

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**AK MEDICAL HOLDINGS LIMITED**

**愛康醫療控股有限公司**

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

**(Stock Code: 1789)**

## **MAJOR TRANSACTION**

### **ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF JRI ORTHOPAEDICS LIMITED**

#### **THE SALE AND PURCHASE AGREEMENT**

The Board is pleased to announce that, after trading hours on 10 April 2018, the Purchaser, a wholly-owned subsidiary of the Company, and the Seller entered into the Sale and Purchase Agreement, pursuant to which, the Seller has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares, representing the entire issued share capital of the Target Company for a consideration of £16,732,035.23 (equivalent to HK\$184,052,387.53).

#### **LISTING RULES IMPLICATION**

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the Acquisition contemplated under the Sale and Purchase Agreement exceed 25% but are less than 100%, the Acquisition contemplated under the Sale and Purchase Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

As at the date of this announcement, the Relevant Shareholders, being a closely allied group of Shareholders, hold an aggregate of 595,282,500 Shares, representing approximately 57.38% of the issued share capital of the Company. The Company obtained a written shareholders' approval dated 10 April 2018 in relation to the Acquisition contemplated under the Sale and Purchase Agreement from the Relevant Shareholders, which hold more than 50% in nominal value of the Shares giving the right to attend and vote at a general meeting of the Company.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, none of the Shareholders nor any of their respective associates have any material interest in the Acquisition. As such, no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition.

Accordingly, no general meeting is required to be held to consider and approve the Acquisition contemplated under the Sale and Purchase Agreement pursuant to Rule 14.44 of the Listing Rules.

## **GENERAL**

A circular containing, among other things, further details of the Sale and Purchase Agreement and the Acquisition is expected to be despatched to the Shareholders within 15 business days after the publication of this announcement.

The Board is pleased to announce that, after trading hours on 10 April 2018, the Purchaser, a wholly-owned subsidiary of the Company, and the Seller entered into the Sale and Purchase Agreement, pursuant to which, the Seller has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares, representing the entire issued share capital of the Target Company.

## **SALE AND PURCHASE AGREEMENT**

**Date:** 10 April 2018 (after trading hours)

**Parties:** (1) Orthopaedic Research UK, as the Seller; and  
(2) AK Medical Overseas Limited, as the Purchaser

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquires, the Seller and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

### **Subject Matter:**

The Purchaser has agreed to purchase from the Seller the Sale Shares, representing the entire issued share capital of the Target Company.

As at the date of this announcement, the Target Group comprises the Target Company, Sheffield Medical Products Limited, Osmetis Limited, JRI (Manufacturing) Limited and Joint Replacement Instrumentation Limited. Each of Sheffield Medical Products Limited, Osmetis Limited, JRI (Manufacturing) Limited and Joint Replacement Instrumentation Limited is a wholly-owned subsidiary of the Target Company.

### **Consideration:**

The Consideration for the Acquisition is £16,732,035.23 (equivalent to approximately HK\$184,052,387.53), which is payable in cash according to the following schedule:

- (a) £560,082.80, being an earnest money paid to the Seller, which shall be regarded as a deposit and be applied as partial payment of the Consideration; and
- (b) £16,171,952.43, being the remaining balance of the Consideration, shall be paid to the Seller by way of telegraphic transfer on the date of the Completion.

The Consideration was arrived at after arm's length negotiations between the Seller and the Purchaser on normal commercial terms principally with reference to (i) the unaudited consolidated net asset value of the Target Group as at 31 December 2017; and (ii) the reasons for and benefits of the Acquisition to the Group as disclosed in the section headed "Reasons for and benefits of the Acquisition" below in this announcement.

The Consideration shall be funded partly by the internal resources of the Group and partly by the net proceeds raised from the initial public offering of the Company allocated for funding potential acquisitions and developing strategic alliances as disclosed in the section headed "Future Plans and Use of Proceeds — Use of Proceeds" of the prospectus of the Company dated 7 December 2017.

### **Completion**

Completion shall take place immediately following the execution of the Sale and Purchase Agreement.

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

### **Costs**

Each party shall be responsible for all the costs, charges and expenses incurred by it in relation to the Sale and Purchase Agreement. All stamp duty payable in respect of the Acquisition shall be borne by the Purchaser.

### **INFORMATION OF THE GROUP AND THE PURCHASER**

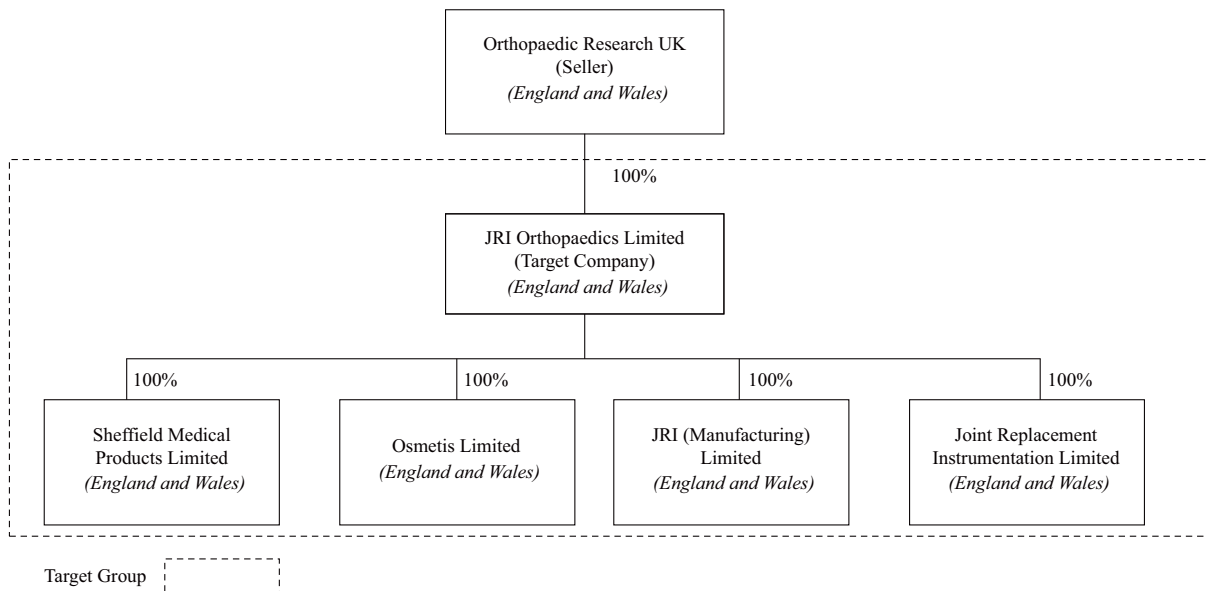
The Group is the first and only medical device company that has commercialized the application of 3D-printing technology in orthopaedic joint and spine replacement implants in the PRC, commanding a leading position in the Chinese orthopaedic joint implant market. The Group designs, develops, produces and markets orthopaedic implants, with a focus on hip and knee replacement implants. The Group's products include orthopaedic joint implants for primary surgeries as well as those specifically designed for revision surgeries for the replacement, repair or enhancement of an implant or component from a previous procedure. The Group also markets orthopaedic products produced by third parties as a distributor to complement our product offerings to customers.

The Purchaser is a company incorporated under the laws of the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

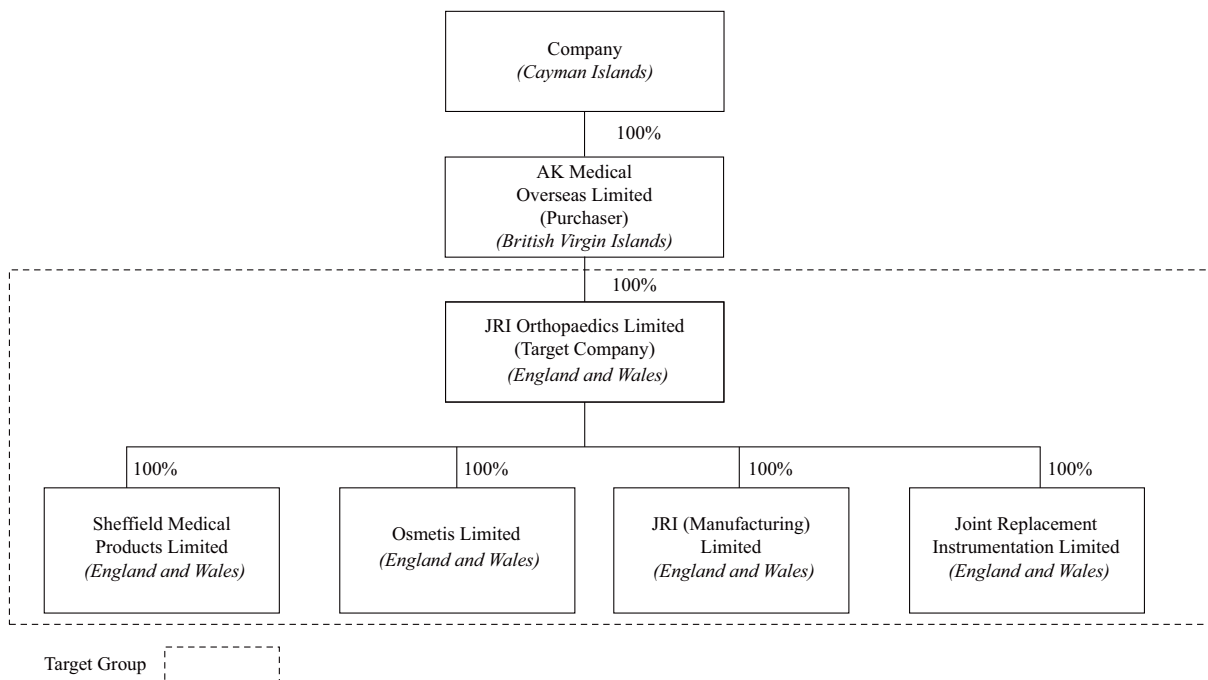
## INFORMATION OF THE SELLER AND THE TARGET GROUP

The following charts set forth the corporate and shareholding structure of the Target Group before and after the Completion:

### Before the Completion



### After the Completion



## **Seller**

The Seller, a private company limited by guarantee incorporated in the England and Wales, is an independent charitable body dedicated to improve the lives of people affected by bone and joint disease through funding high quality research, and delivering educational events and training. The Seller directly holds the Sale Shares, representing the entire issued share capital of the Target Company, prior to the Completion.

## **Target Group**

### *Target Company*

The Target Company is a private company limited by shares incorporated in England and Wales and is principally engaged in designing, manufacturing and supplying orthopaedic implants and related instruments. It is one of the first orthopedic companies in the world to develop and produce hip implants with hydroxyapatite coating which enable the biological fixation with the patients' bone and improve the longevity of the implants. Apart from hip implants, it also develops and distributes total shoulder replacement implants and offer a range of orthobiologics.

Prior to the Acquisition, the Target Company cooperated closely with the Group. The Target Company has entered into an exclusive distribution deal with the Group, pursuant to which the Company has been the exclusive distributor of the Target Company's cemented, uncemented and revision hip product portfolio in the PRC. In addition, the Company has outsourced certain manufacturing procedures of its implant to the Target Company.

### *Sheffield Medical Products Limited*

Sheffield Medical Products Limited is a private company limited by shares incorporated in England and Wales and is principally engaged in designing, manufacturing and supplying orthopaedic implants and related instruments.

### *Osmetis Limited*

Osmetis Limited is a private company limited by shares incorporated in England and Wales and is a non-trading company.

### *JRI (Manufacturing) Limited*

JRI (Manufacturing) Limited is a private company limited by shares incorporated in England and Wales and is a non-trading company.

### *Joint Replacement Instrumentation Limited*

Joint Replacement Instrumentation Limited is a private company limited by shares incorporated in England and Wales and is a non-trading company.

## FINANCIAL INFORMATION

The following table sets out the financial information of the Target Group as extracted from the unaudited consolidated financial statements of the Target Group for the two years ended 31 March 2016 and 2017 and for the nine months ended 31 December 2017, respectively.

	<b>For the year ended 31 March 2016 £'000</b>	<b>For the year ended 31 March 2017 £'000</b>	<b>For the nine months ended 31 December 2017 £'000</b>
Revenue	14,890	14,196	10,557
Profit/(Loss) before taxation	(807)	(1,265)	487
Profit/(Loss) after taxation	(643)	(1,146)	487

The unaudited consolidated net asset value of the Target Group as at 31 March 2017 and 31 December 2017 were approximately £10,914,000 and £11,520,000, respectively.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company is a multi-award winning enterprise in the United Kingdom boasting world class expertise in the design development and manufacture of orthopaedic implants and surgical instruments. The Board believes that the Acquisition of the Target Company is in line with the long-term strategy of the Group and will enhance the overall financial performance of the Group in the future.

The benefits of this Acquisition to the Group include:

### **1. To further expand the Group's product portfolio to create a dual-brand strategy**

The Group has long focused on the development and production of orthopaedic joint implant. The Group has an extension and growing nationwide distribution network, covering all of the provinces, municipalities and autonomous regions in the PRC, and meet the needs of all types of surgeries in the high-end market and the mass market.

The Target Company has worked in the orthopaedic market for 48 years with high product quality and robust product pipelines. Its Furlong H-A.C. stem is one of the world's first hydroxyapatite coated hip implant. The Target Company has obtained the registration certificate from the China Food and Drug Administration for its "Evolution" series products, "Securus" revision series products, ceramic head and ceramic liner products. Since 2017, the Group has distributed the aforesaid registered products of the Target Company as an agent to complement the product offerings in the orthopaedic joint implant market in the PRC and has received positive feedback from the market.

After completion of the Acquisition, the Group will develop both “*JRI*” and “*AK Medical*” brands simultaneously. The introduction of innovative products under the brand “*JRI*” to the Group will allow the Group to share the rapidly growing profit in China’s orthopaedic joint implant market and further upgrade the Group’s product portfolio for the high-end market and enhance the overall competitiveness of the Group’s products.

## **2. To enhance the R&D capabilities and build an overseas R&D center**

The Target Company has strong R&D capabilities and extensive clinical experience, and has external experts with a strong reputation in the United Kingdom. The Target Company is cooperating with well-known institutions to carry out R&D projects, such as the research of regenerative implant technology. The Target Company also possesses advanced coating technology that can provide technical support to the production of the Group’s high-end products and further improve the quality and technical advantages of the Group’s products. After completion of the Acquisition, the Group will leverage on the R&D capabilities of the Target Company to establish an overseas R&D center and form a dual Sino-UK R&D center to strengthen the R&D capabilities of the Group.

## **3. To enhance the understanding towards the international market and make the first move to enter the international market**

The Target Company is one of the largest domestic brand in the United Kingdom orthopaedic joint implant market with a broad client based in the United Kingdom and a well-established distribution network extending to many international markets. Upon the completion of the Acquisition, the Group will integrate its overseas distribution channels with those of the Target Group, and further enhance its presence in the international market.

The Target Company cooperates with a number of medical institutions in the United Kingdom. After completion of the Acquisition, the Group will take advantages of the Target Company’s local market resources to carry out academic promotion activities and build a platform for international academic exchanges. This will further enhance the Group’s reputation among surgeons in the Chinese orthopaedic industry.

On the basis set out above, the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Sale and Purchase Agreement (i) have been negotiated on an arm’s length basis; and (ii) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATION**

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the Acquisition contemplated under the Sale and Purchase Agreement exceed 25% but are less than 100%, the Acquisition contemplated under the Sale and Purchase Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders’ approval requirements under the Listing Rules.

of Shareholders, hold an aggregate of 595,282,500 Shares, representing approximately 57.38% of the issued share capital of the Company. The Company obtained a written shareholders' approval dated 10 April 2018 in relation to the Acquisition contemplated under the Sale and Purchase Agreement from the Relevant Shareholders, which hold more than 50% in nominal value of the Shares giving the right to attend and vote at a general meeting of the Company.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, none of the Shareholders nor any of their respective associates have any material interest in the Acquisition. As such, no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition.

Accordingly, no general meeting is required to be held to consider and approve the Acquisition contemplated under the Sale and Purchase Agreement pursuant to Rule 14.44 of the Listing Rules.

The Relevant Shareholders are Ximalaya Limited and Summer Limited which are interested in approximately 56.40% and 0.98% of the issued share capital of the Company, respectively, as at the date of this announcement. Ximalaya Limited is held as to 50% by Mr. Li and 50% by Rainbow Holdings Limited, which is wholly owned by Trident Trust Company (HK) Limited. Trident Trust Company (HK) Limited is the trustee of a discretionary trust established by Mr. Li as settlor and the beneficiaries of the discretionary trust are Mr. Li and certain of his family members. Summer Limited is held as to 100% by Ms. Zhang, the spouse of Mr. Li. As such, the Relevant Shareholders are a closely allied group of Shareholders.

## **GENERAL**

A circular containing, among other things, further details of the Sale and Purchase Agreement and the Acquisition is expected to be despatched to the Shareholders within 15 business days after publication of this announcement.

## **DEFINITIONS**

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

“Acquisition”	the acquisition by the Purchaser of the Sale Shares subject to and upon the terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day”	a day (not being a Saturday or Sunday) when banks generally are open in both the City of London and Hong Kong, for the transaction of general banking business



“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this announcement only, Hong Kong, the Macau Special Administrative Region of China and Taiwan
“Company”	AK Medical Holdings Limited (愛康醫療控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1789)
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable by the Purchaser to the Seller for the Sale Shares pursuant to the terms of the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Zhijiang, the Chairman of the Board, an executive Director and the Chief Executive Officer of the Company, who is the spouse of Ms. Zhang
“Ms. Zhang”	Ms. Zhang Bin, an executive Director and a Senior Vice president of the Company, who is the spouse of Ms. Li
“Purchaser”	AK Medical Overseas Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“R&D”	research and development
“Relevant Shareholders”	Ximalaya Limited and Summer Limited, each a company incorporated under the laws of the British Virgin Islands with limited liability
“Sale and Purchase Agreement”	the sale and purchase agreement dated 10 April 2018 and entered into between the Seller and the Purchaser in relation to the Acquisition

“Sale Shares”	100,000 ordinary shares of £1.00 each in the share capital of the Target Company, representing 100% of the issued share capital of the Target Company, which are legally and beneficially owned by the Seller immediately prior to the Completion
“Seller”	Orthopaedic Research UK, a private company limited by guarantee incorporated under the laws of the England and Wales
“Shareholder(s)”	holder(s) of the Share(s)
“Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	JRI Orthopaedics Limited, a company incorporated under the laws of the England and Wales with limited liability and a wholly-owned subsidiary of the Seller immediately prior to the Completion
“Target Group”	the Target Company and its subsidiaries
“£” or “pounds”	the lawful currency of the United Kingdom
“%”	per cent

*For the purpose of illustration only and unless otherwise stated, conversion of pounds into Hong Kong dollars in this announcement is based on the exchange rate of £1.00 to HK\$11.00. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.*

By order of the Board  
**AK Medical Holdings Limited**  
**Li Zhijiang**  
*Chairman*

Hong Kong, 10 April 2018

*As at the date of this announcement, the executive Directors are Mr. Li Zhijiang, Ms. Zhang Bin, Mr. Zhang Chaoyang and Ms. Zhao Xiaohong; the non-executive Directors are Mr. Li Wenming and Mr. Wang David Guowei; and the independent non-executive Directors are Mr. Dang Gengting, Mr. Kong Chi Mo and Mr. Li Shu Wing David.*