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Beijing Airdoc Technology Co., Ltd.
北京鷹瞳科技發展股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 2251)

DISCLOSEABLE TRANSACTION
ACQUISITION OF EQUITY INTEREST IN A TARGET COMPANY

The Board is pleased to announce that on May 19, 2023, the Company entered into the Equity Transfer Agreement with the Industry Fund, pursuant to which the Industry Fund agreed to sell and the Company agreed to acquire the 70% equity interest in the Target Company held by the Industry Fund at a total consideration of RMB182 million.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Proposed Acquisition are more than 5% but all of them are less than 25%, the Proposed Acquisition constitutes a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but not subject to the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on May 19, 2023, the Company entered into the Equity Transfer Agreement with the Industry Fund, pursuant to which the Industry Fund agreed to sell and the Company agreed to acquire the 70% equity interest in the Target Company held by the Industry Fund at a total consideration of RMB182 million.

Upon completion of the Proposed Acquisition, the Company will hold 70% of the equity interest in the Target Company, and the Target Group will become subsidiaries of the Company and its financial statements will be consolidated with that of the Group.

THE EQUITY TRANSFER AGREEMENT

Set out below are the principal terms of the Equity Transfer Agreement:

Date	May 19, 2023
Parties	The Industry Fund (as the seller) The Company (as the purchaser)
Subject matter	Pursuant to the Equity Transfer Agreement, the Industry Fund conditionally agreed to sell and the Company conditionally agreed to acquire the 70% equity interest in the Target Company held by the Industry Fund.
Consideration	The total consideration of the Proposed Acquisition is RMB182 million. The consideration was primarily determined based on the R&D and commercialization status and the business potential of the Target Group, the value of comparable companies in the market and a third-party evaluation, after arms' length negotiations between the parties. The Directors are of the view that the consideration is fair and reasonable. The consideration is funded by the Group's internal resources.
Payment terms	The consideration shall be paid in two instalments: (1) The Company shall pay the Industry Fund RMB62 million (representing 34.1% of the total consideration) as the first instalment within 10 business days after the execution of the Equity Transfer Agreement; and (2) The Company shall pay the Industry Fund RMB120 million (representing 65.9% of the total consideration) as the second instalment within 10 business days after the fulfilment of all conditions precedent under the Equity Transfer Agreement.

Conditions precedent

Unless waived in writing by the Company, the obligation of the Company to pay the second instalment of the consideration to the Industry Fund is conditional upon and subject to, among others, the following conditions precedent being fulfilled:

- (1) each of the Equity Transfer Agreement and the Shareholder Agreement has been duly executed and become effective;
- (2) the list of major issues stated in the due diligence report in relation to the Proposed Acquisition has been properly addressed to the extent satisfactory to the Company;
- (3) completion of the due diligence conducted on the Target Group and the results thereof are satisfactory to the Company;
- (4) the filing with AMR in relation to the Proposed Acquisition has been completed;
- (5) the Target Company has obtained all requisite board approvals and shareholders' approvals to approve the execution and performance of relevant legal documents with respect to the Proposed Acquisition;
- (6) each of the key personnel of the Target Company has entered into an employment contract with the entity designated by the Company containing confidentiality, non-competition and intellectual property ownership clauses;
- (7) each of the key employees of the Target Group has entered into an employment contract for a period of not less than one year in a form approved by the Company with the entity designated by the Company;
- (8) the Target Company validly holds 100% of the equity interest in each of its two subsidiaries, namely Beijing Mingren and Changsha Shiqi, the registered capital of which shall be fully paid up; and
- (9) the assets, business, personnel, finance and corporate structure of the Target Group are independent of the key personnel of the Target Group and their related parties.

Effective and Closing The Equity Transfer Agreement shall become effective upon duly execution by both parties. Within 10 business days after the execution of the Equity Transfer Agreement, the Industry Fund shall file the Proposed Acquisition with the AMR.

In accordance with the terms of the Equity Transfer Agreement, the articles of association of the Target Company and the applicable laws and regulations, the Company shall be entitled to all rights and assume all liabilities corresponding to the 70% equity interest in the Target Company since the Closing Date.

During the Transition Period, the Industry Fund shall, among others, be responsible for duly operating the businesses of the Target Company, ensure that no encumbrance will be created on or permitted to be created on any asset or property of the Target Group and ensure there will not be any material adverse change in the business, operation, financial condition and shareholding of the Target Group. The Industry Fund shall not, among others, transfer or out-license any intellectual property of the Target Group to any third party, or initiate any transaction or procedure that will result in material adverse impact on the business, assets and results of operations of the Target Group.

Liabilities for breach of contract The Industry Fund shall compensate the Company for any actual loss suffered by the Company, directly or indirectly, in connection with or as a result of the following matters:

- (1) the Industry Fund violates any representation, warranty, undertaking, covenant or obligation made by it under the Equity Transfer Agreement; or
- (2) the Industry Fund fails to perform or properly perform any obligation, or fails to comply with any other provision, under the Equity Transfer Agreement.

The Industry Fund is liable for the damages and liabilities resulted from the violation of applicable laws and regulations or breach of contractual obligations by the Target Group.

If the Industry Fund fails to complete the filing with AMR in respect of the Proposed Acquisition, the Company shall send a notice to the Industry Fund for procuring it to fulfill such obligation. If the Industry Fund still fails to complete the filing with AMR within 30 days after receiving such notice, the Industry Fund shall not only return the first instalment already paid by the Company but also pay the Company liquidated damages based on the losses suffered by the Company. The Equity Transfer Agreement shall automatically terminate after the payment of such liquidated damages.

If the Industry Fund fails to fulfill its obligations under the Equity Transfer Agreement, the Industry Fund shall pay liquidated damages (0.03% of the unpaid equity value of the Target Company at the price of RMB52 per RMB1 registered capital per day) to the Company.

SHAREHOLDER AGREEMENT

As one of conditions precedent to the Company's obligations under the Equity Transfer Agreement, the Company, the Target Company, key personnel of the Target Company, entered into the Shareholder Agreement, which sets forth the major understanding among the parties in respect of corporate governance matters and non-compete obligations.

Pursuant to the Shareholder Agreement, the Company is entitled to appoint an executive director as the sole director and legal representative of the Target Company and a supervisor as the sole supervisor of the Target Company. In addition, the remaining shareholders of the Target Company, namely Mr. YU Zhan (于湛) and Mr. YANG Yongkang (楊永康), undertakes to the Company that, among others, (i) as of the date of execution of the Shareholder Agreement, they did not engage in any business activities that compete or may compete directly or indirectly with the Company, nor did they have any direct or indirect interest in any entity (other than the Target Group) that competes or may compete directly or indirectly with the Group, and (ii) after the signing of the Shareholder Agreement, they shall not engage in any business activities, or have any interest in any entity (other than the Target Group), that compete or may compete directly or indirectly with the Company.

INFORMATION OF THE TARGET GROUP

Immediately prior to the Proposed Acquisition, the Target Company was respectively held as to 70%, 15% and 15% by the Industry Fund, Mr. YU Zhan (于湛) and Mr. YANG Yongkang (楊永康), each of which is an Independent Third Party.

The Target Company is a company established in the PRC with limited liability on July 22, 2022 as a holding company of the Target Group which holds 100% of the equity interest in each of its two subsidiaries, namely Beijing Mingren and Changsha Shiqi. As of the date of this announcement, the Target Group is primarily engaged in the R&D, manufacture and sales of ophthalmic medical device and SaMDs, and has commercialized a myopia treatment device and an SaMD for the treatment of myopia and amblyopia, each approved as a Class II medical device in the PRC.

The following table sets forth the financial information of the Target Company on a standalone basis, as prepared in accordance with the PRC GAAP.

The Target Company

	December 31, 2022
	<i>(RMB)</i>
	<i>(audited)</i>
Total assets	6,152,425
Net assets	5,370,062
Revenue ⁽¹⁾	11,784,283
Profit before taxation ⁽¹⁾	379,551
Profit after taxation ⁽¹⁾	370,062

Note:

- (1) The Target Company was established on July 22, 2022 and become the holding company of Beijing Mingren and Changsha Shiqi on the same date. The figures denote the revenue, profit before taxation and profit after taxation recorded by the Target Company on a standalone basis since its establishment and up to December 31, 2022. The relevant financial information of the Target Company on a consolidated basis only shows the consolidated financial information of the Target Group since the Target Company's establishment due to relevant accounting policies and therefore is not presented herein. For the purpose of providing the Shareholders with sufficient information to assess the scale of the Proposed Acquisition, the financial information of each of the two subsidiaries on a standalone basis is also set out below in this announcement.

The following table sets forth the summary of the financial information of each of Beijing Mingren and Changsha Shiqi on a standalone basis for the two years ended December 31, 2022, as prepared in accordance with the PRC GAAP.

Beijing Mingren

	December 31, 2021	December 31, 2022
	<i>(RMB)</i>	<i>(RMB)</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Total assets	6,764,205	23,507,745
Net assets	5,435,608	8,123,070
Revenue	10,567,193	30,715,373
Profit before taxation	536,150	3,467,895
Profit after taxation	522,746	2,687,462

Changsha Shiqi

	December 31, 2021	December 31, 2022
	<i>(RMB)</i>	<i>(RMB)</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Total assets	4,186,707	7,746,742
Net assets	3,332,997	4,553,413
Revenue	8,322,776	5,852,514
Profit before taxation	640,211	1,258,332
Profit after taxation	652,610	1,220,415

Upon completion of the Proposed Acquisition, the Company will hold 70% of the equity interest in the Target Company, and the Target Group will become subsidiaries of the Company and its financial statements will be consolidated with that of the Group.

INFORMATION OF THE PARTIES

Information of the Industry Fund

The Industry Fund is a PRC-incorporated fund engaged in the investment in healthcare industry. As of the date of this announcement, the general partner of the Industry Fund is Shanghai Ruishi Wealth Investment Management Co., Ltd. (上海瑞世財富投資管理有限公司) (the “**Fund Manager**”), which is directly controlled as to 33.33% by Yang Xiaorong (楊曉蓉) as its ultimate beneficially owner. As of the same date, the Industry Fund has four limited partners, except for Beijing Zhongguan Zhihe Technology Co., Ltd. (北京中觀智和科技有限公司) (“**Beijing Zhongguan**”) holding 62.7% of the limited partnership interest and the Company holding 18.1% of the limited partnership interest

in the Industry Fund, none of the other limited partners holds more than 30% partnership interest in the Industry Fund. As of the same date, to the best of the Company's knowledge having made reasonable enquiries, Beijing Zhongguan is directly controlled as to 90% by Zheng Chao (鄭超) as its ultimate beneficial owner, and save for the Company, all partners of the Industry Fund and their respective ultimate beneficial owners are Independent Third Parties.

The Fund Manager has extensive experience and a proven track record in early-to-mid stage investment in the biomedicine and medical device industries. The investment portfolio of the Fund Manager covers a broad spectrum of sectors, which include ophthalmic devices, innovative drugs, surgical robots, innovative medical implants and medical testing.

Information of the Company

The Company is an AI-based medical device company with an advanced platform of AI-empowered retina-based deep learning algorithms, the H Shares of which were listed on the Stock Exchange on November 5, 2021.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER AGREEMENT

The Company is expecting that the Target Group's technologies in development and the product pipeline are in line with the Company's overall development strategy. The core technical barrier of myopia treatment devices and SaMDs for the treatment of myopia and amblyopia lies in the improvement of their safety and efficacy, which relies on AI technologies to accurately identify fundus health situations. Moreover, as many scenarios where the Group's SaMDs and risk assessment solutions could be applied (e.g. hospitals and body check centers) are closely related to eye protection and treatment of myopia and amblyopia, the business of the Target Group is expected to enhance the penetration of the Group's existing products into these medical scenarios, and *vice versa*. The Proposed Acquisition is expected to bring significant synergistic effects to the current business of the Group, as the Company is able to enhance the Target Group's existing products by introducing the Company's AI detection and diagnosis technologies and thereby extend the Group's current business from AI detection and diagnosis to AI-based medical treatment and further strengthen the Group's current product portfolio. In this regard, the Company believes it is in the interests of the Company and its Shareholders as a whole to advance the Proposed Acquisition.

The Directors consider that the terms of the Equity Transfer Agreement are determined after arm's length negotiation on normal commercial terms, and are therefore fair and reasonable and in the interests of the Company and the Shareholders as a whole. None of the Directors has a material interest in the Equity Transfer Agreement and is required to abstain from voting on the board resolutions approving the same.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Proposed Acquisition are more than 5% but all of them are less than 25%, the Proposed Acquisition constitutes a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but not subject to the circular and shareholders' approval.

DEFINITIONS

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

“%”	per cent
“AI”	Artificial Intelligence
“AMR”	Administration for Market Regulation
“Beijing Mingren”	Beijing Mingren Shikang Technology Co., Ltd. (北京明仁視康科技有限公司), a company established in the PRC with limited liability on February 20, 2006 and a wholly owned subsidiary of the Target Company
“Board”	the board of Directors
“Changsha Shiqi”	Changsha Shiqi Technology Development Co., Ltd. (長沙視琦科技開發有限公司), a company established in the PRC with limited liability on April 12, 2005 and a wholly owned subsidiary of the Target Company
“Closing Date”	the date on which the 70% equity interest of the Target Company is transferred to the Company and the relevant filing with AMR is completed
“Company”	Beijing Airdoc Technology Co., Ltd. (北京鷹瞳科技發展股份有限公司), a joint stock company incorporated in the PRC with limited liability on September 9, 2015 and the H Shares of which were listed on the Stock Exchange on November 5, 2021
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Equity Transfer Agreement”	the equity transfer agreement entered into between the Company and the Industry Fund on May 19, 2023 regarding the Proposed Acquisition
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Stock Exchange and traded in Hong Kong dollars
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any entity or person who is not a connected person of the Company or an associate of such person within the meaning ascribed to it under the Listing Rules
“Industry Fund”	Jiaxing Ruiyantong Venture Capital Partnership (Limited Partnership) (嘉興睿眼瞳創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on July 13, 2022
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this announcement
“PRC GAAP”	generally accepted accounting principles in the PRC
“Proposed Acquisition”	the acquisition of 70% equity interest in the Target Company from the Industry Fund by the Company pursuant to the Equity Transfer Agreement
“R&D”	research and development
“RMB”	Renminbi, the lawful currency of the PRC
“SaMD(s)”	Software as a Medical Device, a class of medical software designed to carry out one or more medical functions without the need for actual hardware
“Shareholder Agreement”	the shareholder agreement entered into by the Company, the Target Company, Mr. YU Zhan (于湛) and Mr. YANG Yongkang (楊永康) on May 19, 2023
“Shareholders”	the shareholders of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Beijing Zhitong Technology Co., Ltd. (北京智瞳科技有限公司), a limited company established in the PRC on July 22, 2022
“Target Group”	the Target Company and its two subsidiaries, namely Beijing Mingren and Changsha Shiqi
“Transition Period”	the period from the duly execution of the Equity Transfer Agreement to the Closing Date

By order of the Board
Beijing Airdoc Technology Co., Ltd.
Mr. ZHANG Dalei
Chairman of the Board

Hong Kong, May 19, 2023

As of the date of this announcement, the Board comprises Mr. ZHANG Dalei, Dr. CHEN Yuzhong, Mr. CHEN Hailong and Ms. WANG Lin as executive Directors; Mr. CHEN Xin and Ms. ZHU Tingyao as non-executive Directors; and Mr. NG Kong Ping Albert, Mr. WU Yangfeng and Mr. HUANG Yanlin as independent non-executive Directors.