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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)**

## **SUPPLEMENTAL ANNOUNCEMENT**

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

Reference is made to the announcement of the Company dated March 1, 2023 (the “**Announcement**”) in relation to the acquisition of equity interest and the subscription of increased registered capital of the Target Company. Unless otherwise defined, capitalized terms used herein shall have the same meaning as those defined in the Announcement.

The Company wishes to provide the shareholders and potential investors of the Company with further information in relation to the Investment set out in the Announcement.

It was disclosed in the Announcement that the consideration for the Transfer and the consideration for the Subscription were determined at after arm’s length negotiations between all the parties to the Investment Agreement and were on normal commercial terms taking into account (i) the evaluation of the net assets of the Target Company; and (ii) the performance of undertaking as set out therein, including the cash compensation arrangements in relation to the Guaranteed Revenue of Commitment Period and the Guaranteed Profit of Commitment Period. The factors taken into account by Suzhou Rainmed in determining the consideration of the Investment are further elaborated as follows:

## **EVALUATION OF THE NET ASSETS OF THE TARGET COMPANY**

The Target Company recorded combined net liabilities of approximately RMB3,587,000 as at December 31, 2022 as its registered capital had not been fully paid up by Qingdao Yaoshuntong as at December 31, 2022 with an outstanding amount of RMB8,180,000. Such outstanding amount was fully paid up by Qingdao Yaoshuntong in February 2023. Upon completion of the capital contribution, the Target Company has a registered capital of RMB23,000,000. Based on the combined management accounts of the Target Company for the two months ended February 28, 2023, the Target Company recorded combined net assets of approximately RMB3,204,000 as at February 28, 2023 (immediately before the date of the Investment Agreement).

# PERFORMANCE UNDERTAKING IN RESPECT OF THE GUARANTEED REVENUE OF COMMITMENT PERIOD AND THE GUARANTEED PROFIT OF COMMITMENT PERIOD

The Guaranteed Revenue of Commitment Period and the Guaranteed Profit of Commitment Period were determined by all the parties to the Investment Agreement based on arm's length negotiations and having considered the following factors:

- (a) The Target Company is a diversified high-tech enterprise principally engaging in the research and development (“**R&D**”), production and marketing of IVD products, the principal business of which is in the field of biochemical IVD reagents. According to China Insights Industry Consultancy Limited (“**CIC**”), an independent market research consulting firm that is principally engaged in the provision of market research consultancy services, the biochemical in vitro diagnosis industry has great market potentials with a market size in the PRC of over RMB20.5 billion in 2021 with an expected compound annual growth rate of approximately 8.1% from 2021 to 2026;
- (b) 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. As at December 31, 2022, the Target Company had conducted sales to more than 210 hospitals in 18 provinces in the PRC. In addition, according to the announcement issued by the Jiangxi Provincial Healthcare Security Bureau (江西省醫療保障局) on December 30, 2022, 24 products of the Target Company were selected and 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》), a centralized procurement of 26 biochemical diagnostic reagents for liver function by 22 provinces led by Jiangxi Provincial Healthcare Security Bureau. The selection of such products in the centralized procurement will promote the entry of these 24 products of the Target Company into public hospitals in 22 provinces in the PRC, which will further expand the market and sales volume of the Target Company and improve its operating performance. With the selection of 24 products of the Target Company in the centralized procurement led by Jiangxi Provincial Healthcare Security Bureau and the marketing efforts by the Target Company, the Target Company has established collaboration with 95 domestic distributors as at February 28, 2023, representing an increase of approximately 33.8% from 71 domestic distributors as at December 31, 2022. Based on the combined management accounts of the Target Company for the two months ended February 28, 2023, the Target Company recorded a total revenue of approximately RMB1,485,000 for the two months ended February 28, 2023, representing an increase of approximately 90.9% from approximately RMB778,000 for the same period of 2022 and an increase of approximately 26.6% from approximately RMB1,173,000 for the two months ended December 31, 2022;

- (c) The Target Company has been recognized as a national new and high-technology enterprise since December 2016 and has developed a product pipeline covering a wide range of diagnostic categories. Two products of the Target Company under R&D, namely Copeptin and platelet coagulation detection reagent kit, are expected to obtain approval from the National Medical Products Administration of the PRC in 2024. According to CIC, the market size of Copeptin products and platelet coagulation detection reagent kit in the PRC is expected to exceed RMB600 million and RMB1 billion in 2026, respectively. The above two products are diagnostic products for cardiovascular IVD which match the application fields of the Group's caFFR system and caIMR system. The synergy effect between the Group and the Target Company in terms of the application of these products is expected to improve the Group's product layout and facilitate the sales of such products and further increase the sales revenue of the Target Company;
- (d) As at June 30, 2022, the Group has established an extensive distribution network comprising 125 domestic distributors who are authorized to cover over 1,000 hospitals across 21 provinces, four autonomous regions and four municipal cities in the PRC. With the effective and extensive sales and marketing activities, as at June 30, 2022, the Group's caFFR systems had been sold to and installed in over 350 hospitals and had been performed at over 850 hospitals in the PRC, and the Group had completed the procurement approval procedure with over 450 hospitals in the PRC. Considering the synergy effects between the Group and the Target Company in terms of product layout and application fields, the marketing system, sales team and market position of the Group are expected to enable the Target Company to seize more market opportunities for its diagnostic products, in particular those in the cardiovascular field, and to further expand its market and increase its sales; and
- (e) The formula agreed among the parties to the Investment Agreement for the Suzhou Rainmed to claim cash compensation from Qingdao Yaoshuntong and the Beneficial Owner provided additional comfort to Suzhou Rainmed that should the Target Company fail to achieve the Guaranteed Revenue of Commitment Period and/or the Guaranteed Profit of Commitment Period, Qingdao Yaoshuntong and the Beneficial Owner are required to compensate the Group with calculations that are clear and directly aligned with the financial performance of the Target Company in such periods. In the event the Target Company records net loss during the financial years from 2023 to 2025 such that the Actual Profit of Commitment Period would be zero and the Committed Profit Fulfillment Ratio Y would also be zero, the cash compensation that Suzhou Rainmed has the right to require Qingdao Yaoshuntong and the Beneficial Owner to make in accordance with the formula set out in the Announcement will amount to RMB25,960,000, being the total consideration of the Investment.

Based on the above, the Directors consider that the terms of the Investment are fair and reasonable and in the interests of the Company and its shareholders as a whole.

All other information and contents set out in the Announcement remain unchanged.

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

Hong Kong, March 20, 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.*