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)

DISCLOSEABLE TRANSACTION
DISPOSAL OF A SUBSIDIARY

THE DISPOSAL

The Board announces that, on December 28, 2023, the Vendor entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the entire equity interest in the Target Company, for an aggregate consideration of RMB366 million.

The Target Company is a medical instrument company and an indirect wholly-owned subsidiary of the Company. Upon completion of the Disposal, the Company will no longer have any interest in the Target Company and the Target Company will cease to be a subsidiary of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios of the Disposal is more than 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company, and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

On December 28, 2023 (after trading hours), the Vendor, the Purchaser and the Target Company entered into the Equity Transfer Agreement in respect of a disposal of the entire equity interest in the Target Company. Due to a change of business plan of the Group, the Group intends to realize its resources held by the Target Company and utilize them to develop its existing businesses.

EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:–

Date

December 28, 2023

Parties

(1) the Vendor (as the vendor);

(2) the Purchaser (as the purchaser); and

(3) the Target Company (as the target company of the Disposal).

Subject matter

The Vendor has agreed to sell, and the Purchaser has agreed to purchase, the entire equity interest in the Target Company.

Consideration

The aggregate consideration for the Disposal is RMB366 million (subject to adjustments as noted below).

The consideration was determined after arm's length negotiations between the parties, mainly with reference to, amongst others, the net asset value of the Target Company as at June 30, 2023.

The Vendor has the right to request an upward adjustment of the aggregate consideration if the net asset value of the Target Company as at the reference date for audit to be conducted upon closing is higher than that stated in its accounting records. The parties may also make adjustments to the aggregate consideration upon further negotiation with respect to any other discrepancies discovered in the closing audit.

Payment schedule

The aggregate consideration payable for the Disposal shall be satisfied by the Purchaser in the following manner:

(1) within 7 business days after the date of the Equity Transfer Agreement, the Purchaser shall pay to the Vendor RMB5 million as deposit for the Disposal (the "**Deposit**");

(2) within 15 business days after applying to the competent governmental authorities for a registration in respect of the transfer of the entire equity interest in the Target Company (the "**Registration**") and issuing a payment notice by the Vendor to the Purchaser, the Purchaser shall pay to the Vendor RMB45 million as the first installment of the aggregate consideration for the Disposal (the "**First Installment**").

    The Purchaser may terminate the Equity Transfer Agreement and thereafter the Vendor shall return the Deposit and the First Installment, if the Registration cannot be completed within a prescribed time period; and

(3) within 50 business days from completing the Registration, the Purchaser shall pay to the Vendor the remaining portion of the aggregate consideration in the amount of RMB316 million as the second instalment of the aggregate consideration for the Disposal.

INFORMATION ON THE TARGET COMPANY

The Target Company is principally engaged in distribution, research and development of medical instruments.

Set out below is the unaudited financial information of the Target Company for the each of the financial years ended December 31, 2021 and 2022, respectively, based on its management accounts prepared in accordance with HKFRS:

	For the year ended December 31, 2021 (unaudited) *RMB'000*	**For the year ended December 31, 2022** (unaudited) *RMB'000*
Net (loss)/profit before taxation	(266)	4,536
Net (loss)/profit after taxation	(266)	3,402

The unaudited net asset value of the Target Company as at June 30, 2023 was approximately RMB324.5 million based on its management accounts prepared in accordance with HKFRS.

FINANCIAL EFFECT OF THE DISPOSAL

Subject to audit to be performed by the Company's auditors, it is expected that the Group will realize an unaudited gain on the Disposal of approximately RMB41.5 million, which is calculated by reference to the unaudited carrying value of the assets of the Target Company as at June 30, 2023. Shareholders and potential investors of the Company should note that the above estimation is for illustrative purpose only. The actual gain or loss in connection with the Disposal may be different from the above and will be determined based on the financial position of the Target Company upon completion of the Disposal.

Upon completion of the Disposal, the Company will no longer have any interest in the Target Company and the Target Company will cease to be a subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

The Board is of the view that (i) the Disposal would allow the Group to better utilize its financial resources to develop existing businesses of the Group; and (ii) the Disposal is in line with the business strategy of the Group.

As the Disposal is being carried out after arm's length negotiation and on normal commercial terms, the Directors are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole and the terms of the Equity Transfer Agreement are fair and reasonable and on normal commercial terms.

The proceeds from the Disposal are currently intended to be used by the Group for general corporate purposes.

INFORMATION ON THE PARTIES

The Company

The Company is a limited liability company incorporated in the Cayman Islands on February 12, 2020. The Group is principally involved in the design, development, manufacture and sale of a comprehensive suite of minimally invasive surgical instruments and accessories.

The Vendor

The Vendor is principally engaged in manufacturing, distribution and research and development of medical instruments. The Vendor is an indirectly wholly-owned subsidiary of the Company and as at the date of this announcement holds 100% equity interest in the Target Company.

The Purchaser

The Purchaser is engaged in media production and e-commerce business.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Purchaser and its ultimate beneficial owners is an Independent Third Party of the Company and its connected persons.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios of the Disposal is more than 5% but all applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company, and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

"Board"	the board of Directors
"Company"	Kangji Medical Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability on February 12, 2020
"connected person(s)"	has the meaning as ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the entire equity interest in the Target Company by the Vendor to the Purchaser
"Equity Transfer Agreement"	the Equity Transfer Agreement dated December 28, 2023 entered by and among the Purchaser, the Vendor and the Target Company, in relation to the Disposal

"Group"	the Company and all of its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party"	an entity or person who is not a connected person or an associate of such person within the meaning ascribed to it under the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"RMB"	Renminbi, the lawful currency of the PRC
"PRC"	the People's Republic of China
"Purchaser"	Hangzhou Yonghao Carefree Cultural Development Co., Ltd., an Independent Third Party of the Company and its connected persons
"Shares"	ordinary share(s) in the share capital of the Company
"Shareholders"	the holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning as ascribed to it under the Listing Rules
"Target Company"	Hangzhou Kangji Qipu Medical Instrument Co., Ltd., an indirect wholly-owned subsidiary of the Company as at the date of this announcement
"Vendor"	Hangzhou Kangji Medical Instrument Co., Ltd., an indirect wholly-owned subsidiary of the Company
"%"	per cent

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

Hangzhou, PRC, December 29, 2023

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