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C-MER Medical Holdings Limited

希瑪醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3309)

CONNECTED TRANSACTION SERIES A INVESTMENT INTO HEALTH HOPE PHARMA

C-MER SERIES A INVESTMENT INTO HEALTH HOPE PHARMA

The Board is pleased to announce that on 31 December 2024, C-MER Medical Group, a direct wholly-owned subsidiary of the Company, entered into the Series A Investment Agreement with Health Hope Pharma, pursuant to which C-MER Medical Group has agreed to invest US\$1.0 million into Health Hope Pharma as part of the HHP Series A Round of fundraising.

Pursuant to the terms of the Series A Investment Agreement and after the completion of HHP Series A Round, the Group is expected to hold (together with the shares in Health Hope Pharma that it already holds prior to the investment) approximately 23% of the total issued shares of Health Hope Pharma (as enlarged after issue of new shares to the Series A Investors).

Headquartered in Hong Kong, Health Hope Pharma is a clinical-stage biotech company with a pipeline of oral anti-cancer programs targeting to replace popular intravenous chemotherapy drugs and make home-based chemotherapy possible.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Health Hope Pharma is held as to 27.3% by the Group, 33.5% by Dr. Dennis LAM, 18.3% by companies controlled by Dr. Dennis LAM, 7.3% by a connected person at subsidiary level and 13.6% by Independent Third Party. As of the date of this announcement, the Group accounts for Health Hope Pharma as a financial asset at fair value through other comprehensive income.

As Dr. Dennis LAM is one of the executive Directors and one of the Controlling Shareholders, he is a connected person of the Company under the Listing Rules. Other Series A Investors also participating in the Series A Investment on similar terms. To the best of knowledge, information and belief of the Directors after having made all reasonable enquiries, other than certain family member of Dr. Dennis LAM, the spouse of Dr. Rex AUYEUNG Pak-kuen and certain directors at subsidiary level, the other Series A Investors of Health Hope Pharma are Independent Third Parties. Since Dr. Dennis LAM is able to, directly and indirectly, control more than 30% of the voting rights of Health Hope Pharma, Health Hope Pharma is an associate of a connected person of the Company, and the Company entering into the Series A Investment Agreement with Health Hope Pharma constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Assuming the C-MER Series A Investment is completed in full and after the completion of the HHP Series A Round, the Group's interest in Health Hope Pharma is expected to be diluted from 27.3% to approximately 23%. As one or more of the applicable percentage ratios of the C-MER Series A Investment under Rule 14.07 of the Listing Rules exceeds 0.1% but none of them exceeds 5%, C-MER Medical Group entering into the Series A Investment Agreement is therefore subject to the reporting and announcement requirements, but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

C-MER SERIES A INVESTMENT INTO HEALTH HOPE PHARMA

The Board is pleased to announce that for the purpose of furthering the aims of the HHP Business, C-MER Medical Group, a direct wholly-owned subsidiary of the Company, entered into the Series A Investment Agreement with Health Hope Pharma, on 31 December 2024, the principal terms of which are set out below.

THE SERIES A INVESTMENT AGREEMENT

Date

31 December 2024

Signing Parties

- (i) Health Hope Pharma, as the issuer; and
- (ii) C-MER Medical Group, a direct wholly-owned subsidiary of the Company, as the investor.

Terms of the C-MER Series A Investment

According to the Series A Investment Agreement, C-MER Medical Group shall invest US\$1.0 million in cash within five business days from the date of the Series A Investment Agreement.

Conditions to C-MER Medical Group's obligations at closing

The obligations of C-MER Medical Group to invest US\$1.0 million into Health Hope Pharma are subject to the satisfaction, or waiver by C-MER Medical Group, of each of the following conditions:

- (i) The representations and warranties of Health Hope Pharma shall be true and correct in all material respects as of the date of the Series A Investment Agreement and as of the Closing Date, with the same force and effect as if they were made on and as of such date;
- (ii) Each of the transaction documents, to which Health Hope Pharma is a party, shall have been duly executed and delivered by Health Hope Pharma to C-MER Medical Group;
- (iii) There shall have been no event or events which would have a material adverse effect on JV Group (as a whole) or the businesses, operations, assets or financial conditions of JV Group (as a whole);
- (iv) No applicable laws shall have been adopted or promulgated by any governmental authority, and no injunction shall have been in effect, having the effect of making the transactions contemplated hereby illegal or otherwise prohibiting the consummation of the transactions contemplated hereby.

Conditions to Health Hope Pharma's obligations at closing

The obligations of Health Hope Pharma to allot and issue the 183,318 shares to C-MER Medical Group at the closing is subject to the satisfaction, or waiver by Health Hope Pharma, of each of the following conditions:

- (i) The total investment amount committed by all the Series A Investors is no less than US\$10 million;
- (ii) The representations and warranties made by C-MER Medical Group shall be true and correct as of the date of the Series A Investment Agreement and as of the Closing Date, with the same force and effect as if they were made on and as of such date;
- (iii) C-MER Medical Group shall have performed and complied with all agreements, obligations and conditions under the transaction documents required to be performed or complied with by it on or before the closing;
- (iv) Each of the transaction documents, to which C-MER Medical Group is a party, shall have been duly executed and delivered by C-MER Medical Group to Health Hope Pharma;
- (v) The applicable corporate approvals of Health Hope Pharma in respect of Health Hope Pharma's entry into the transaction documents to which Health Hope Pharma is a party and the transactions contemplated thereunder shall have been obtained by Health Hope Pharma; and
- (vi) No applicable laws shall have been adopted or promulgated by any governmental authority, and no injunction shall have been in effect, having the effect of making the transactions contemplated hereby illegal or otherwise prohibiting the consummation of the transactions contemplated hereby.

Closing

Each party shall promptly notify the other party upon the satisfaction of all the conditions applicable to such party. The closing shall take place on the Closing Date that is no later than three business days after all the closing conditions contemplated under the Series A Investment Agreement have been satisfied or waived and in any event on or before 31 December 2024 (or such other date as agreed by C-MER Medical Group and Health Hope Pharma in writing).

On or before the fifth business day from the date of the Series A Investment Agreement, C-MER Medical Group shall pay to Health Hope Pharma US\$1.0 million in full by wire transfer of immediately available funds to its designated bank account.

Basis of consideration and value of Health Hope Pharma

The pre-money valuation of Health Hope Pharma was valued by an independent valuer engaged by the Company. The independent valuer has performed valuation using market approach and a number of listed companies in the US were identified as market comparables based on the following selection criteria:

- (i) the comparable companies are mainly engaged in the development of anti-cancer drugs;
- (ii) the comparable companies are in the process of developing anti-cancer drugs which have not yet reached commercial stage;
- (iii) the comparable companies have sufficient operating histories; and
- (iv) the financial information of the comparable companies is available to the public.

As confirmed by the independent valuer, price-to-net asset value ratio (“**P/NAV ratio**”) is considered as the best suitable method to be adopted in the valuation of Health Hope Pharma in the current stage of business which is yet to generate revenue and earnings, while price-to-earnings ratio and price-to-sales ratio are limited to valuation of companies which are already generating revenue with sustainable earnings. The market capitalisation of each comparable company was assessed and necessary adjustments (including the discount for the lack of marketability considering Health Hope Pharma is a private company) were applied to the valuation. The net asset value and share price of comparable companies are made reference to publicly available market research data and their respective financial statements. Based on the independent valuer’s assessment, the P/NAV ratio adopted is 34.4x with reference to the average and median of the P/NAV ratios of the comparable companies. A lack-of-marketability discount of 30% is applied to the valuation and is determined using the Black-Scholes-Merton model and Finnerty’s (2012) Average-Strike Put Option Model with risk-free rate and volatility of comparable companies as inputs. The resulted market value based on the valuation performed by the independent valuer for 100% of the equity interest in Health Hope Pharma is estimated to be approximately US\$65.6 million as of 30 November 2024.

Based on the assessment result above, the market value of shares to be subscribed by C-MER Medical Group under the Series A Investment Agreement would be approximately US\$1.09 million, which is higher than the consideration of US\$1.0 million (the pre-money equity value implied in the transaction is US\$60.0 million). The difference between the market value and consideration of the shares to be subscribed represented a 8.5% discount of the transaction.

The Board has studied through the valuation report to understand the rationale for the valuation method and each assumption adopted in the valuation. Given that the valuation takes into account (i) comparable companies of the same industry in the market which reflect the prevailing market conditions; (ii) the business of Health Hope Pharma in the stage of clinical studies and preparation of the FDA application; and (iii) adjustment derived from commonly acceptable model in the market, the Board considers that the pre-money valuation of Health Hope Pharma is fair and reasonable.

BACKGROUND OF THE HEALTH HOPE PHARMA AND SERIES A INVESTMENT AGREEMENT

To align with our strategy to invest in the upstream business opportunities in the value chain and create growth momentum for the Group, and leveraging on Dr. Dennis LAM's medical expertise, global network and reputation to have good access to innovative drug projects in the fields of ophthalmology and oncology, the Group and Dr. Dennis LAM established Health Hope Pharma as a joint venture company with in July 2023. Subsequently, Health Hope Pharma acquired a portfolio of oral anti-cancer drug programs and all the relevant patents from Athenex, Inc., through an auction in the U.S.. Health Hope Pharma is now a clinical-stage biotech company with research teams in both Hong Kong and U.S..

The core and most advanced oral anti-cancer program of Health Hope Pharma is oral paclitaxel ("**Oraxol**"), an innovative oral chemotherapy drug, targeting to replace popular intravenous ("**IV**") paclitaxel and make home-based chemotherapy possible. Paclitaxel is one of the most widely and clinically-indicated anti-cancer drugs with annual global market size of approximately US\$5.0 billion in 2022, and primarily be administrated intravenously currently. Oraxol completed phase III clinical study for metastatic breast cancer and was requested by FDA to provide additional data through an additional phase III study (the "**Supplemental Phase III Study**") to address issues raised by FDA in relation to, among others, safety issues of Oraxol.

Health Hope Pharma had multiple rounds of communication with FDA in the last twelve months to design a new study protocol for the Supplemental Phase III Study to address issues raised by FDA in Oraxol's first phase III study. The protocols, among other factors, were designed based on results from I-SPY2 Trial which showed Oraxol demonstrated superior safety profile over IV paclitaxel with lower incidence and severity in peripheral neuropathy among neoadjuvant breast cancer patients.

Oraxol also completed phase II clinical study for angiosarcoma, a rare disease, and enrolled over 40 patients, with the first patient recruited in Hong Kong by The Chinese University of Hong Kong.

Health Hope Pharma currently is led by Dr. Dennis LAM as founder and director, Dr. Rudolf Kwan, the former chief medical officer of Athenex, Inc., as chief executive officer and chief medical officer, and Dr. Liu Shiu Fai, an oncology clinician-scientist and currently a principal investigator of three breast cancer drug trials in Hong Kong, as the chief scientific officer.

Health Hope Pharma was incorporated on 15 June 2023. The unaudited consolidated net asset value of Health Hope Pharma as at 31 December 2023 was approximately HK\$21.4 million. The unaudited consolidated total assets of Health Hope Pharma as at 31 December 2023 was approximately HK\$29.1 million.

Set out below is a summary of the unaudited consolidated net loss of Health Hope Pharma for the period ended 31 December 2023:

**For the
period ended
31 December
2023**
HK\$' million
(unaudited)

Unaudited consolidated net loss before and after taxation and extraordinary items	6.5
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For details on the establishment of Health Hope Pharma and the entering into of the joint venture agreement, please refer to the announcement of the Company dated 6 July 2023.

According to Health Hope Pharma, the expected gross proceeds of approximately US\$15 million from the HHP Series A Round will be used to support the preparation and commencement of the Supplemental Phase III Study for Oraxol in U.S., Hong Kong, Australia and New Zealand in 2025.

As of the date of this announcement, Dr. Dennis LAM directly and indirectly controls more than 30% of the voting rights of Health Hope Pharma, and Dr. Dennis LAM and Ms. Li Xiaoting, an executive Director, are the directors of Health Hope Pharma.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE SERIES A INVESTMENT AGREEMENT

In view of Oraxol having completed phase II clinical studies in the US and contemplating its phase III shortly, its innovation in replacing IV anti-cancer drugs, its enormous potential market value, Health Hope Pharma has proven to have progressed significantly in its value since 6 July 2023, from the initial set-up cost of approximately US\$6.7 million to the pre-money equity value implied in the transaction of US\$60.0 million, it is expected that C-MER Series A Investment will create potential significant return for the Company and its shareholders.

Since 6 July 2023, the Company has invested US\$2.0 million (equivalent to approximately HK\$15.6 million) in Health Hope Pharma which was accounted as a financial asset at fair value through other comprehensive income. Based on the pre-money equity value implied in the transaction of US\$60.0 million, the fair value of our investment in Health Hope Pharma with the investment cost of US\$2.0 million (not including the US\$1.0 million to be invested under C-MER Series A Investment) would be US\$16.4 million (equivalent to approximately HK\$127.6 million). The fair value gain (unaudited) recognised in the other comprehensive income for the period from 6 July 2023 to date of this announcement would be US\$14.4 million (equivalent to approximately HK\$112.0 million) and the investment return was over 700% since 6 July 2023.

The C-MER Series A Investment will be funded by the Group's internal resources.

The Directors (including the independent non-executive Directors) consider that the terms of the C-MER Series A Investment are fair and reasonable and on normal commercial terms, and are in the ordinary and usual course of business of the Group and in the interests of the Group and the shareholders of the Company taken as a whole.

LISTING RULES IMPLICATIONS

As of the date of this announcement, Health Hope Pharma is held as to 27.3% by the Group, 33.5% by Dr. Dennis LAM, 18.3% by companies controlled by Dr. Dennis LAM, 7.3% by a connected person at subsidiary level and 13.6% by Independent Third Party. As of the date of this announcement, the Group accounts for Health Hope Pharma as a financial asset at fair value through other comprehensive income.

As Dr. Dennis LAM is one of the executive Directors and one of the Controlling Shareholders, he is a connected person of the Company under the Listing Rules. To the best of knowledge, information and belief of the Directors after having made all reasonable enquiries, other than certain family member of Dr. Dennis LAM, the spouse of Dr. Rex AU YEUNG Pak-kuen and certain directors at subsidiary level, the other Series A Investors of Health Hope Pharma are Independent Third Parties. Since Dr. Dennis LAM is able to, directly and indirectly, control more than 30% of the voting rights of Health Hope Pharma, Health Hope Pharma is an associate of a connected person of the Company, and the Company entering into the Series A Investment Agreement with Health Hope Pharma constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Assuming the C-MER Series A Investment is completed in full and after the completion of the HHP Series A Round, the Group's interest in Health Hope Pharma is expected to be diluted from 27.3% to approximately 23%. As one or more of the applicable percentage ratios of the C-MER Series A Investment under Rule 14.07 of the Listing Rules exceeds 0.1% but none of them exceeds 5%, C-MER Medical Group entering into the Series A Investment Agreement is therefore subject to the reporting and announcement requirements, but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Dr. Dennis LAM, Ms. LI Xiaoting (being the spouse of Dr. Dennis LAM, both Dr. Dennis LAM and Ms. LI Xiaoting, both being directors of Health Hope Pharma) and Dr. Rex AUYEUNG Pak-kuen (the spouse of whom participated in the HHP Series A Round) have (or deemed to have) a material interest in the C-MER Series A Investment, they have therefore abstained from the voting on the relevant Board resolutions approving the matters contemplated under the Series A Investment Agreement. Dr. LEE Yau Wing Vincent, Mr. IP Shu Kwan Stephen and Mr. YIN Ke, all being indirect shareholders of Health Hope Pharma, have also voluntarily abstained from the voting on the resolutions approving the same.

Save for the above, to the best of knowledge, information and belief of the Directors after having made all reasonable enquiries, no other Director has a material interest in the C-MER Series A Investment and was required to abstain from voting on the relevant Board resolutions approving it.

INFORMATION ON THE COMPANY AND HEALTH HOPE PHARMA

The Company has been listed on the Stock Exchange since 15 January 2018. The Group is an ophthalmic, dental and other medical service provider in Hong Kong and Mainland China. Its ophthalmologists/physicians are specialised in the fields of cataract, glaucoma, strabismus and refractive surgeries and external eye diseases. Its dentists have expertise and qualifications across a wide range of specialty areas, covering general dentistry, orthodontics and implantology. As of the date of this announcement, the Group operates five day surgery centres and eight satellite clinics for its ophthalmic services, six dental clinics, eight optometry centres, two general practice clinics, an oncology centre and a medical aesthetics centre in Hong Kong and nine eye hospitals in Shenzhen (Futian and Baoan), Beijing, Shanghai, Guangzhou, Zhuhai, Kunming, Huizhou and Jieyang, and two eye clinics in Shanghai, and a dental hospital and 11 dental clinics in Shenzhen, in Mainland China. Its revenue is derived from the fees charged to its clients on consultation, procedures, surgeries, and other medical services, as well as the sales of vision aid products, including glasses and lens.

C-MER Medical Group is a direct wholly-owned subsidiary of the Company and is principally engaged in the business of investment holding.

Health Hope Pharma is primarily involved in the development of innovative drug projects in the field of ophthalmology and oncology. Please refer to “Background of Health Hope Pharma and Series A Investment Agreement” in this announcement for further details.

INFORMATION ON THE OTHER SERIES A INVESTORS

To the best of knowledge, information and belief of the Directors after having made all reasonable enquiries, other than certain family member of Dr. Dennis LAM, the spouse of Dr. Rex AUYEUNG Pak-kuen and certain directors at subsidiary level, the other Series A Investors of Health Hope Pharma are Independent Third Parties, including family offices in Hong Kong and Mainland China, and also include Professor Arthur Li and Mr. Anthony Wu Ting-yuk, both of who are expected to be appointed as independent non-executive directors of Health Hope Pharma, according to Health Hope Pharma.

DEFINITIONS

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

“Board”	the board of Directors
“C-MER Medical Group”	C-MER Eye Care Medical Group Limited, a company incorporated in the British Virgin Islands with limited liability, and a direct wholly-owned subsidiary of the Company
“C-MER Series A Investment”	the investment of US\$1.0 million by C-MER Medical Group in Health Hope Pharma as part of the HHP Series A Round
“Closing Date”	the closing date of C-MER Series A Investment, that is no later than three business days after all the closing conditions contemplated under the Series A Investment Agreement have been satisfied or waived and in any event on or before 31 December 2024 (or such other date as agreed by C-MER Medical Group and Health Hope Pharma in writing)
“Company”	C-MER Medical Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 3309)
“connected person”	has the meanings ascribed to these terms under the Listing Rules
“Controlling Shareholder(s)”	the controlling shareholder(s) (as defined under the Listing Rules) of the Company

“Director(s)”	director(s) of the Company
“Dr. Dennis LAM”	Dr. LAM Shun Chiu Dennis (林順潮醫生), one of the executive Directors and one of the Controlling Shareholders
“FDA”	The United States Food and Drug Administration
“Group”	the Company and its subsidiaries
“HHP Series A Round”	the proposed series A round of investment by the Series A Investors, including C-MER Medical Group, into Health Hope Pharma
“Independent Third Parties”	individual(s) or company(ies) who or which are independent of and not connected with our Company and any of its connected persons or their respective associates
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HHP Business”	the business of investment in and development of innovative drug projects in ophthalmology and oncology and any other business, as conducted or intended to be conducted by Health Hope Pharma
“Health Hope Pharma”	Health Hope Pharma Limited (希華醫藥有限公司), a company incorporated in Hong Kong with limited liability
“I-SPY 2 Trial”	I-SPY 2 Trial is an investigational drug trial for newly diagnosed patients with locally advanced breast cancer, testing how well investigational drugs work and whether they are safe to use. The I-SPY2 Trial was conducted by Quantum Leap Healthcare Collaborative, as a collaboration between medical researchers at University of California, San Francisco and Silicon Valley entrepreneurs, with a mission to integrate high-impact research with clinical processes and systems technology
“JV Group”	Health Hope Pharma and its subsidiaries from time to time
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Series A Investment Agreement”	the series A investment agreement entered into between Health Hope Pharma as the issuer and C-MER Medical Group as the investor dated 31 December 2024 in relation to the C-MER Series A Investment
“Series A Investors”	the investors making the HHP Series A Round, including C-MER Medical Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Phase III Study”	an additional phase III study requested by FDA for providing additional data subsequent to the completion of the phase III clinical study for metastatic breast cancer
“US” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	US dollars, the lawful currency of the United States
“%”	per cent.

By order of the Board
C-MER Medical Holdings Limited
Dr. LAM Shun Chiu Dennis
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 31 December 2024

As of the date of this announcement, the Board comprises three executive Directors, namely Dr. LAM Shun Chiu Dennis, Ms. LI Xiaoting and Dr. LEE Yau Wing Vincent and four independent non-executive Directors, namely, Dr. Rex AU YEUNG Pak-kuen, Mr. MA Andrew Chiu Cheung, Mr. IP Shu Kwan Stephen and Mr. YIN Ke.

In this announcement, US\$ has been converted to HK\$ at the rate of US\$1.0 = HK\$7.8 for illustration purpose only. No representation is made that any amounts in US\$ or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.