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## **Broncus Holding Corporation**

**堃博医疗控股有限公司**

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

**(Stock Code: 2216)**

### **CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF FIBERNOVA**

#### **THE ACQUISITION**

The Board is pleased to announce that on September 8, 2023, the Company entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Company has agreed to acquire and the Vendors have agreed to dispose of 100% of the equity interests in the Target Company at an Aggregate Consideration of US\$2.7 million. The Aggregate Consideration shall be satisfied by (i) the payment of the Purchase Consideration by the Company to the Vendors upon Completion; and (ii) the payment of the Milestone Payment by the Company to the Vendors for the balance upon fulfillment of the Milestone Conditions.

#### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group and the Target Company are engaged in similar businesses, and hence the integration of the Target Company's business into the Group will be greatly synergistic.

Through the Acquisition, the Group seeks to take advantage of the Target Company's fiber optic technology to increase the precision of its own products. The Acquisition will diversify and strengthen the Group's product portfolio, facilitate its technological development, as well as provide the Group with access to personnel with valuable expertise in the field of optic medical devices.

#### **LISTING RULE IMPLICATIONS**

As Mr. Zhao, being a non-executive Director, through St. Christopher Investment Ltd., indirectly controls more than 30% equity interest in Dinova Healthcare, being one of the Vendors in the Acquisition, Dinova Healthcare is an associate of Mr. Zhao and hence a connected person of the Company. Therefore, the Acquisition (in respect of the transaction between Dinova Healthcare and the Company) constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the Acquisition (in respect of the transaction between Dinova Healthcare and the Company) are higher than 0.1% but less than 5%, pursuant to Rule 14A.76 of the Listing Rules, the Acquisition (in respect of the transaction between Dinova Healthcare and the Company) is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and shareholders' approval requirements under the Listing Rules.

Furthermore, as the applicable percentage ratios as defined under the Listing Rules in respect of the Acquisition are less than 5%, the Acquisition does not constitute a discloseable transaction for the Company and is not subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT**

### **Date**

September 8, 2023

### **Parties**

Purchaser: the Company

Vendors: Dinova Healthcare, Mr. Kirma, Ms. Xu and Mr. Nahmias

### **Acquisition**

Pursuant to the Sale and Purchase Agreement, the Company has agreed to acquire and the Vendors have agreed to dispose of the Target Equity Interests, being 100% of the equity interests in the Target Company, Fibernova Holding Corporation, in consideration for cash. After the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company.

### **Consideration**

The Aggregate Consideration for the Target Equity Interests is US\$2.7 million, which was determined with reference to the Appraised Value of US\$2.9 million in the Valuation Report issued by the Independent Valuer, and the Aggregate Consideration will be paid in cash on a *pro rata* basis to the Vendors.

The Aggregate Consideration payable by the Company to the Vendors will be settled as follows:

- (1) the Purchase Consideration to be paid by the Company to the Vendors at Completion shall be US\$1.7 million, of which US\$1,570,375 will be paid to Dinova Healthcare (92.38%), US\$106,259 will be paid to Mr. Kirma (6.25%), US\$21,250 will be paid to Ms. Xu (1.25%), and US\$2,125 will be paid to Mr. Nahmias (0.13%); and

- (2) the Milestone Payment to be paid by the Company to the Vendors upon fulfillment of the Milestone Conditions shall be US\$1 million, of which US\$923,750 will be paid to Dinova Healthcare (92.38%), US\$62,500 will be paid to Mr. Kirma (6.25%), US\$12,500 will be paid to Ms. Xu (1.25%), and US\$1,250 will be paid to Mr. Nahmias (0.13%).

### **Milestone Conditions**

The Milestone Payment is conditional upon the following Milestone Conditions being fulfilled by the Target Group and/or specifically waived by the Company in writing as at June 30, 2024, such date to be extended until August 31, 2024 in the event of unforeseen circumstances which could materially delay the achievement of the Milestone Conditions:

- (1) completion of the construction of a fiber grating writing production line in China and completion of trial production;
- (2) a minimum capacity of 1000m/month for a single production line; and
- (3) know-how transfer to the research and development team of the Group, including but not limited to documentation transfer, operation training and the provision of supplier information.

### **Completion**

Completion is conditional upon the following conditions precedent (“**Conditions Precedent**”) being fulfilled and/or waived by the Company in whole or in part and conditionally or unconditionally by notice in writing to the Vendors:

- (1) the passing of a resolution for the approval of and any resolutions reasonably considered necessary or desirable in the context of applicable laws and regulations for the implementation of the transactions contemplated under the Sale and Purchase Agreement, on terms reasonably satisfactory to the Company;
- (2) the delivery of the resignation letters by certain directors as directors of the Target Company and such other offices in the Target Group, effective upon Completion;
- (3) no notice, order, judgment, action or proceeding of any person having been served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated by the Sale and Purchase Agreement or which is likely to materially and adversely affect the right of the Company to own the legal and beneficial title to the Target Equity Interests, free from encumbrances;
- (4) the warranties given by the Vendors in the Sale and Purchase Agreement remaining true and accurate in all respects and not misleading in any respect; and
- (5) no material adverse effect or change having occurred or being likely to occur on or before the Completion Date.

At Completion:

- (1) the Company shall receive:
  - (i) a certified copy of the resolutions of the board of directors of Dinova Healthcare approving the Sale and Purchase Agreement and all other transactions contemplated thereunder and authorising a person or persons to execute the same and all other documents relating or incidental thereto for and on behalf of Dinova Healthcare;
  - (ii) the instrument(s) of transfer of the Target Equity Interests duly executed by each of the Vendors in favour of the Company;
  - (iii) a resolution of the board of directors of the Target Company approving the transfer of the Target Equity Interests from the Vendors to the Company; and
  - (iv) such waivers or consents as the Company may require to be registered as holder of the Target Equity Interests.
- (2) The Company shall:
  - (i) pay the Purchase Consideration in full; and
  - (ii) deliver to the Vendors a certified copy of resolutions of the Board approving the Sale and Purchase Agreement and all other transactions contemplated thereunder and authorising a person or persons to execute the same and all other documents relating or incidental thereto for and on behalf of the Company.

### **Principal assumptions adopted in the Valuation Report**

The Valuation Report was prepared using the market approach using information as at the Valuation Reference Date. As such, there is no need for any profit forecast or comfort letter.

### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group and the Target Company are engaged in similar businesses, and hence the integration of the Target Company's business into the Group will be greatly synergistic.

Firstly, the Group's existing technology — including pulmonary radio frequency ablation systems, targeted pulmonary denervation systems and cryoablation systems — consists of catheter-based interventional therapy solutions. In particular, the Group is engaged in the production of devices aimed at providing accurate, real-time navigation during surgical procedures. Broncus Hangzhou, a subsidiary of the Company, is a pioneer in the field of interventional respiratory pathology and provides catheter-based products.

Pulmonary procedures often involve imaging errors caused by, among other factors, respiratory movements when a patient is under local anesthesia. As a result, precision during surgery is significantly decreased and multiple scans are needed to confirm the placement of needles, which increases the operation time, radiation dose and rate of complications. Although our Company currently uses computed tomography (CT) and other technologies

and methods to conduct intraoperative navigation and positioning to counter the effects of respiratory motion during surgery, the abovementioned problems are still unable to be completely eliminated.

Secondly, the Target Company is focused on developing fiber optic technology originating from the work of the Ben-Gurion University of the Negev in Israel. Such fiber optic technology contains high clinical value, as it is real-time sensing technology which provides physicians with feedback on a catheter's precise shape and position in the body, complementing real-time imaging technology.

Through the Acquisition, the Company seeks to take advantage of the Target Company's fiber optic technology to increase the precision of its own products. The Acquisition will diversify and strengthen the Company's product portfolio, facilitate its technological development, as well as provide the Company with access to personnel with valuable expertise in the field of optic medical devices.

In light of the above, the Board (including the independent non-executive Directors) is of the view that the terms of the Acquisition, including but not limited to those contained in the Sale and Purchase Agreement, are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Mr. Zhao and Mr. Zi, each a non-executive Director, are the ultimate beneficial owner of St. Christopher Investment Ltd. and Xin Nuo Tong Investment Ltd., respectively, which are in turn the shareholders of Dinova Healthcare, being the Vendor with the largest shareholding in the Target Company. Therefore, Mr. Zhao and Mr. Zi have a material interest in the Acquisition, and shall abstain from voting on the Board resolutions approving the Sale and Purchase Agreement and the Acquisition. To the best of the Directors' knowledge, none of the Directors (other than Mr. Zhao and Mr. Zi) have any material interest in, or are otherwise required to abstain from voting on, the resolutions of the Board considering and approving the Sale and Purchase Agreement and the Acquisition.

The Acquisition is in line with the business strategies of the Company as disclosed in its Prospectus, and there is no material change in the Company's business strategies as stated in the Prospectus. The Board is of the view that the Acquisition will not result in a fundamental change in the principal business activities of the Company under Rule 18A.10 of the Listing Rules.

Following Completion, the Target Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into those of the Group.

## **GENERAL**

### **Information on the Group**

The Company is a pioneer in the market for interventional pulmonology medical devices. It focuses on developing innovative technologies and products for the navigation, diagnosis and treatment of pulmonary diseases. Founded in 2012, the Company has assembled a management team with extensive experience in product development, clinical research and commercialization. As at June 30, 2023, the Company had established a product pipeline comprising of 18 products and major product candidates, and had a total of 796 issued patents and patent applications. In addition, the Company conducts clinical training, market education, brand promotion and commercialization efforts, and also promotes sales to globally mainstream markets such as China, Europe and Asia.

Broncus Hangzhou is a wholly-owned subsidiary of the Company incorporated in the PRC on February 24, 2016. It is primarily engaged in the business of researching, developing and commercializing medical devices and consumables, and is responsible for delivering products to the distributors of the Company in the PRC.

### **Information on the Target Company**

The Target Company was incorporated in the Cayman Islands and established by the Vendors together. As such, there was no original acquisition cost of the Target Company to the Vendors.

The Target Company is engaged in the business of developing the first fiber optic navigation and imaging system for use in various types of catheters or endoscopes during medical procedures. It aims to use this technology to achieve real-time display of surrounding tissues and organs during surgery, and seeks to fulfill market demand for the precise and safe surgical navigation that is enabled by fiber Bragg grating (FBG) technology.

According to the unaudited consolidated financial statements of the Target Company, as at June 30, 2023, the total assets and the net assets of the Target Company were US\$342,267 and US\$246,770, respectively. For the years ended December 31, 2021 and December 31, 2022, and for the period from January 1, 2023 to June 30, 2023, the net loss (before and after taxation) of the Target Company was US\$282,086, US\$896,072 and US\$86,967, respectively.

### **Information on the Vendors and Their Ultimate Beneficial Owners**

As at the date of the Sale and Purchase Agreement, the Target Company is held as to 92.38% by Dinova Healthcare, 6.25% by Mr. Kirma, 1.25% by Ms. Xu and 0.13% by Mr. Nahmias.

Dinova Healthcare is an investment holding company incorporated in the Cayman Islands. It is held as to (i) 83.54% by St. Christopher Investment Ltd., which in turn is wholly owned by Mr. Zhao, (ii) 9% by Xin Nuo Tong Investment Ltd., which in turn is wholly owned by Mr. Zi, and (iii) 7.46% by Lucky Share Ltd., which in turn is wholly owned by Ms. Chan Fung Ying as ultimate beneficial owner.

Mr. Kirma is the chief executive officer and Ms. Xu is a director of the Target Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Mr. Kirma, Ms. Xu and Mr. Nahmias are Independent Third Parties.

## **LISTING RULES IMPLICATIONS**

As Mr. Zhao, being a non-executive Director, through St. Christopher Investment Ltd., indirectly controls more than 30% equity interest in Dinova Healthcare, being one of the Vendors in the Acquisition, Dinova Healthcare is an associate of Mr. Zhao and hence a connected person of the Company. Therefore, the Acquisition (in respect of the transaction between Dinova Healthcare and the Company) constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules for the Acquisition (in respect of the transaction between Dinova Healthcare and the Company) are higher than 0.1% but less than 5%, pursuant to Rule 14A.76 of the Listing Rules, the Acquisition (in respect of the transaction between Dinova Healthcare and the Company) is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and shareholders' approval requirements under the Listing Rules.

Furthermore, as the applicable percentage ratios as defined under the Listing Rules in respect of the Acquisition are less than 5%, the Acquisition does not constitute a discloseable transaction for the Company and is not subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“%”	per cent;
“Acquisition”	the acquisition of the Target Equity Interests by the Company pursuant to the Sale and Purchase Agreement;
“Aggregate Consideration”	the aggregate cash consideration of US\$2.7 million for the Acquisition, being the total of the Purchase Consideration and the Milestone Payment;
“Appraised Value”	the appraised value of the Target Equity Interests in the Valuation Report;
“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors of the Company;
“Broncus Hangzhou”	Hangzhou Broncus Medical Co., Ltd. (杭州堃博生物科技有限公司), a incorporated in the PRC and a wholly-owned subsidiary of the Company;

“Company”	Broncus Holding Corporation (堃博医疗控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on April 30, 2012, whose issued Shares are listed and traded on the Stock Exchange;
“Completion”	the completion of the Acquisition;
“Completion Date”	the fifth business day after the fulfillment and/or waiver of the last of the Conditions Precedent in the Sale and Purchase Agreement, unless waived by the Company in accordance with the Sale and Purchase Agreement or as otherwise agreed upon by the Company and the Vendors;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules;
“Dinova Healthcare”	Dinova Healthcare Holding Corporation, a company incorporated in the Cayman Islands and a shareholder of the Target Company;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	any entity(ies) or person(s) who, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules;
“Independent Valuer”	Valuelink Asia (Beijing) Enterprise Management Consulting Co., Ltd. (藍策亞洲(北京)資產評估有限公司);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Milestone Conditions”	the conditions upon whose fulfillment or written waiver in whole or in part by the Company the Milestone Payment is conditional;
“Milestone Payment”	the milestone payment of US\$1 million paid by the Company to the Vendors upon fulfillment or waiver of the Milestone Conditions;
“Mr. Kirma”	Mr. Yaniv Kirma, an Israeli citizen, the chief executive officer and a shareholder of the Target Company and an Independent Third Party;



“Mr. Nahmias”	Mr. Tamir Nahmias, an Israeli citizen, a shareholder of the Target Company and an Independent Third Party;
“Mr. Zhao”	Mr. Michael Yi Wei Zhao, a Canadian citizen, an ultimate beneficial owner of the Target Company and a non-executive Director of the Company;
“Mr. Zi”	Mr. Zhenjun Zi, a PRC citizen, an ultimate beneficial owner of the Target Company and a non-executive Director of the Company;
“Ms. Xu”	Ms. Bo Xu, a PRC citizen, a director and a shareholder of the Target Company and an Independent Third Party;
“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement only, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan;
“Prospectus”	the prospectus of the Company dated September 13, 2021;
“Purchase Consideration”	the purchase consideration of US\$1.7 million paid by the Company to the Vendors upon Completion;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	a conditional sale and purchase agreement entered into between the Company and the Vendors dated September 8, 2023 in respect of the Acquisition;
“Share(s)”	the ordinary share(s) in the share capital of the Company;
“Shareholder(s)”	holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules;
“Target Company”	Fibernova Holding Corporation, a company incorporated in the Cayman Islands;
“Target Equity Interests”	the 100% equity interests held by the Vendors in the Target Company which are agreed to be acquired by the Company;
“Target Group”	the Target Company and its subsidiaries from time to time;

“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction;
“US\$”	United States dollars, the lawful currency of the United States;
“Valuation Reference Date”	June 30, 2023, the reference date of valuation of the Target Equity Interests in the Valuation Report;
“Valuation Report”	the “Asset Valuation Report” produced by the Independent Valuer for the Acquisition; and
“Vendor(s)”	Dinova Healthcare, Mr. Kirma, Ms. Xu and Mr. Nahmias.

By order of the Board  
**Broncus Holding Corporation**  
**ZHAO Michael Yi Wei**  
*Chairman*

Hong Kong, September 8, 2023

*As at the date of this announcement, the Board comprises Mr. XU Hong as executive Director, Mr. ZHAO Michael Yi Wei as Chairman and non-executive Director, Mr. ZI Zhenjun, Mr. ZHANG Ao and Mr. ZHAN Guowei as non-executive Directors, and Dr. KAM Pok Man, Professor LAU Joseph Wan Yee and Ms. WONG Yee Sin as independent non-executive Directors.*