

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Kangji Medical Holdings Limited

康基医疗控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9997)

CONNECTED TRANSACTION

JOINT INVESTMENT BY THE COMPANY AND THE CONTROLLING SHAREHOLDERS

INVESTMENT IN JINGFENG MEDICAL

The Board is pleased to announce that on January 12, 2021, Kangji Hong Kong, a wholly-owned subsidiary of the Company, among other investors, entered into the Investment Agreement with Jingfeng Medical, pursuant to which, Kangji Hong Kong agreed to invest RMB80 million to subscribe for approximately 2.03% of the enlarged registered share capital of Jingfeng Medical in its round B financing. Other investors in this round of financing include Yinkaixin, a limited partnership wholly owned by the Controlling Shareholders, and Guadalupe Peak, a company wholly owned by LYFE Capital, parent group of existing shareholders of the Company.

IMPLICATIONS UNDER THE LISTING RULES

Yinkaixin is a limited partnership wholly owned by Mr. ZHONG Ming and Ms. SHENTU Yinguang, who are Controlling Shareholders and executive Directors, and therefore Yinkaixin is a connected person of the Company pursuant to the Listing Rules. Accordingly, the Proposed Investment constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined in the Listing Rules) for the Proposed Investment is more than 0.1% but less than 5%, the Proposed Investment is subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. As all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Proposed Investment are below 5%, it does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

INVESTMENT IN JINGFENG MEDICAL

The Board is pleased to announce that on January 12, 2021, Kangji Hong Kong, a wholly-owned subsidiary of the Company, among other investors, entered into the Investment Agreement with Jingfeng Medical, pursuant to which, Kangji Hong Kong agreed to invest RMB80 million to subscribe for approximately 2.03% of the enlarged registered share capital of Jingfeng Medical in its round B financing. Other investors in this round of financing include Yinkaixin, a limited partnership wholly owned by the Controlling Shareholders, and Guadalupe Peak, a company wholly owned by LYFE Capital, parent group of existing shareholders of the Company.

The major terms of the Investment Agreement are summarized as follows:

THE INVESTMENT AGREEMENT

Date

January 12, 2021

Parties

- (1) Kangji Hong Kong, Yinkanxin and other Round B Investors (as the purchasers); and
- (2) Jingfeng Medical (as the seller).

Subscription of equity interest in Jingfeng Medical by the Company and the Controlling Shareholders

Name of investor	Investment consideration	Registered share capital of Jingfeng Medical subscribed for (RMB)	Shareholding percentage in Jingfeng Medical
Kangji Hong Kong	RMB80 million	186,123	2.03%
Yinkaixin	RMB20 million	46,531	0.51%

Basis of determination of consideration

The consideration under the Investment Agreement was determined after arm's length negotiations between Jingfeng Medical and the Round B Investors based on discounted cash flow analysis, comparable transaction and comparable company trading analysis and the commercial assessment of parties participating in the Proposed Investment including professional healthcare sector focused investment firms which are Independent Third Parties, on the overall potential commercial value of Jingfeng Medical's product pipeline.

The consideration to be paid by Kangji Hong Kong and Yinkaixin will be settled by cash. The Company intends to fund the Proposed Investment by the Net Proceeds. The Proposed Investment falls within the area of strategic investment in companies with advanced technologies or R&D capabilities that represent significant future growth and potential collaboration opportunities.

Other terms and conditions

Pursuant to the terms of the Investment Agreement, certain rights have been granted to the investors through arm's-length negotiation among the Round B Investors and Jingfeng Medical. The Proposed Investment is subject to satisfaction of certain conditions precedent as set out in the Investment Agreement.

INFORMATION OF JINGFENG MEDICAL

Jingfeng Medical is a limited liability company incorporated under the laws of the PRC on May 4, 2017. The ultimate controlling shareholders of Jingfeng Medical are Mr. WANG Jianchen (王 建辰) (“**Mr. Wang**”), co-founder and chief executive officer of Jingfeng Medical, and Ms. GAO Yuanqian (高元倩) (“**Ms. Gao**”), co-founder and deputy general manager of Jingfeng Medical, who collectively hold approximately 53.64% interest in Jingfeng Medical through Shenzhen Edge Technology Limited (深圳精鋒科技有限公司), being investment platform jointly set up by Mr. Wang and Ms. Gao, Xiehe Chuangfeng (Shenzhen) Technology Partnership (Limited Partnership)* (協合創鋒(深圳)科技合夥企業(有限合夥)) and Xieli Chuangfeng (Shenzhen) Technology Partnership (Limited Partnership)* (協力創峰(深圳)科技合夥企業(有限合夥)), being ESOP platforms of Jingfeng Medical, upon completion of the Proposed Investment. Both Mr. Wang and Ms. Gao are Independent Third Parties. Jingfeng Medical is primarily engaged in the research and development, manufacturing and distribution of surgical robotic equipment and medical instruments for minimally invasive surgery in China. The Directors believe Jingfeng Medical is developing a new generation of surgical robotic platform for the unmet needs of the patients in China by leveraging its multi-disciplinary expertise and experience in the development of intelligent surgical robots.

As of the date of this announcement, Jingfeng Medical has not recorded any revenue or profit. The total assets of Jingfeng Medical were approximately RMB152.8 million, RMB36.0 million and RMB49.2 million as of October 31, 2020, December 31, 2019 and December 31, 2018. The net assets of Jingfeng Medical were approximately RMB144.7 million, RMB33.6 million and RMB48.8 million respectively for the same periods, pursuant to its management account in accordance with relevant PRC accounting standards.

INFORMATION OF EXISTING SHAREHOLDERS OF JINGFENG MEDICAL

Prior to the Proposed Investment, Jingfeng Medical has completed several rounds of financings. Below are some background information obtained from public sources on the existing shareholders who hold more than 5% interest in Jingfeng Medical (other than the companies controlled by the controlling shareholders of Jingfeng Medical) upon completion of the Proposed Investment:

Guangfa Xinde Longyan Fund

Guangfa Xinde Zhongheng Huijin (Longyan) Equity Investment Partnership (Limited Partnership)* (廣發信德中恒匯金(龍岩)股權投資合夥企業(有限合夥)) is a private equity fund established in the PRC and managed by GF Xinde Investment Management Co., Ltd.* (廣發信德投資管理有限公司) (“**GF Xinde**”). GF Xinde is a wholly controlled subsidiary of GF Securities Co., Ltd. (廣發証券股份有限公司), a PRC incorporated joint stock company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000776) and the Stock Exchange (stock code: 01776). GF Securities Co., Ltd. is a securities company primarily engaged in providing financial services.

Chengdu Mingsheng

Chengdu Mingsheng Investment Co., Ltd.* (成都明晟投資有限公司) (“**Chengdu Mingsheng**”) is a limited liability company established in the PRC mainly engaged in equity investment. Chengdu Mingsheng is owned by Mr. ZHAO Kai (趙凱) and Mr. ZHANG Haitao (張海濤) as to 85% and 15%, respectively.

Other existing shareholders of Jingfeng Medical include certain individual and institutional investors. To the best knowledge of the Directors, all the existing shareholders of Jingfeng Medical and their respective ultimate beneficiaries are Independent Third Parties.

INFORMATION OF ROUND B INVESTORS

Other investors of Jingfeng Medical include certain well-known investment funds which primarily focus on investment in the healthcare sector. Below are some background information obtained from public sources on the Round B Investors:

Yinkaixin

Yinkaixin is a limited partnership established in the PRC and wholly owned by Mr. ZHONG Ming and Ms. SHENTU Yinguang. It is a special purpose platform established by the Controlling Shareholders and is principally engaged in investment in healthcare related fields.

Guadalupe Peak

Guadalupe Peak is a company incorporated under the laws of the Cayman Islands and wholly owned by LYFE Capital. LYFE Capital focuses on healthcare investment in pharmaceuticals, medical devices and diagnostic companies. LYFE Capital dedicates itself to investments in growth stage and innovative healthcare companies in Greater China and in the United States.

Xiangfeng Investment

Xiangfeng (Xiamen) Investment Partnership (Limited Partnership)* (祥峰(廈門)投資合夥企業(有限合夥)) is one of the funds managed by Vertex Ventures China. Vertex Ventures China, founded in 2008, has offices in Beijing, Shanghai and Shenzhen. It is currently managing both US dollar and RMB funds with assets under management of over RMB10 billion.

CICC Pucheng

CICC Pucheng Investment Co., Ltd.* (中金浦成投資有限公司) is wholly owned by China International Capital Corporation Limited, a PRC incorporated joint stock company whose shares are listed on the Shanghai Stock Exchange (stock code: 601995) and the Stock Exchange (stock code: 03908).

Chengdu Boyuan

Chengdu Boyuan Jiayu Venture Capital Partnership (Limited Partnership)* (成都博遠嘉昱創業投資合夥企業(有限合夥))* (“**Chengdu Boyuan**”) is a PRC incorporated partnership primarily engaged in private equity investment. The general partner of Chengdu Boyuan is Ningbo Meishan Free Trade Port Zone Borui Jiatian Equity Investment Management Partnership (Limited Partnership)* (寧波梅山保稅港區博睿嘉天股權投資管理合夥企業(有限合夥)). The largest limited partner of Chengdu Boyuan is Suzhou Industrial Park Guochuang Yuankang Equity Investment Fund Partnership (Limited Partnership)* (蘇州工業園區國創元康股權投資基金合夥企業(有限合夥)).

Beijing Yahui

Beijing Yahui Jinlin Venture Capital Partnership (Limited Partnership)* (北京雅惠錦霖創業投資合夥企業(有限合夥)) (“**Beijing Yahui**”) is a private equity investment fund managed by Beijing Yahui Asset Management Co., Ltd.* (北京雅惠資產管理有限公司). The general partner of Beijing Yahui is Ningbo Meishan Free Trade Port Zone Yahui Xinhui Investment Management Center (Limited Partnership)* (寧波梅山保稅港區雅惠鑫匯投資管理中心(有限合夥)).

Zhuhai Lianqi

Zhuhai Lianqi Equity Investment Fund Partnership (Limited Partnership)* (珠海市聯騏股權投資基金合夥企業(有限合夥))* is a PRC incorporated partnership under the management of Poly (Hengqin) Capital Management Co., Ltd.* (保利(橫琴)資本管理有限公司) and primarily engaged in equity investment.

Huzhou Yeyu

Huzhou Yeyu Equity Investment Partnership (Limited Partnership)* (湖州燁御股權投資合夥企業(有限合夥))* (“**Huzhou Yeyu**”) is a PRC incorporated partnership controlled by Mr. LIU Tong (劉同). The general partner of Huzhou Yeyu is Shanghai Hansheng Management Consulting Center (Limited Partnership)* (上海閔晟管理諮詢中心(有限合夥)).

Panorama Capital

Shanghai Panorama Technology Manufacturing Equity Investment Fund Partnership (Limited Partnership)* (上海國策科技製造股權投資基金合夥企業(有限合夥)) is established under the laws of the PRC and is one of the funds managed by Shanghai Panorama Investment Management Co., Ltd.* (上海國策投資管理有限公司).

3H Health Investment

Nanjing Jianye Sanzheng Shunxin Equity Investment Partnership (Limited partnership)* (南京建鄴叁正順心股權投資合夥企業(有限合夥))* (“**Sanzheng Shunxin**”) is a limited partnership duly established under the laws of the PRC, with Nanjing Jianye Sanzheng Houde Management Co., Ltd.* (南京建鄴三正厚德投資管理有限公司) acting as its managing partner. Each of Robust Edge Investments Limited (“**Robust Edge Investments**”) and Centroid Investments Limited (“**Centroid Investments**”) is a limited company established under the laws of Hong Kong for investment holding purpose. Sanzheng Shunxin, Robust Edge Investments and Centroid Investments are collectively acknowledged as funds and investment vehicles of 3H Health Investment Funds (三正健康投資基金) (“**3H Health Investment**”). 3H Health Investment participate in the Proposed Investment through Robust Edge Investments and Centroid Investments and have invested in Jingfeng Medical through Sanzheng Shunxin and Centroid Investments during its previous financings. 3H Health Investment are private equity investment funds specializing in investments in sectors related to life sciences, healthcare and technology.

To the best knowledge of the Directors, save for Yinkaixin, all other investors participating in the Proposed Investment and their respective ultimate beneficiaries are Independent Third Parties.

INFORMATION OF THE COMPANY

The Company is an investment holding company and the Group is principally engaged in designing, developing, manufacturing and selling MISIA products in China.

REASONS FOR AND BENEFITS OF ENTERING INTO THE INVESTMENT AGREEMENT

Jingfeng Medical focuses on developing surgical robotic products and instruments for laparoscopic surgery in China, which represents a fast-growing sector. Jingfeng Medical’s core management team have multidisciplinary background relating to devices, electronics, artificial intelligence, material science and medical imaging, and are also experienced in relevant product development and business management.

The Proposed Investment provides the Group with insights into the latest trends in the technological development, clinical application and feedback, and regulatory environment in surgical robotics industry. It is an integral part of the Group’s strategic investment in the field of intelligent surgical equipment and instruments sector and participation in the development of surgical robots industry in China. The Proposed Investment also lays a foundation for potentially broader and more in-depth partnership between the Company and Jingfeng Medical.

The Board (including the independent non-executive Directors, and excluding Mr. ZHONG Ming and Ms. SHENTU Yinguang, who are considered to have a material interest in the Investment Agreement due to their participation in the Proposed Investment as investors through Yinkaixin and are therefore required to abstain from voting on the relevant Board resolutions in relation to the Investment Agreement) have considered and reviewed the terms and provisions of the Investment Agreement, and are of the view that the Investment Agreement has been entered into on an arm’s length basis and in the ordinary and usual course of business, and is on normal commercial terms, fair and reasonable, and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Yinkaixin is wholly owned by Mr. ZHONG Ming and Ms. SHENTU Yinguang, who are Controlling Shareholders and executive Directors, and therefore Yinkaixin is a connected person of the Company pursuant to the Listing Rules. Accordingly, the Proposed Investment constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined in the Listing Rules) for the Proposed Investment is more than 0.1% but less than 5%, the Proposed Investment is subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. As all the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Proposed Investment are below 5%, it does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

“Board”	the board of Directors
“Company”	Kangji Medical Holdings Limited
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise, refers to Mr. ZHONG Ming, Ms. SHENTU Yinguang, Fortune Spring ZM B Limited and Fortune Spring YG B Limited
“Directors”	the directors of the Company
“ESOP”	employee stock ownership plans
“Group”	the Company, together with its subsidiaries
“Guadalupe Peak”	Guadalupe Peak Limited, a company incorporated under the law of the Cayman Islands and wholly owned by LYFE Capital
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“Independent Third Party”	party or parties that, to the best of our Directors' knowledge, information and believe, having made all reasonable enquiries, is or are not a connected person or connected persons of the Company within the meaning of the Listing Rules
“Investment Agreement”	the Investment Agreement entered into by, among others, Kangji Hong Kong, Yinkaixin and Jingfeng Medical on January 12, 2021
“Jingfeng Medical”	Shenzhen Jingfeng Medical Technology Co., Ltd.* (深圳市精鋒醫療科技有限公司), a limited liability company incorporated under the laws of the PRC

“Kangji Hong Kong”	Kangji Medical (Hong Kong) Limited, a limited liability company incorporated under the laws of Hong Kong, a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LYFE Capital”	the parent group of LYFE Capital Fund, L.P. and LYFE Capital Fund-A, L.P., existing shareholders of the Company, holding approximately an aggregate of 6.13% of the total issued share capital of the Company as at the date of this announcement
“MISIA”	minimally invasive surgical instruments and accessories
“Net Proceeds”	the net proceeds from the listing of the shares of the Company on the Stock Exchange after deducting fees and commissions in connection with the listing of the shares of the Company on the Stock Exchange
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Investment”	the proposed investment in Jingfeng Medical by Kangji Hong Kong, Yinkaixin and other investors in accordance with the Investment Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“R&D”	research and development
“Round B Investors”	Investors participating in the Proposed Investment, including Yinkaixin, Guadalupe Peak and other investors
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“United States” the United States of America

“Yinkaixin” Hangzhou Yinkaixin Medical Technology LLP* (杭州銀凱欣醫療科技合夥企業(有限合夥)), a limited partnership established under the laws of the PRC and wholly owned by the Controlling Shareholders

* *For identification purpose only*

By order of the Board
Kangji Medical Holdings Limited
ZHONG Ming
Chairman

Hangzhou, PRC, January 12, 2021

As at the date of this announcement, the Board comprises Mr. ZHONG Ming, Ms. SHENTU Yinguang and Ms. Frances Fang CHOVANEC as executive Directors; Ms. CAI Li and Mr. CHEN Gang as non-executive Directors; and Mr. JIANG Feng, Mr. GUO Jian and Mr. CHEN Weibo as independent non-executive Directors.