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**RainMed**

**Rainmed Medical Limited**

**潤邁德醫療有限公司**

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

**(Stock Code: 2297)**

**DISCLOSEABLE TRANSACTION IN RELATION TO  
THE ACQUISITION OF EQUITY INTEREST AND  
THE SUBSCRIPTION OF INCREASED REGISTERED CAPITAL  
OF THE TARGET COMPANY**

**THE INVESTMENT**

On March 1, 2023 (after trading hours), Suzhou Rainmed, an indirect wholly-owned subsidiary of the Company, entered into the Investment Agreement with the Target Company, Qingdao Yaoshuntong and the Beneficial Owner, pursuant to which (i) Suzhou Rainmed has conditionally agreed to acquire, and Qingdao Yaoshuntong has conditionally agreed to sell, the equity interest, which represents 57% of the registered capital of the Target Company as at the date of this announcement and immediately before the Subscription, at the consideration in the amount of RMB15,960,000; and (ii) Suzhou Rainmed has conditionally agreed to subscribe for the increased registered capital, which represents 11.32% of the total registered capital of the Target Company on a fully-diluted basis as enlarged by the Investment, at the consideration in the amount of RMB10,000,000 (comprising newly increased registered capital of approximately RMB8,214,300 and capital reserve of approximately RMB1,785,700).

**LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Investment are more than 5% but less than 25%, the Investment constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

The Board hereby announces that on March 1, 2023 (after trading hours), Suzhou Rainmed, an indirect wholly-owned subsidiary of the Company, entered into the Investment Agreement with the Target Company, Qingdao Yaoshuntong and the Beneficial Owner, pursuant to which (i) Suzhou Rainmed has conditionally agreed to acquire, and Qingdao Yaoshuntong has conditionally agreed to sell, the equity interest, which represents 57% of the registered capital of the Target Company as at the date of this announcement and immediately before the Subscription, at the consideration in the amount of RMB15,960,000; and (ii) Suzhou Rainmed has conditionally agreed to subscribe for the increased registered capital, which represents 11.32% of the total registered capital of the Target Company on a fully-diluted basis as enlarged by the Investment, at the consideration in the amount of RMB10,000,000 (comprising new registered capital of approximately RMB8,214,300 and capital reserve of approximately RMB1,785,700).

## **THE INVESTMENT AGREEMENT**

The principal terms of the Investment Agreement are summarized below:

### **Date**

March 1, 2023 (after trading hours)

### **Parties**

- (1) Suzhou Rainmed;
- (2) Qingdao Yaoshuntong;
- (3) the Beneficial Owner; and
- (4) the Target Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, each of counter-parties to the Investment Agreement and their respective ultimate beneficial owner(s) (if applicable) is an Independent Third Party.

### **Subject Matter**

#### ***The Transfer***

Pursuant to and subject to the terms and conditions set out in the Investment Agreement, Suzhou Rainmed has conditionally agreed to acquire, and Qingdao Yaoshuntong has conditionally agreed to sell, the equity interest, which represents 57% of the registered capital in the Target Company as at the date of this announcement and immediately before the Subscription, free from all encumbrances, and together with all rights and benefits attaching and accruing thereto, at the consideration in the amount of RMB15,960,000.

## ***The Subscription***

Pursuant to and subject to the terms and conditions set out in the Investment Agreement, Suzhou Rainmed has agreed to subscribe for the increased registered capital, which represents 11.32% of the total registered capital of the Target Company on a fully diluted basis as enlarged by the Investment, at the consideration in the amount of RMB10,000,000 (comprising new registered capital of approximately RMB8,214,300 and capital reserve of approximately RMB1,785,700).

The Transfer consideration and the Subscription consideration were determined based on arm's length negotiations among all the parties to the Investment Agreement and were on normal commercial terms with reference to and taking into account (i) the evaluation of the net assets of the Target Company; and (ii) the performance of undertaking as set out in the section headed "Other Provisions and Undertakings by the Target Company, Qingdao Yaoshuntong and the Beneficial Owner". Suzhou Rainmed shall finance the Transfer consideration and the Subscription consideration from its internal resources.

## **Conditions Precedent**

Completion shall be subject to and conditional upon the following conditions precedent being satisfied or otherwise waived by Suzhou Rainmed in writing:

- (1) Suzhou Rainmed having conducted, and to the satisfaction of the Company, its due diligence exercise on the Target Company in respect of its legal, financial, management, technical, intellectual property, business operations, corporate documents and regulatory affairs;
- (2) all relevant approvals, permissions, consents and filings for implementation of the Investment Agreement having been obtained;
- (3) all representations and warranties made by the Target Company, Qingdao Yaoshuntong and the Beneficial Owner in the Investment Agreement being true, accurate and complete and not misleading in all material respects, and all commitments and conventions set out in the Investment Agreement that should be observed or performed by the Target Company, Qingdao Yaoshuntong and the Beneficial Owner on or before the Completion Date having been observed or performed in all material respects;
- (4) all transaction documents including the Investment Agreement and the articles of association of the Target Company having been duly executed, amended (if applicable) and delivered;
- (5) Qingdao Yaoshuntong, the Beneficial Owner and Target Company shall submit information of the Investment in relation to the change of business registration particulars to the competent authority for market regulation within ten (10) business days upon the Investment Agreement taking effect, and shall obtain new business license of the Target Company as soon as possible; and

- (6) there being no occurrence of events which result in or could have significant adverse effects on the business, financial conditions and shareholding structure of the Target Company.

The completion of the Transfer and the completion of the Subscription are inter-conditional on each other.

### **Completion and Payment of the Transfer Consideration and the Subscription Consideration**

Suzhou Rainmed shall pay the Transfer consideration to Qingdao Yaoshuntong by depositing the corresponding amount of RMB15,960,000 to a bank account designated by Qingdao Yaoshuntong within fifteen (15) business days from the date of fulfilment (or waiver) of the conditions precedent.

Suzhou Rainmed shall pay the Subscription consideration by depositing the sum of RMB10,000,000 to a bank account designated by the Target Company within thirty (30) business days from the date where the Transfer consideration is settled.

Completion shall take place upon the date of payment of the Transfer consideration or the Subscription consideration, whichever is later.

Upon the Completion, the Target Company shall issue the capital contribution certificate to Suzhou Rainmed, respectively. The capital contribution certificate shall state the following matters: company name, registered capital, names of shareholders, capital contributions, percentage of equity interest, payment date of capital contribution, and issuance date of capital contribution certificate. The capital contribution certificate shall be signed by the executive director of the Target Company under the common seal.

Upon Completion, Suzhou Rainmed will own 68.32% of the equity interest in the Target Company. The Target Company will become an indirect non wholly-owned subsidiary of the Company, and the financial results of the Target Company will be consolidated into the financial statements of the Group.

### **Management of the Target Company**

After Completion, the Target Company shall not establish any board of directors, but shall have one (1) executive director, who will be the legal representative of the Target Company as well, will be appointed by Suzhou Rainmed. The general manager of the Target Company will be recommended by Qingdao Yaoshuntong and appointed by the executive director of the Target Company. The financial controller of the Target Company will be recommended by Suzhou Rainmed and appointed by the executive director of the Target Company.

## **Other Provisions and Undertakings by the Target Company, Qingdao Yaoshuntong and the Beneficial Owner**

Qingdao Yaoshuntong and the Beneficial Owner undertake that the Beneficial Owner works full-time at the Target Company or the company designated by Suzhou Rainmed before December 31, 2023. Without the consent of Suzhou Rainmed, the Beneficial Owner shall not have a position at other companies. During the period from where Suzhou Rainmed became the controlling shareholder of the Target Company to one (1) year or more after the termination date of employment relationship with the Target Company, key employees shall not, directly or indirectly, participate in any business that is the same as, similar to or in competition with the main business of the Target Company, including establishment, equity participation and control of companies or other entities that operate the above businesses, or serve as their directors, partners or other managers, or establish labor relationships with or provide services to them, or engage any actions which may damage the interests of the Company.

In addition, Qingdao Yaoshuntong and the Beneficial Owner undertake that the Target Company shall be audited by an auditor recognized by Suzhou Rainmed. Its consolidated operating income statement in financial years of 2023, 2024, and 2025 shall not be less than RMB15,000,000, RMB20,000,000 and RMB25,000,000, respectively, and the aggregate consolidated operating income statement for the three (3) financial years shall not be less than RMB60,000,000 (**“Guaranteed Revenue of Commitment Period”**). The consolidated net profit statement in financial years of 2023, 2024 and 2025 shall not be less than RMB1,500,000, RMB2,000,000 and RMB3,200,000, respectively, and the aggregate consolidated net profit for the three (3) financial years shall not be less than RMB6,700,000 (**“Guaranteed Profit of Commitment Period”**).

To encourage product research and development, the expenditure amount of product research and development of the Target Company from 2023 to 2025 will be audited in accordance with the accounting policy of the Company, and the impact of actual profit during the commitment period can be directly deducted by the portion that has been included to the profit or loss in the period.

If the sum of actual operating income in the consolidated statement of Target Company for the three (3) financial years from 2023 to 2025 (“**Actual Revenue of Commitment Period**”), which is audited by an auditor recognized by Suzhou Rainmed, is lower than 90% of the Guaranteed Revenue of Commitment Period, or the sum of consolidated net profit statement (“**Actual Profit of Commitment Period**”) is lower than 90% of the Guaranteed Profit of Commitment Period, Suzhou Rainmed has the right to require Qingdao Yaoshuntong and the Beneficial Owner to make compensation in cash. The amount of cash compensation shall be calculated according to the following formula:

$$\text{Committed Revenue Fulfillment Ratio X} = \frac{\text{Actual Revenue of Commitment Period}}{\text{Guaranteed Revenue of Commitment Period}}$$
$$\text{Committed Profit Fulfillment Ratio Y} = \frac{\text{Actual Profit of Commitment Period}}{\text{Guaranteed Profit of Commitment Period}}$$

Taking the lower value of X and Y as the calculation variable, the calculation method of profit compensation is:

$$\text{Amount of Cash Compensation} = \text{RMB25,960,000} \times (1 - X \text{ (or Y)})$$

Suzhou Rainmed shall be entitled to co-sale rights in the event that any of the shareholders of the Target Company disposes of its equity interests in the Target Company in proportion to its respective shareholding except for the transfers by the same shareholders to their respective affiliated entities as approved by the Company.

Suzhou Rainmed shall be entitled to preferential rights in the distribution of assets over the shareholders of the Target Company in the event of dissolution or liquidation of the Target Company.

At any time when Suzhou Rainmed holds any equity interest in the Target Company, the shareholders of the Target Company may not directly or indirectly transfer any equity interest of the Target Company without the consent of Suzhou Rainmed.

Qingdao Yaoshuntong, the Beneficial Owner and key management personnel of the Target Company shall enter into non-competition and non-solicitation agreements with the Target Company in such form as approved by Suzhou Rainmed. Qingdao Yaoshuntong and the Beneficial Owner may not directly or indirectly own, manage, engage in, operate, consult, provide services for, and participate in any legal entity, institution, social organization or other entity that competes with the business of the Target Company.

## **Termination**

The Investment Agreement shall terminate under the following circumstances:

- (1) at any time before the Completion Date, (i) the occurrence of any event or situation which has caused a material adverse effect; (ii) any representations and warranties of the Target Company, Qingdao Yaoshuntong and the Beneficial Owner are untrue or incorrect such that the conditions precedent cannot be fulfilled; (iii) the Target Company, Qingdao Yaoshuntong and the Beneficial Owner have breached any of the commitments or obligations in the Investment Agreement such that the conditions precedent cannot be fulfilled; or (iv) any legal proceedings have been initiated by or against any member of the Target Group that have a material adverse effect such that any member of the Target Group is declared to be in criminal proceedings, bankruptcy or insolvency, or is ordered to wind up or cease business due to bankruptcy or insolvency in accordance with the PRC laws, the Company is entitled to terminate the Investment Agreement by giving a notice of fifteen (15) business days in advance to Qingdao Yaoshuntong or the Target Company; or
- (2) if Suzhou Rainmed fails to complete the payment for the Transfer consideration in accordance with the Investment Agreement, Qingdao Yaoshuntong is entitled to terminate the Investment Agreement; or
- (3) if Suzhou Rainmed fails to complete the payment for the Subscription consideration in accordance with the Investment Agreement, the Target Company is entitled to terminate the Investment Agreement; or
- (4) by unanimous consent among all the parties to the Investment Agreement in writing.

## **INFORMATION ON THE PARTIES AND THE TARGET COMPANY**

### **Suzhou Rainmed**

Suzhou Rainmed is an indirect wholly-owned subsidiary of the Company, which is the principal operating entity of the Group in the PRC and currently focuses on the design, development and commercialization of caFFR system and caIMR system. The Group is amongst the first to have commercially launched coronary angiography-derived FFR systems in China, and is committed to becoming a global leading medical device company that develops vascular interventional surgical robots. Our proprietary caFFR system has obtained both certificates of CE Mark in Europe and National Medical Products Administration approval in China, which can achieve an accuracy rate of 95.7% and it is the highest accuracy rate among all domestic FFR measurement products. We are currently developing our caIMR system, which is the only less-invasive IMR measurement product having completed a confirmatory clinical trial globally and is expected to become the first less-invasive IMR system approved for commercialization globally.

## Qingdao Yaoshuntong and the Beneficial Owner

Qingdao Yaoshuntong is a limited liability company incorporated in the PRC, the sole shareholder of the Target Company, and is wholly owned by Mr. He Zhibo (i.e. the Beneficial Owner) and Ms. Du Lina. To the best knowledge of the Directors, the principal business of Qingdao Yaoshuntong is investment holding.

### The Target Company

The Target Company is a limited liability company incorporated in the PRC and its registered capital immediately prior to Completion is RMB23,000,000. The Target Company is a diversified high-tech enterprise engaging in the research and development, production and marketing of in vitro diagnostic products, the principal business of which is in the field of biochemical in vitro diagnostic reagents. The Target Company has obtained 85 Class II registration certificates for biochemical diagnostic reagent products and corresponding production licenses, covering major diagnostic categories such as liver function, kidney function, blood lipids, and cardiac muscle, and has a wider coverage of products. The 24 projects which the Target Company participated in the centralized procurement were all shortlisted in the “Centralized Quantity Procurement In Relation to Liver Function Biochemical Testing Reagents by Cross-provincial Alliances” (《關於肝功生化類檢測試劑省際聯盟集中帶量採購》).

### Shareholding Structure of the Target Company

The following table sets out changes in the each shareholdings structure of the Target Company as at the date of this announcement and immediately upon completion of the Transfer and the Subscription respectively:

No.	Name of the Shareholders	As at the date of this announcement		Immediately upon completion of the Transfer		Immediately upon completion of the Subscription	
		Amount of Contribution (RMB'000)	Shareholdings Ratio (%)	Amount of Contribution (RMB'000)	Shareholdings Ratio (%)	Amount of Contribution (RMB'000)	Shareholdings Ratio (approx.%)
1	Qingdao Yaoshuntong	23,000.00	100.00%	9,890.00	43.00%	9,890.00	31.68%
2	Suzhou Rainmed	—	—	13,110.00	57.00%	21,324.30	68.32%
	Total	<u>23,000.00</u>	<u>100.00%</u>	<u>23,000.00</u>	<u>100.00%</u>	<u>31,214.30</u>	<u>100.00%</u>



## Financial Information of the Target Company

Set out below is a summary of the combined financial information of the Target Company for the two years ended December 31, 2021 and 2022 prepared in accordance with the PRC accounting standards:

	<b>For the year ended December 31, 2021 <i>unaudited</i> RMB'000 <i>approximation</i></b>	<b>For the year ended December 31, 2022 <i>unaudited</i> RMB'000 <i>approximation</i></b>
Revenue	7,856	6,821
Net loss before tax and extraordinary items	321	1,108
Net loss after tax and extraordinary items	321	1,108

The combined total assets of the Target Company as at December 31, 2022 were approximately RMB9,762,000. The total combined net liabilities of the Target Company as at December 31, 2022 were approximately RMB3,587,000.

## REASONS FOR AND BENEFITS OF THE INVESTMENT

The Group is engaged in the research and development, manufacturing and commercialization of medical instrument related to caFFR system and caIMR system.

In recent years, with increasing adjustment and support of policies, the industry in which the Target Company operates is developing vigorously, and the Target Company has continuously been selected for winning tender in recent years, thus gaining substantial market recognition in the industry. The Investment is based on the need of product development strategy of the Group, which is in line with the Group's long-term development plan. Following Completion, the Group will jointly develop a series of innovative precision diagnostic products for cardiovascular IVD such as "coagulation" and "peptide" with the Target Company. The precision diagnostic products of the Group will expand from "covering all procedures of the surgery" to "check-up upon hospitalization" and "bedside check-up", further improving the Group's product layout. The Target Company has comprehensive biochemical reagent projects, and achieves synchronous development of conventional projects and projects under research. Meanwhile, the marketing system of the Group will help the Company seize more market opportunities for IVD products in the cardiovascular field and create more revenue to the Group. The Investment is conducted on normal commercial terms, and the transaction relies on strategic mergers and acquisitions of industrial resources. The Directors consider the terms of the Investment are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

## LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Investment Agreement are more than 5% but less than 25%, the Investment constitutes a disclosable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

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

“Beneficial Owner”	Mr. He Zhibo
“Board”	the board of Directors
“caFFR”	coronary angiography-derived fractional flow reserve
“caIMR”	coronary angiography-derived index of microvascular resistance
“China” or “PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company”	Rainmed Medical Limited (潤邁德醫療有限公司), an exempted company with limited liability incorporated in the Cayman Islands on April 9, 2021
“Completion”	the completion of the Investment
“Completion Date”	the date of the respective Completion takes place
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“FFR”	fractional flow reserve
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IMR”	index of microcirculatory resistance
“Independent Third Party(ies)”	a person, or in the case of a company, the company or its ultimate beneficial owner, who is independent of and not connected with the Company and its connected person(s)
“Investment”	the Transfer and the Subscription

“Investment Agreement”	the investment agreement dated March 1, 2023 among Suzhou Rainmed, Qingdao Yaoshuntong, the Beneficial Owner and the Target Company
“IVD”	in vitro diagnostic products
“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange
“Qingdao Yaoshuntong”	Qingdao Yaoshuntong Trading Co., Ltd.* (青島耀順通商貿有限公司), a limited liability company established under the laws of PRC on January 16, 2023 and is a sole shareholder of the Target Company immediately before the Investment
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	subscription of subscription interests as contemplated under the Investment Agreement
“Suzhou Rainmed”	Suzhou Rainmed Medical Technology Co., Ltd.* (蘇州潤邁德醫療科技有限公司), a limited liability company established under the laws of PRC on December 5, 2016, being a wholly-owned subsidiary of the Company
“Target Company”	Tianjin Yuehekang Biotechnology Co., Ltd.* (天津悅和康生物技術有限公司), a limited liability company established under the laws of PRC on February 21, 2014
“Target Group”	the Target Company and its subsidiaries
“Transfer”	transfer of interests as contemplated under the Investment Agreement
“%”	per cent

\* *The English translations of company names in Chinese which are marked with “\*” are for identification purpose only.*

By Order of the Board  
**Rainmed Medical Limited**  
**Huo Yunfei**  
*Chairman of the Board and Executive Director*

Hong Kong, March 1, 2023

*As at the date of this announcement, the Board comprises Mr. Huo Yunfei, Mr. Lyu Yonghui, Mr. Zhang Liang and Ms. Gu Yang as executive Directors, Mr. Wang Lin and Mr. Heng Lei as non-executive Directors, and Mr. Liu Shuen Kong, Mr. Li Ho Man and Mr. Lau Tsz Ho Tony as independent non-executive Directors.*