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Jinhai Medical Technology Limited

今海醫療科技股份有限公司

(Incorporated in the Cayman Islands with members' limited liability)

(Stock Code: 2225)

INSIDE INFORMATION COOPERATION FRAMEWORK AGREEMENT

The Board is pleased to announce that on 22 July 2024 (after trading hours), Jinhai SH (an indirect wholly-owned subsidiary of the Company), Mr. He and Shanghai Lichen entered into the Cooperation Framework Agreement, pursuant to which Jinhai SH agreed to inject in aggregate up to RMB16,500,000 by way of cash contribution into Shanghai Lichen, subject to terms and conditions under the Cooperation Framework Agreement.

The principal terms of the Cooperation Framework Agreement and details of Shanghai Lichen are as follows:

THE COOPERATION FRAMEWORK AGREEMENT

Date: 22 July 2024

Parties: (1) Jinhai SH;
(2) Mr. He; and
(3) Shanghai Lichen.

Pursuant to the Cooperation Framework Agreement, Jinhai SH agreed to inject in aggregate up to RMB16,500,000 by way of cash contribution into Shanghai Lichen, subject to terms and conditions under the Cooperation Framework Agreement.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. He and Shanghai Lichen and its ultimate beneficial owner(s) are Independent Third Parties.

It is expected that upon completion of the increase in registered capital of Shanghai Lichen, the shareholding proportion of Shanghai Lichen will be adjusted to as to 55% by Jinhai SH and 45% by Mr. He, subject to the mechanism as provided in the Cooperation Framework Agreement (the "Adjusted Shareholding"). Pursuant to the relevant accounting policies adopted by the Group and based on the Adjusted Shareholding, Shanghai Lichen will be accounted for as a subsidiary of the Company and its financial statements will be incorporated in the consolidated financial statements of the Group.

Business

Shanghai Lichen was incorporated on 21 February 2023. Its business scope as recorded in the business licence includes, amongst others, sales of medical equipment and medical devices business and technical consultation and development. It is expected that the business of Shanghai Lichen will integrate with the Group's existing business of provision of minimally invasive surgery solution and medical products and related services.

Capital Injection

Pursuant to the Cooperation Framework Agreement, prior to the capital injection of Jinhai SH to Shanghai Lichen, Mr. He will pay up his first instalment of contribution to the registered capital of Shanghai Lichen in the amount of not less than RMB2,250,000. After Mr. He completes his first instalment of capital contribution, Jinhai SH will complete its capital contribution obligation of not less than RMB8,250,000, i.e. 50% of the expected aggregate capital injection by Jinhai SH of RMB16,500,000.

The remaining unpaid capital will be paid by Jinhai SH and Mr. He in batches in the same proportion according to Shanghai Lichen's actual operating needs and capital utilisation requirements. Pursuant to the Cooperation Framework Agreement, it is in Jinhai SH's sole discretion to determine whether to further invest in the amount of RMB8,250,000 based on its evaluation of the business development and prospects of Shanghai Lichen. If Jinhai SH decides not to invest further, the parties to the Cooperation Framework Agreement shall negotiate the subsequent solution and Jinhai SH shall have the right to transfer its equity equivalent to the unpaid registered capital to Jinhai SH's related party or other third party. If no other third party accepts such transfer, Jinhai SH will reduce its capital contribution to the effect that Jinhai SH will no longer be required to fulfil its obligation of capital contribution of the remaining unpaid registered capital.

The expected aggregate capital injection and investment of up to RMB16,500,000 to be contributed by Jinhai SH pursuant to the Cooperation Framework Agreement was determined after arm's length negotiations between Jinhai SH and Mr. He, having taken into account the expected capital requirements of Shanghai Lichen and will be funded by the internal resources of the Group.

Change of company name of Shanghai Lichen

Pursuant to the Cooperation Framework Agreement, its company name will be changed to Shanghai Jinhai Lichen Medical Technology Co., Ltd.* (上海今海立晨醫療科技有限公司).

Management of Shanghai Lichen

Jinhai SH shall have the right to appoint two directors and Mr. He to appoint one director of Shanghai Lichen, respectively, and Mr. He will be appointed as the general manager of Shanghai Lichen.

Share incentive and profit distribution

Pursuant to the Cooperation Framework Agreement, Mr. He undertook to ensure that Shanghai Lichen will obtain all relevant registration of the medical device products according to the timetable as stated in the Cooperation Framework Agreement. If Mr. He successfully obtains all relevant registration of the medical device products according to the timetable and commences the relevant sales work, Jinhai SH will implement a share incentive scheme for Mr. He and his core management team when conditions of such scheme are ready.

Pursuant to the Cooperation Framework Agreement, during the cooperation period between Jinhai SH and Mr. He, the net profit after tax of Shanghai Lichen in each financial year will be distributed according to the paid-up capital ratio of Jinhai SH and Mr. He (after deducting the necessary provident fund and reserving sufficient operating funds for subsequent business development of Shanghai Lichen in accordance with the Company Law).

It is expected that parties to the Cooperation Framework Agreement will further enter into an agreement, terms of which should be consistent with the Cooperation Framework Agreement, to govern the expected timing of contribution of the registered capital and the Adjusted Shareholding. Further announcement(s) will be made by the Company as and when necessary and appropriate in compliance with the Listing Rules.

INFORMATION OF SHANGHAI LICHEN AND MR. HE

Shanghai Lichen is a company established in the PRC on 21 February 2023 with limited liability. Its business scope as recorded in the business licence includes, amongst others, sales of medical equipment and medical devices business and technical consultation and development.

Established on 21 February 2023, Shanghai lichen has no business operation since its establishment and up to the date of this announcement. The unaudited total assets and the unaudited net liabilities of Shanghai Lichen as at 30 June 2024 were approximately RMB6,700 (equivalent to approximately HK\$7,300) and approximately RMB3,200 (equivalent to approximately HK\$3,500), respectively.

As at the date of this announcement, Shanghai Lichen is wholly-owned by Mr. He. Mr. He possesses extensive network and knowledge in relation to medical products industry in the PRC. Graduated in 1995, Mr. He had engaged in works in relation to financial management, procurement and sales management, and has approximately 30 years of experience. Amongst others, Mr. He has been in the management positions of sales director and general manager in a medical device company since 2004, and is responsible for presiding over brand building, sales team building, sales channel maintenance, etc., especially in the field of spinal endoscopy. He has been marketing and promoting the clinical application of transforaminal endoscopes in spinal surgery, which is widely recognized in the industry.

INFORMATION OF THE GROUP AND JINHAI SH

The Group is principally engaged in the provision of manpower outsourcing and ancillary services, provision of dormitory services, and provision of IT services and construction ancillary services for the building and construction industry and provision of minimally invasive surgery solution and medical products and related services. The Group also generated revenue from sales of medical equipment in China.

Jinhai SH is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. The business scope of Jinhai SH pursuant to its business licence includes, amongst others, professional technology of new materials, technical services, consultation, development and transfer of network and computer technology; wholesale and retail of electronic products, computer software and hardware (save for commodities traded and managed by the state), enterprise management and business information consultation (save for financial information services).

REASONS FOR AND BENEFITS OF THE TRANSACTION

As mentioned in the circular of the Company dated 24 June 2024 and the announcements of the Company dated 25 September 2023 and 18 October 2023, the Group is actively developing its business of provision of minimally invasive surgery solution and medical products and related services in the PRC and expanding the Group's business in the medical industry. For further details, please refer to the circular of the Company dated 24 June 2024 and the announcements of the Company dated 25 September 2023 and 18 October 2023, respectively.

The Company has been taking initiatives to develop the business of the Group with an objective to broaden its income stream and eventually to maximise the return to the Shareholders. The Board considers that the capital injection to Shanghai Lichen can leverage on the experience of Mr. He to further develop businesses related to provision of minimally invasive surgery solution and medical products and related services, and the integration of the Group's business on medical products is an important attempt to explore more business opportunities and earning potentials of the Group. In light of the reasons set out above, the Directors (including all the independent non-executive Directors) are of the view that terms of the Cooperation Framework Agreement and the capital injection into Shanghai Lichen are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors had any material interest in the transactions nor was any of them required to abstain from voting on the resolutions which have been passed by the Board approving the entering into of the Cooperation Framework Agreement and the capital injection into Shanghai Lichen.

DEFINITIONS

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| “Board” | the board of Directors |
| “Company” | Jinhai Medical Technology Limited (今海醫療科技股份有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange (stock code: 2225) |
| “Company Law” | the Company Law of the PRC (中華人民共和國公司法) |
| “Cooperation Framework Agreement” | the cooperation framework agreement dated 22 July 2024 entered into by Jinhai SH, Mr. He and Shanghai Lichen in relation to the capital injection into Shanghai Lichen |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | party(ies) who is/are independent from the Company and its connected persons (as defined in the Listing Rules) |
| “Jinhai SH” | Jinhai Technology Development (Shanghai) Company Limited* (今海科技發展(上海)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Mr. He” | Mr. He Xiao (何曉先生), the existing sole shareholder of Shanghai Lichen as at the date of the announcement |
| “PRC” | the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shanghai Lichen” | Shanghai Lichen Medical Technology Co., Ltd.* (上海立晨醫療科技有限公司), a company established in the PRC on 21 February 2023 with limited liability |
| “Shareholder(s)” | the holder(s) of the share(s) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “%” | per cent. |

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of HK\$1 to RMB0.91340. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

** For identification purpose only*

By Order of the Board
Jinhai Medical Technology Limited
Chen Guobao
Chairman of the Board and Executive Director

Hong Kong, 22 July 2024

As at the date of this announcement, the Board comprises eight Directors, of which three are executive Directors, namely Mr. Chen Guobao, Mr. Wang Zhenfei and Mr. Li Yunping; two are non-executive Directors, namely Mr. Wang Huasheng and Mr. Yu Mingyang; and three are independent non-executive Directors, namely Mr. Yan Jianjun, Mr. Fan Yimin and Ms. Yang Meihua.