:

*Date:*

31 December 2021

*Parties:*

Lessee: The Company

Lessor: Shinva

*Term:*

From 1 January 2022 to 31 December 2024.

*Transaction:*

Pursuant to the Shinva Framework Lease Agreement, the Group may lease properties from members of the Shinva Group for use as office premises, dormitory, warehouse, or for other business needs.

Relevant member of the Group will enter into separate agreements with the relevant member of Shinva Group setting out the specific terms for the individual lease transactions, such as the rental amount, timing and manner of payment, area to be leased, and term. Leases to be entered into under the Shinva Framework Lease Agreement shall be short-term leases. These specific terms shall not contradict or be inconsistent with the terms under the Shinva Framework Lease Agreement. All such separate agreements shall also be in compliance with the relevant laws, regulations and rules applicable to the Company (including, among other things, the Listing Rules).

*Pricing policy:*

The terms for individual lease transactions under the Shinva Framework Lease Agreement shall be on normal commercial terms, which shall be determined at arm's length and on a fair and reasonable basis, and shall be no less favourable to the Group than those available from Independent Third Parties. In particular, the rental payable shall be a fixed amount, and shall be determined with reference to the prevailing market rate of rental of similar properties located nearby or at similar areas, and taking into account the size, facilities within the premises, locations and conditions of the premises, and shall be no less favourable to the Group than those available from Independent Third Parties.

### **Annual caps for the next three years**

As all the leases to be entered into under the Shinva Framework Lease Agreement will be short-term leases, the rental payments to be made by the Group under the Shinva Framework Lease Agreement will be recognised as expenses in the consolidated statement of comprehensive income of the Company.

The annual caps in respect of the total rental payment payable by the Group as contemplated under Shinva Framework Lease Agreement for the year ending 31 December 2022, 2023 and 2024 are RMB4,500,000, RMB4,600,000 and RMB4,700,000, respectively.

In arriving at the annual caps under the Shinva Framework Lease Agreement, the Board has considered the following:

- (i) the monthly rents payable by the Group under the existing tenancy agreements with Shinva Group that are expected to be continued and/or entered into for the years ending 31 December 2022, 2023 and 2024;
- (ii) the historical transaction amounts for the leasing of properties during the years ended 31 December 2019 and 2020 and the eleven months ended 30 November 2021;
- (iii) the prevailing and projected market rates of similar properties in the vicinity;
- (iv) the Group's preliminary negotiations in respect of the terms of leasing upon expiration of the existing tenancy agreements;
- (v) the business development and expansion of the Group and the possibility of entering into of new lease transactions in the forthcoming years; and
- (vi) provision of buffer for inflation, an unexpected increase in the demand for the Group's need of premises, and level of rental in the PRC real estate market.

*Historical transaction amount and annual caps*

The Group is currently leasing premises owned by the member(s) of the Shinva Group in Shanghai and Jinan, the PRC, as warehouse and offices as of the date of this announcement.

Set out below are the historical annual caps and actual rent amount (rounded to the nearest thousands) in respect of the continuing connected transactions in which the Company rented properties from Shinva Group in the year ended 31 December 2019 and 2020, and the year ending 31 December 2021:

	<b>For the year ended</b>		<b>For the year</b>
	<b>31 December</b>		<b>ending</b>
	<b>2019</b>	<b>2020</b>	<b>31 December</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<b><i>Rent Amount</i></b>			
<i>Annual caps</i>	3,902	3,910	4,090

**For the  
eleven  
months  
ended 30  
November  
2021  
(RMB'000)**

<i>Actual transaction amount</i>	1,920	3,711	3,380
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*Note:* The figure in respect of the eleven months ended 30 November 2021 is extracted from the unaudited management account of the Group, and subject to audit.

The Board considers that the rent payable existing leases between the Group and Shinva Group is fair, reasonable, and comparable to the prevailing market rates for similar premises in the vicinity.

## **INTERNAL CONTROL MEASURES**

In order to effectively implement and monitor the tenancy arrangements with the Founding Group and Shinva Group, the Company has adopted the following measures before entering into any new tenancy agreement with the Founding Group and Shinva Group:

- (i) the finance department of the Company will monitor the aggregate rental payment and (in respect of the lease arrangement with the Founding Group) total value of right-of-use-assets relating to the leases then existing and proposed to be entered into by the Group with the Founding Group and/or Shinva Group, to ensure that the transactions amount will not exceed the annual caps proposed;
- (ii) the finance department of the Company will monitor the market rate of rental, these practices include: searching for actual rental transactions of premises in the neighbouring area and of similar quality (where such transactions are not available, refer to real estate industry publications describing price trends in the relevant areas), comparing the rate of rental of other premises leased by the Group from other parties from time to time;
- (iii) the Group will then compare the said market rate (or price trends, where applicable) with the rent payable and other criteria (such as access, fittings and renovation conditions of the premises) under the lease agreements to be entered into with the Founding Group and/or Shinva Group; and
- (iv) the external auditors of the Company and the independent non-executive Directors will conduct an annual review and/or confirmation on the continuing connected transactions.

The Group will enter into new tenancy agreements with members of the Founding Group and/or Shinva Group only when the rental offered by them is comparable to or better than that of the prevailing market rents and the selection criteria can be met after taking into consideration the range of relevant factors in order to safeguard the interests of the Group. In accordance with the Company's internal policies, the transactions under the Framework Lease Agreements will be properly recorded. The management of the Group will review the aforesaid pricing policy on a regular basis. The Directors therefore consider that the methods and procedures can ensure that the lease transactions with the Founding Group and Shinva Group will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

## **INFORMATION OF THE PARTIES**

### *The Company*

The Company is a leading distributor of IVD (in vitro diagnostic) products in the PRC.

### *The Founding Group*

Mr. Ho is an executive Director, the chairman and the chief executive officer of the Company.

Mr. Leung is an executive Director, and the chief operating officer of the Company.

Mr. Lin is an executive Director, and the general manager of the Company.

By virtue of a common control confirmation executed by Mr. Ho, Mr. Leung and Mr. Lin dated 27 May 2016, Mr. Ho, Mr. Leung and Mr. Lin (together with their respective wholly-owned investment holding companies, namely KS&KL Investment Co. Limited, King Sun Limited and Lucan Investment Limited) collectively own and control approximately 34.38% of the issued share capital of the Company as of the date of this announcement. Each of Mr. Ho, Mr. Leung and Mr. Lin is thus a controlling shareholder of the Company.

### *Shinva*

Shinva is a company established under the laws of the PRC, and its shares are currently listed on the Shanghai Stock Exchange (stock code: 600587). Shinva is primarily engaged in the research and development, manufacturing and sale of medical equipment and pharmaceutical equipment as well as the provision of healthcare services.

As at the date of this announcement, Shinva, through its wholly-owned subsidiary Huatuo, is a controlling shareholder of the Company interested in approximately 32.79% of the issued share capital of the Company.

## **REASONS OF AND BENEFITS FROM THE FRAMEWORK AGREEMENTS**

The lease transactions between the Group on one hand, and the Founding Group or Shinva Group on the other hand, are conducted in the ordinary and usual course of business of the Group. These premises have already been used by the Group as offices, dormitories or warehouses for certain periods of time as of the date of this announcement. The Company believes that it is in the overall interests of the Group to secure a stable and continuous leasing of these premises for its routine business operations, and to minimise unnecessary disruption of business that may be caused by any relocation, and expenses for associated renovation.

The Directors (including the independent non-executive Directors, but excluding Mr. Ho, Mr. Leung and Mr. Lin) are of the view that Founding Group Framework Lease Agreement (including the annual caps proposed thereunder) was entered into in the ordinary and usual course of business of the Group after arm's length negotiations and on normal commercial terms which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors, but excluding Mr. Yang Zhaoxu and Ms. Yao Haiyun are of the view that the Shinva Framework Lease Agreement (including the annual caps for the next three years with respect to the lease transactions) was entered into in the ordinary and usual course of business of the Group after arm's length negotiations and on normal commercial terms which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Mr. Ho, Mr. Leung and Mr. Lin, being parties to the Founding Group Framework Lease Agreement, have abstained from voting on the relevant Board resolutions in connection with the Founding Group Framework Lease Agreement. Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, none of the other Directors have material interests in the transactions contemplated under the Founding Group Framework Lease Agreement or was required to abstain from voting on the relevant Board resolutions.

Since Mr. Yang Zhaoxu and Ms. Yao Haiyun, each being a non-executive Director, hold directorship or senior management position(s) in Shinva Group, they have both abstained from voting on the relevant Board resolutions in connection with the Shinva Framework Lease Agreement. Save as disclosed above, none of the other Directors have material interests in the transactions contemplated under the Shinva Framework Lease Agreement or was required to abstain from voting on the relevant Board resolutions.

## **IMPLICATIONS UNDER THE LISTING RULES**

### *The Founding Group Framework Lease Agreement*

Each of Mr. Ho, Mr. Leung and Mr. Lin is an executive Director, and a controlling shareholder of the Company. They are thus connected persons of the Company, and the entering into of the Founding Group Framework Lease Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) calculated with reference to the annual caps under the Founding Group Framework Lease Agreement exceed 0.1% but all applicable percentage ratios are less than 5%, the transactions contemplated under the Founding Group Framework Lease Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

### *The Shinva Framework Lease Agreement*

As at the date of this announcement, Shinva, through its wholly-owned subsidiary Huatuo, is a controlling shareholder of the Company. Shinva is thus a connected person of the Company. Accordingly, the entering into of the Shinva Framework Lease Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) calculated with reference to the annual caps under the Shinva Framework Lease Agreement exceed 0.1% but all applicable percentage ratios are less than 5%, the transactions contemplated under the Shinva Framework Lease Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms and expressions shall have the following meanings:

“associate(s)”	having the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“Company”	IVD Medical Holding Limited (華檢醫療控股有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability and whose shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1931)
“connected person(s)”	having the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	having the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Founding Group”	Mr. Ho, Mr. Leung, Mr. Lin and their associates
“Founding Group Framework Lease Agreement”	the framework property lease agreement dated 31 December 2021 entered into among the Company, Mr. Ho, Mr. Leung and Mr. Lin in relation to the leasing of properties by the Founding Group to the Group
“Framework Lease Agreements”	the Founding Group Framework Lease Agreement and the Shinva Framework Lease Agreement
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standard(s) issued by the Hong Kong Institute of Certified Public Accountants from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huatu”	Huatu International Development Co., Limited, a company incorporated under the laws of Hong Kong and wholly-owned by Shinva. Huatu is a controlling shareholder of the Company as of the date of this announcement
“Independent Third Parties”	any person or company and their respective ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Ho”	Ho Kuk Sing, an executive Director
“Mr. Leung”	Leung King Sun, an executive Director
“Mr. Lin”	Lin Xianya, an executive Director
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	prospectus of the Company dated 29 June 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Shinva”	Shinva Medical Instrument Co., Ltd, a company established in the PRC, and a controlling shareholder of the Company
“Shinva Group”	Shinva and its associates
“Shinva Framework Lease Agreement”	the framework property lease agreement dated 31 December 2021 entered into between the Company and Shinva in relation to the leasing of properties by Shinva Group to the Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
%	per cent.

By Order of the Board  
**IVD Medical Holding Limited**  
**Ho Kuk Sing**  
*Chairman and Executive Director*

Hong Kong, 31 December 2021

*As at the date of this announcement, the Board comprises three executive directors, namely, Mr. Ho Kuk Sing, Mr. Leung King Sun and Mr. Lin Xianya, three non-executive directors, namely, Mr. Yang Zhaoxu, Ms. Yao Haiyun and Mr. Chan Kwok King, Kingsley and three independent non-executive directors, namely, Mr. Lau Siu Ki, Mr. Zhong Renqian and Mr. Leung Ka Sing.*

*In this announcement, certain Chinese names of institutions, natural persons or other entities have been translated into English and included as unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.*