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**ADICON Holdings Limited**

**艾迪康控股有限公司**

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

**(Stock Code: 9860)**

## **SUPPLEMENTAL ANNOUNCEMENT**

### **DISCLOSEABLE TRANSACTION ACQUISITION OF 100% EQUITY INTERESTS IN THE TARGET COMPANIES INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE**

Reference is made to the announcement of ADICON Holdings Limited (the “**Company**”) dated May 6, 2025 (the “**Announcement**”) in relation to the acquisitions of 100% equity interest in the Target Companies. Unless otherwise stated, capitalized terms used herein shall have the same meanings as defined in the Announcement and the prospectus of the Company dated 19 June 2023 (the “**Prospectus**”).

### **CONTINGENT CONSIDERATIONS**

As stated in the Announcement, under the earn-out tranche of the Consideration Shares, up to an additional 2% of the total issued share capital of the Company as at the date of the Announcement (representing 14,512,866 Shares) may be issued to Yuande Weikang within 10 business days after the Company receives confirmation that the agreed performance milestones have been achieved.

Further to the disclosures in the paragraph headed “Contingent Considerations” in the Announcement, the Company would like to provide additional details regarding the payment arrangements for this contingent consideration under the Investment Agreement.

**(i) Details of the performance milestones**

There are several subsets of contingent consideration under the Investment Agreement. The specific criteria for each subset and the corresponding share percentages are provided below:

**a. Product Development Indicators**

- **Target:** Yuande Weikang must obtain 10 Class II and Class III medical device registration certificates by December 31, 2028.
- **Corresponding Shares:** 0.5% of the total issued Shares.
- **Partial Achievement:** If fewer than 10 certificates are obtained, each certificate corresponds to 0.05% of the total issued shares.
- **R&D Budget Condition:** The total R&D expenditures incurred to obtain these certificates must not exceed 120% of the RMB 30 million budget (i.e., RMB 36 million). If the R&D costs exceed 120% of the budget, the corresponding portion of shares will be deducted. For example, if actual R&D expenditures are 121% of the research and development budget, the actual controller will lose 21% of the 0.5% total issued shares.

**b. Sales Revenue Indicators**

- **Single Year Revenue Index:** Sales revenue from Yuande Weikang’s own products to independent third parties exceeds RMB 100 million in any single audited year from the Closing Date to 2030.
- **Cumulative Revenue Index:** Cumulative sales revenue from Yuande Weikang’s own products to independent third parties exceeds RMB 300 million from the Closing Date to 2030.
- **Corresponding Shares:** 0.1667% of the total issued shares (achievable by meeting either Single Year Revenue Index or Cumulative Revenue Index).

### c. Profit-Related Indicators

Each of the following cumulative (including reversal of accumulation of any loss making periods/years) profit thresholds must be met with an upward net profit trend from the Closing Date to 2030, based on annual audited data:

Net Profit Threshold (RMB)	Corresponding Shares
<= 10 million	0%
> 10 million	0.2000%
> 20 million	0.2000%
> 30 million	0.2667%
> 50 million	0.3333%
> 70 million	0.3333%

Note: These percentages are cumulative based on the achievement of each respective tier.

### (ii) Measurement methodology

- a. **Product Development Indicators:** Measured once, based on the number of approved registration certificates as of December 31, 2028.
- b. **Sales Revenue Indicators:** Based on accountant-reviewed normalized and sustainable revenue, and does not include:
  - (i) sales to the Company and the Company's controlling entities.
  - (ii) revenue from selling other companies' products.
- c. **Profit-Related Indicators:** Measured once and confirmed via annual audited financials.

Revenue and profit-related indicators will be tested and confirmed only if they are reasonably expected to have been met, based on financial audits.

### (iii) Share Percentages

The share percentages for each contingent consideration item are as set out in section (i) above. These percentages correspond to the total number of shares outstanding as of the signing of the Investment Agreement on May 6, 2025.

#### **(iv) Summary of the earn-out tranche of the Consideration Shares**

	<b>Minimum</b>	<b>Approximate % of number of Shares in issue</b>	<b>Maximum</b>	<b>Approximate % of number of Shares in issue</b>
	<b>No. of Shares</b>		<b>No. of Shares</b>	
Product Development				
Indicators	0	0.00%	3,628,216	0.50%
Sales Revenue Indicators	0	0.00%	1,209,406	0.1667%
Profit-Related Indicators	0	0.00%	9,675,244	1.3333%

#### **Reasons for the earn-out tranche of the Consideration Shares**

The earn-out tranche of the Consideration Shares will only be issued from 2029 through 2031, based on the extent to which Yuande Weikang has achieved the relevant performance criteria. Any such Shares issued will be subject to a lock-up period of three years from the date of issuance.

The Directors believe that the earn-out tranche of the Consideration Shares serves to align the long-term interests of the Company with those of Yuande Weikang. As the earn-out tranche will not be issued until 2029 or later, it offers a clear incentive for Yuande Weikang to deliver sustained growth and strong financial performance over the period. The relevant revenue and profit milestones represent a significant growth trajectory and, if achieved, are expected to bring substantial value to the Company and the Shareholders.

#### **CONTRACTUAL ARRANGEMENTS**

As stated in the Announcement, Hangzhou Adicon has conditionally agreed to acquire from Seller B 100% equity interest in Yuande Youqin for a cash consideration of RMB50,000,000. Similar to other ICLs held by Hangzhou Adicon under the Company's existing Contractual Arrangements, Yuande Youqin is an ICL established in Suzhou, specializing in medical testing services, with a particular focus on hematological testing. PCR technology is used throughout the performance of its ICL business. The Company would like to provide additional details regarding the Contractual Arrangements.

*The Contractual Arrangements remain “narrowly-tailored”*

Yuande Youqin can only be acquired by Hangzhou Adicon and controlled by the Company through the Contractual Arrangements in order to comply with foreign investment restrictions under PRC laws. As disclosed on pages 227 to 228 of the Prospectus, and as further confirmed by the Company’s PRC legal counsel for the Acquisition, pursuant to the Negative List, foreign investors are prohibited from holding equity interests in entities that conduct ICL testing involving PCR technology. The Contractual Arrangements remain “narrowly tailored” following the acquisition of Yuande Youqin, as PCR-related testing forms an inseparable and integral part of its ICL business. In particular:

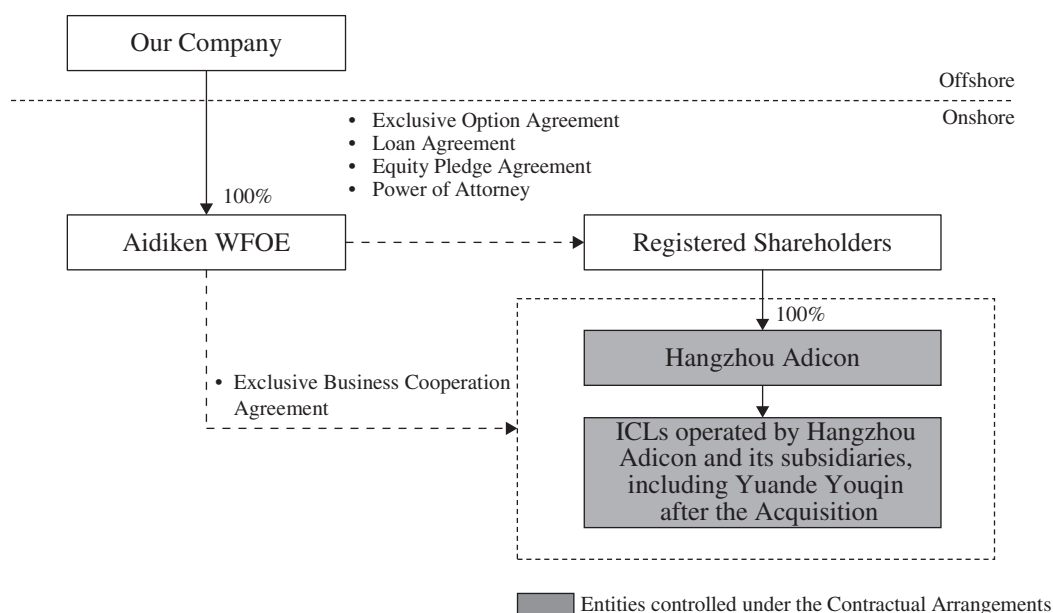
- (i) providing PCR and non-PCR testing through separate laboratories would disqualify Yuande Youqin from participating in certain tenders or significantly reduce its success rate in securing contracts for both PCR and non-PCR testing services. This would severely and adversely affect its business and financial performance;
- (ii) it would be extremely difficult for Yuande Youqin to obtain ISO15189 accreditation, an important credential for ICL operations in the PRC, if it were restricted to providing only PCR-related testing. Laboratories without ISO15189 accreditation are unable to fulfill key bidding criteria for many customers, which would again severely and adversely impact its business and financial performance;
- (iii) it is operationally and practically infeasible for Yuande Youqin to segregate PCR and non-PCR testing into separate laboratories. PCR technology is highly integrated with other laboratory processes and forms an essential part of Yuande Youqin ICL services. Yuande Youqin employs PCR technology in conjunction with other diagnostic techniques to deliver clinically appropriate testing solutions based on applicable industry standards and guidelines, which do not distinguish between PCR and other technologies;
- (iv) if PCR and non-PCR testing were to be conducted in separate laboratories, laboratory-ready samples, which are often perishable and limited in size or quantity, would need to be either tested twice or manually divided and transported to a second laboratory. This additional handling could compromise the reliability and accuracy of diagnostic results, directly affecting patient care and the laboratory’s ability to meet industry standards;
- (v) longer turnaround times resulting from separate testing arrangements would diminish Yuande Youqin’s competitiveness in the market; and

(vi) operating separate laboratories for PCR and non-PCR testing is not consistent with prevailing market practices.

Based on the above, and as advised by the Company's PRC legal counsel for the Acquisition, the Contractual Arrangements continue to satisfy the "narrowly tailored" requirement.

### *Structure table illustrating the Contractual Arrangements*

The following table illustrates the existing structure of the Contractual Arrangements:



### *Miscellaneous*

As in the 34 ICLs currently operated by Hangzhou Adicon, following completion of the Acquisition, Yuande Youqin will be operated by Hangzhou Adicon and be controlled and consolidated as a subsidiary of the Company through the Contractual Arrangements.

The Company is not required to and will not make any changes to the terms or structure of the Contractual Arrangements in connection with the acquisition of the 100% equity interest in Yuande Youqin. The Contractual Arrangements have proven enforceable under PRC law in respect of its 34 ICLs currently operated by Hangzhou Adicon. To date, the Company has not encountered any interference or encumbrance from PRC regulatory authorities in the operation of its ICL business through Hangzhou Adicon. The Directors do not expect any such interference or encumbrance following the acquisition of Yuande Youqin.

The Registered Shareholders of Hangzhou Adicon, namely Ms. LAN Jia, Ms. LIAN Hailun, and Hangzhou Kangming, remain unchanged as disclosed in the Prospectus. The Company confirms that the arrangements disclosed in the section headed “Contractual Arrangements — Summary of the Contractual Arrangements — Succession” in the Prospectus continue to apply and are sufficient to protect the Company’s interests in the event of death, bankruptcy or divorce of any of the Registered Shareholders. The Registered Shareholders have already undertaken that they will not execute any documents with or make any undertaking to any third parties that may have conflicts of interest with any agreements entered into between the Registered Shareholders and Aidiken WFOE.

Consistent with the 34 ICLs currently operated by Hangzhou Adicon, none of the agreements constituting the Contractual Arrangements require the Company, Aidiken WFOE or any other PRC subsidiaries of the Company to share the losses of or provide financial support to Hangzhou Adicon. For further details, please refer to the section headed “Contractual Arrangements — Summary of the Contractual Arrangements — Loss Sharing” in the Prospectus.

The risk factors associated with the Contractual Arrangements, as set out in the section headed “Risk Factors — Risks Relating to Our Contractual Arrangements” in the Prospectus, remain valid and applicable. The Company does not maintain any insurance policy covering the risks arising from the Contractual Arrangements. Please refer to “Risk Factors — Risks Relating to Our Business and Industry — Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter during the ordinary course of operation” in the Prospectus.

## **GENERAL**

This supplemental announcement is supplemental to and should be read in conjunction with the Announcement. All other information and content set out in the Announcement remain unchanged and shall continue to be valid for all purposes.

By Order of the Board  
**ADICON Holdings Limited**  
**Ms. YANG Ling**  
*Chairwoman*

Hong Kong, May 23, 2025

*As at the date of this announcement, the Board comprises Mr. GAO Song as executive Director; Ms. YANG Ling, Mr. LIN Jixun, Ms. FENG Janine Junyuan and Mr. ZHOU Mintao as non-executive Directors; and Mr. MI Brian Zihou, Mr. YEH Richard and Mr. ZHANG Wei as independent non-executive Directors.*