EC Healthcare
醫思健康

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2138)

Executive Directors:
TANG Chi Fai *(Chairman)*
LU Lyn Wade Leslie *(Chief Executive Officer)*
LEE Heung Wing *(Chief Financial Officer)*

Non-Executive Directors:
LUK Kun Shing Ben *(Chief Information Officer)*
LEUNG YANG, Shih Ti Marianne

Independent Non-Executive Directors:
MA Ching Nam
LOOK Andrew
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20 January 2025

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 51% OF ISSUED SHARE CAPITAL IN THE TARGET COMPANY;
(2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 40% OF ISSUED SHARE CAPITAL IN A NON-WHOLLY OWNED SUBSIDIARY
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

A. INTRODUCTION

The Disposal of the Target Company

Reference is made to the announcement of the Company dated 6 November 2024. On 6 November 2024 (after trading hours), the Company, the First Seller (an indirect wholly-owned subsidiary of the Company), the Second Seller, the Third Seller and the Purchaser entered into the Share Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and each of the First Seller, the Second Seller and the Third Seller has conditionally agreed to sell 51%, 48% and 1% of the issued share capital in the Target Company respectively, subject to the terms and conditions thereunder. The Sale Shares represent the entire issued share capital of the Target Company. Please refer to the paragraph headed "Information of the Parties Involved in the Disposal – The Target Company" below for a shareholding structure of the Target Company. The First Sale Shares Consideration payable by the Purchaser to the First Seller is HK$437,580,000 (subject to adjustments).

Moreover, pursuant to the Share Purchase Agreement:

(i) the Company will procure UAIHL (an indirect wholly-owned subsidiary of the Company) and the other two shareholders of HKMAI TST (namely, Dr. Hui and Dr. Shum) to transfer in aggregate 49% issued shares of HKMAI TST (representing 9%, 20% and 20%, respectively) to the Target Company (the "**HKMAI TST Transfer**", which includes the Acquisition (as defined and described below)). The consideration payable by the Target Company to each of UAIHL, Dr. Hui and Dr. Shum for the HKMAI TST Transfer shall be HK$3,814,000, HK$8,471,000 and HK$8,471,000, respectively; and

(ii) the Sellers shall procure the Target Company to transfer 5.1% and 4.9% issued shares of HKMAI to UAIHL and the Second Seller, respectively (the "**HKMAI Transfer**", and together with the HKMAI TST Transfer, the "**HKMAI Transfers**". The transfer of 4.9% issued shares of HKMAI from the Target Company to the Second Seller alone shall be referred to as the "**Second Seller HKMAI Transfer**"). The consideration payable to the Target Company by each of UAIHL and the Second Seller for the HKMAI Transfer shall be nil.

After the completion of the HKMAI Transfers, the Group will cease to own any shares in HKMAI TST whereas the Target Company will cease to own any shares in HKMAI. Please refer to the paragraph headed "C. Acquisition of Shares in a Non-Wholly Owned Subsidiary" below for the key terms of the Acquisition Agreements for the HKMAI TST Transfer, and "Reorganisation of HKMAI TST and HKMAI – HKMAI Transfer" for the key terms of the HKMAI Transfer.

Upon completion of the Disposal, the Target Group will include 100% of the issued shares in HKMAI TST and exclude any interests in HKMAI, and will cease to be subsidiaries of the Company and their financial results will no longer be consolidated into the financial statements of the Group. Furthermore, the Company and the Target Company have entered into a Services Agreement, pursuant to which the Company will provide the Services (as defined therein) to HKMAI TST for three years after the Completion. Please refer to the paragraph headed "Reorganisation of HKMAI TST and HKMAI – Services Agreement" below for the key terms of the Services Agreement.

The Acquisition of Shares in HKMAI TST, a non-wholly owned subsidiary

On 6 November 2024 (after trading hours), (1) Dr. Hui (as vendor) and the Target Company (as purchaser); and (2) Dr. Shum (as vendor) and the Target Company (as purchaser), respectively, entered into the Acquisition Agreements, pursuant to which the Target Company has conditionally agreed to purchase, and each of Dr. Hui and Dr. Shum has conditionally agreed to sell 20% and 20% of the issued share capital in HKMAI TST, respectively, subject to the terms and conditions thereunder. The Acquisition Consideration payable by the Target Company to Dr. Hui and Dr. Shum is HK$16,942,000 in aggregate. Upon the completion of the Acquisition and the HKMAI TST Transfer, HKMAI TST will be a wholly-owned subsidiary of the Target Company.

The Acquisition (and the HKMAI TST Transfer) are part and parcel of the Disposal, as they constitute the reorganisation as required under the conditions precedent to the Share Purchase Agreement. Please refer to the paragraph headed "B. Disposal of the Target Company – Conditions Precedent" below for the key terms of the Acquisition Agreements further details.

The purpose of this circular is to provide you with, among others, (i) further details on the Disposal and the Acquisition; (ii) the financial information of the Group and the Target Group; (iii) the Management discussion and analysis of the Remaining Group; (iv) the unaudited pro forma financial information of the Remaining Group; and (v) a notice of the EGM to consider and, if thought fit, to approve the Disposal and the Acquisition and the transactions contemplated thereunder.

B. DISPOSAL OF THE TARGET COMPANY

Principal Terms of the Share Purchase Agreement

Date

6 November 2024

Parties

The parties to the Share Purchase Agreement are as follows:

(i) Jade Master International Limited as the First Seller;

(ii) Dr. Ma Chi Min Effinie as the Second Seller;

(iii) Wu Yun Chai as the Third Seller;

(iv) the Company as the guarantor of the First Seller; and

(v) AIA Hong Kong Medical Services Limited as the Purchaser.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as at the Latest Practicable Date, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

The Sale Shares

Pursuant to the Share Purchase Agreement, each of the Sellers has conditionally agreed to sell their respective Sale Shares, and the Purchaser has conditionally agreed to purchase the Sale Shares (representing the entire issued share capital of the Target Company) in accordance with the terms and conditions thereunder.

The table below sets forth the number of issued shares and the corresponding percentage of shareholdings in the Target Company to be disposed of by each of the Sellers:

Sellers	**Number of issued shares in the Target Company to be disposed of**	**Percentage of shareholdings in the Target Company to be disposed of**
First Seller	5,100	51%
Second Seller	4,800	48%
Third Seller	100	1%
Total	10,000	100%

Consideration

The Consideration for the Disposal is HK$858,000,000 (subject to the adjustments as stated below). The Consideration shall be payable to the Sellers in the respective proportion as set out below, subject to such adjustments:

Sellers	**Respective amount (and proportion) of Consideration** *HK$*
First Seller (a wholly-owned subsidiary of the Company)	437,580,000 (51%)
Second Seller	411,840,000 (48%)
Third Seller	8,580,000 (1%)

The First Sale Shares Consideration was determined after arm's length negotiation between the Company, the First Seller and the Purchaser on normal commercial terms after taking into account (a) the preliminary value of the Target Group as at the Valuation Date appraised by the Valuer, which is within a difference of 5% in relation to the Consideration when calculated on a pro rata basis; (b) the financial performance of the Target Group; (c) industry benchmarks and comparable transactions to ensure that the agreed-upon price reflected a fair and equitable assessment of the shares' worth. The Valuation Report of the Target Company is set out in Appendix III to this circular; and (d) the waiver of the amount due from the Target Group which had arisen from the historical acquisition cost of The New Medical Center Limited as detailed in Note 6(a) of the unaudited pro forma financial information of the Remaining Group as set out in Appendix V to this circular, which is accounted for as a liability in the calculation of the Target Group's net assets.

The Valuation was based on the market approach. The Target Group is principally engaged in the provision of medical services and medical imaging services. The Target Group was profit-making for the last financial year and the profitability is widely accepted as the primary value driver of a business.

The Valuer adopted a market approach based on the comparable companies in the market, which can better reflect the industry situation and objectively reflect the value of the Target Group. The Company considers that the market approach is appropriate as it can reflect the current market's investment preferences and provide a mark-to-market value comparison. In addition, the Company was able to identify sufficient comparable companies with similar scope of business in the market to facilitate a meaningful comparison. The Company has identified a list of comparable companies based on the following screening criteria:

– the comparable companies are listed on the Stock Exchange (such that relatively accurate and reliable financial information would be readily available from the relevant regulatory filings);

- the comparable companies should be principally engaged in the health care industry with over 50% of revenue generated from this business segment. This business is benchmarked because the Target Group derives a majority of its revenue from the healthcare industry;

- the comparable companies' primary operations should be based in Hong Kong. This geographical location is chosen because the Target Group derives a majority of its revenue from Hong Kong;

- the comparable companies' securities should be actively traded and have sufficient listing and operating histories; and

- the comparable companies should have recorded positive EBITDA and profit in the latest published financial period.

The above screening criteria were devised with a view to identifying a sufficiently representative number of comparable companies that have a business profile similar to that of the Target Group (in terms of line of principal business and geographical locations) to yield an acceptable indication of value for the purpose of the market approach. The Valuer identified five comparable companies and excluded four of them because they recorded a negative EBITDA in the latest published financial period. To ensure a fair and reasonable sample size of comparable companies and the availability of the valuation multiples for the valuation, the Valuer deployed a broader selection criteria, including comparable companies that engage in the health care provision in the PRC. Although the selection criteria have been expanded, the core attributes of the companies, such as the listing location, business segment and profitability, remain unchanged. As such, an addition of eight comparable companies were identified, constituting a total of nine comparable companies that operate in a similar principal activity, geographic operation segment, and profitability as the Target Group. Accordingly, the Company considers that the selection criteria are fair and reasonable.

The Company considered the EV to EBITDA ratio to determine the consideration under the Share Purchase Agreement. EV to EBITDA multiple is a metric that looks at a company's wholistic worth relative to a proxy for cash flow that is available to investors. The Target Company is under normal operation and profitable. Considering that the depreciation and amortisation, and the financing structures of the comparable companies are not similar to those of the Target Company, EBITDA excludes the impact of tax, depreciation and amortisation, and financing cost on profitability and thus can directly reflect the operating performance of a company.

The Board had also reviewed and discussed with the Valuer the criteria for selecting the comparable transactions as set out in Appendix III to this circular. The comparable transactions were selected based on the comparability of the overall industry sector of the relevant target companies of the comparable transactions with reference to the following selection criteria: (i) the transaction was announced within two years prior to the Valuation Date; (ii) the transaction has been completed as of the Valuation Date; (iii) the target is principally engaged in the health care industry (i.e. over 50% of total revenue generated from this business segment); (iv) the financial information of the transaction is available to the public. Taking into account the selection criteria, the characteristics of the relevant target companies of the comparable transactions, and the number of comparable transactions selected, the Directors consider the comparable transactions to be fair and representative for the purpose of the valuation of the Target Group.

90% of the Consideration payable by the Purchaser to the Sellers shall be settled by the Purchaser by wire transfer or delivery of other immediately available funds to the respective bank accounts of the Sellers at Completion and the remaining 10% shall be subject to adjustment and payment as set out below.

Adjustment of Consideration

The Consideration shall be adjusted based on the Completion Statement provided by the Purchaser on or before the date that is 60 Business Days after the Completion Date in the following manner:

(a) if the amount determined by Consideration minus Initial Consideration plus the Completion Adjustment Amount is a positive number, the Purchaser shall pay such amount to the Sellers; or

(b) if the amount determined by Consideration minus Initial Consideration plus the Completion Adjustment Amount is a negative number, the Sellers shall, on a joint and several basis, pay such amount to the Purchaser.

The adjustment payment shall be made from or to, as applicable, the Sellers (in the respective proportion as set out in the paragraph headed "Consideration" above).

Earn-out Adjustment

Subject to the requirements and thresholds set out in the Share Purchase Agreement and further described below, the Purchaser shall pay to the Sellers (in the respective proportion as set out in the paragraph headed "Consideration" above) the earn-out consideration ("**Earn-out Consideration**") for each of the earn-out years, being the 2025, 2026 and 2027 calendar years (each an "**Earn-out Year**") within 10 Business Days after the date on which the respective earn-out statement is determined pursuant to the Sale and Purchase Agreement.

The Earn-out Consideration shall be determined as follows:

Earn-Out Consideration = (A – B) ÷ (C – B) × HK$36,400,000

where:

A = The gross profit amount generated by the two existing premises (with no change to the existing premises nor addition of new premises) operated by the Target Company as set out in the final earn-out statement (as agreed by the Parties in accordance with the Sale and Purchase Agreement) calculated in accordance with the same accounting principles as the previous financial year ("**Earn-out Gross Profits**")

B = The earn-out threshold for such Earn-out Year (as determined in accordance with the Sale and Purchase Agreement) ("**Earn-out Threshold**"), being HK$132,000,000, HK$145,000,000 and HK$167,000,000 for 2025, 2026 and 2027, respectively

C = The earn-out target for such Earn-out Year (as determined in accordance with the Sale and Purchase Agreement), being HK$145,000,000, HK$167,000,000 and HK$200,000,000 for 2025, 2026 and 2027, respectively

The Earn-out Consideration in respect of any Earn-out Year shall not exceed HK$36,400,000 and shall be determined on or before 60 Business Days after 31 December of each of the 2025, 2026 and 2027 calendar years. If the Earn-out Gross Profits in respect of any Earn-out Year does not exceed the Earn-out Threshold for such Earn-out Year, the Sellers shall lose the right to any Earn-out Consideration for such Earn-out Year.

The Earn-out Consideration will be paid to the Sellers (in the respective proportion as set out in the paragraph headed "Consideration" above).

The Company will disclose the Earn-out Consideration for each of the year 2025, 2026 and 2027 in the annual report of the relevant year.

Guarantee

Pursuant to the Share Purchase Agreement, the Company, as the guarantor of the First Seller, guarantees to the Purchaser the due and punctual performance and observance by the First Seller of all its obligations thereunder, and agrees to indemnify the Purchaser against all losses which the Purchaser suffers arising under, relating to or resulting from any act or omission constituting a breach by the First Seller thereunder.

Conditions Precedent

Completion is conditional upon the following Conditions being satisfied (or waived by the Purchaser and/or by the Purchaser and the Sellers, as the case may be):

(a) where required by the Listing Rules, the Shareholders having approved the transactions contemplated by the Transaction Documents in accordance with the Listing Rules;

(b) the HKMAI Transfers having been completed in accordance with the Share Purchase Agreement (please refer to the paragraph headed "Reorganisation of HKMAI TST and HKMAI" below for further details);

(c) the actions in relation to the separation of HKMAI TST required to be taken under the Share Purchase Agreement prior to Completion having been taken, comprised of handover activities for the operation of HKMAI TST between the First Seller and the Purchaser in relation to information technology, human resources, finance and operations, customer services, marketing and medical equipment of HKMAI TST;

(d) the lease of the premises of HKMAI TST having been renewed and novated, and the change of control consents in relation to the premises of The New Medical Center Limited having been obtained;

(e) no order or injunction having been issued by any court of competent jurisdiction or governmental authority and no ruling having been issued, or action taken, by any relevant stock exchange that, in each case, is in effect at Completion and prevents or materially hinders completion of the transactions contemplated by the Transaction Documents;

(f) no material adverse change having occurred after the date of the Share Purchase Agreement which is continuing;

(g) a certain medical practitioner having the right to practise medicine in Hong Kong without suspension by the Medical Council of Hong Kong;

(h) each member of the Target Group having positive retained earnings;

(i) each Seller not being in material breach of any undertaking or covenant given under the Share Purchase Agreement; and

(j) each representation or warranty given by a Seller under the Share Purchase Agreement as at Completion being materially correct, complete and not misleading.

The Company shall use its best endeavours to ensure that the Conditions (a), (b), (c) and (d) are fulfilled as soon as reasonably practicable and, in any event, by the Long Stop Date. The Purchaser may waive Conditions (b), (c), (d), (f), (g), (i), (j) by notice in writing to the Sellers. The Sellers and the Purchaser may waive Condition (e) by mutual consent.

As at the Latest Practicable Date, none of the Conditions has been fulfilled or waived.

In the event that any of the Conditions has not been fulfilled or waived prior to the Long Stop Date, the Purchaser may on that date, at its option, by notice in writing to the Sellers:

(a) postpone the Long Stop Date to such other date as agreed among the Parties in writing; or

(b) terminate the Share Purchase Agreement.

Completion

Subject to the satisfaction or waiver (as the case may be) of all Conditions, Completion shall take place on the Completion Date.

If a party fails to comply with any obligations at Completion under the Share Purchase Agreement, the compliant Parties are entitled by written notice to the non-compliant party:

(a) if the Long Stop Date has passed, to terminate the Share Purchase Agreement;

(b) to effect Completion so far as practicable having regard to the defaults which have occurred, including by exercising any right to specific performance; or

(c) to fix a new date for Completion (not being more than one month after the agreed date for Completion).

Following the Completion, the Purchaser will hold the entire issued share capital of the Target Company, and the First Seller will not hold any shares in the Target Company and the Target Company will cease to be a subsidiary of the Company.

Prior to the completion of the Disposal, the Target Group is included in the medical business segment of the Group, providing medical services in general surgery, medical imaging diagnostic and other medical specialties. Upon the Disposal, the remaining principal business operations of the Company after the Disposal shall remain unchanged, and shall be the provision of medical services, aesthetic medical and beauty and wellness services, and veterinary and other services. In particular the Group will continue to offer the same medical services (including medical specialty services) and medical imaging diagnostic services through other subsidiaries after the Disposal.

Pursuant to the terms of the Share Purchase Agreement, the Group shall not (and shall procure its Affiliates not to), except for the operation of twelve permitted facilities currently in operation or to be established and operated (including a medical complex of over 100,300 square feet which entails various brands of the Group on Cameron Road, Tsim Sha Tsui), medical facilities which may be acquired but do not directly compete with the Target Group as specified in the Share Purchase Agreement, and such other medical facilities which may be approved by the Purchaser (collectively, the "**Permitted Facilities**") in Tsim Sha Tsui, for two years after the Completion Date, directly compete with the Target Group in terms of providing certain specialty medical services (namely, general surgery (including surgical subspecialties), gastroenterology, cardiology, orthopaedics, gynecology or neurology) or certain medical imaging services (namely, X-ray, ultrasound, magnetic resonance imaging, mammogram or computed tomography) within 500 metres and one kilometre, respectively to medical centre(s) of the Target Group in Tsim Sha Tsui. Such restriction does not affect the current business operations or business plan of the Group since such restriction does not affect the Group's business in other areas of Kowloon, Hong Kong Islands or the New Territories, which are outside of the restricted area in Tsim Sha Tsui, and, as at the Latest Practicable Date, the Group can continue to operate an extensive network of medical facilities and centres which are the Permitted Facilities in Tsim Sha Tsui and there was no plan to establish any new service centres in Tsim Sha Tsui in addition to the Permitted Facilities.

As, to the best information and knowledge of the Directors, it is common market practice that the above restrictions constitute an integral term of transfers on arm's length basis such as the Disposal for the Purchaser to protect their legitimate interests, and for reasons as set out above and in the paragraph headed "Reasons for and Benefits of the Disposal", the Directors are of the view that the above restrictions are on normal commercial terms, fair and reasonable, and in the interests of the Company and its shareholders as a whole.

As (1) the Group has already established its brand image and reputation in the field of medical services over the years, (2) the Group will continue to operate over 160 service centres after the Disposal and (3) the Disposal shall not affect or reduce the service scope offered by the Group, the Directors consider that the Disposal will not have a material adverse effect on the business operations of the Group.

Reorganisation of HKMAI TST and HKMAI

HKMAI TST

As of the Latest Practicable Date, HKMAI TST is an indirect non-wholly owned subsidiary of the Company in which 51% and 9% of its issued share capital are held by the Target Company and UAIHL, respectively, and the remaining 40% of its issued share capital are held by two other individual shareholders, namely Dr. Hui and Dr. Shum, who are registered medical practitioners.

HKMAI TST is principally engaged in provision of medical imaging services, including MRI, CT scan, 3D mammogram, ultrasound scan, transient elastography and X-ray examination and is operating one imaging centre in Tsim Sha Tsui, Hong Kong.

As set out in the paragraph headed "Conditions Precedent" above, the Company shall procure UAIHL and the two other shareholders of HKMAI TST (namely, Dr. Hui and Dr. Shum) to transfer the HKMAI TST Transfer Shares, representing 49.0% of the issued shares of HKMAI TST, to the Target Company prior to Completion.

The consideration payable by the Target Company to each of UAIHL, Dr. Hui and Dr. Shum for the HKMAI TST Transfer shall be HK$3,814,000, HK$8,471,000 and HK$8,471,000, respectively. The consideration payable by the Target Company to UAIHL for the HKMAI Transfer, which shall be settled by cheque or wire transfer on or before the Completion Date, was determined after arm's length negotiations among UAIHL and the Target Company having taken into account of, among other things, the net asset value of HKMAI TST, and the benefits that would be brought to the Group by the Acquisition and the Disposal as explained in more detail in the sections headed "Reasons for and Benefits of the Disposal" and "Reasons for and Benefits of the Acquisition" below. For the basis of the consideration payable to each of Dr. Hui and Dr. Shum (namely, the "**Acquisition Consideration**") and the payment terms under the HKMAI TST Transfer, please refer to the section headed "C. Acquisition of Shares in a Non-wholly Owned Subsidiary – The Acquisition Agreements – Consideration and Payment Terms" below.

Upon completion of HKMAI TST Transfer, UAIHL will cease to own any shares in HKMAI TST, and HKMAI TST will be wholly owned by the Target Company.

HKMAI

As of the Latest Practicable Date, HKMAI is owned as to 10%, 26.5%, 20%, 3.5%, 20% and 20% by the Target Company, UAIHL, Honour Year Limited (an indirect non-wholly owned subsidiary of the Company), HKOCM Holdings Limited (an indirect non-wholly owned subsidiary of the Company), Dr. Hui and Dr. Shum, respectively. HKMAI is a subsidiary of the Company as the Company effectively holds 60% of HKMAI's issued shares via the Target Company, UAIHL, Honour Year Limited and HKOCM Holdings Limited, each being a subsidiary of the Company.

HKMAI is principally engaged in provision of medical imaging services, including MRI, CT scan, PET scan, EOS imaging, 3D mammogram, ultrasound scan, transient elastography, X-ray examination, and bone densitometry, and is operating one imaging centre in Mong Kok, Hong Kong.

As set out in the paragraph headed "Conditions Precedent" above, the Company shall procure the Target Company to transfer the HKMAI Transfer Shares, representing 10% of the issued shares of HKMAI, of which 5.1% shall be transferred to UAIHL and of which 4.9% shall be transferred to the Second Seller (namely, the Second Seller HKMAI Transfer), prior to Completion.

The consideration payable to the Target Company by each of UAIHL and the Second Seller for the HKMAI Transfer shall be nil. There is no consideration payable by the UAIHL to the Target Company for its transfer under the HKMAI Transfer as it only constitutes an internal reorganisation within the Group. No consideration is payable for the Second Seller HKMAI Transfer as it is already factored into the consideration payable to the Second Seller under the Disposal.

Upon completion of the HKMAI Transfer, the Target Company will cease to own any shares in HKMAI. HKMAI will be owned as to 31.5%, 3.5%, 20%, 20%, 20% and 5% by UAIHL, HKOCM Holdings Limited, Honour Year Limited, Dr. Hui, Dr. Shum and the Second Seller, respectively. As such, the Company will effectively hold 55% of HKMAI's issued shares via UAIHL, HKOCM Holdings Limited and Honour Year Limited, and HKMAI will remain a subsidiary of the Company after completion of the HKMAI Transfer.

Services Agreement

On 6 November 2024, the Company has also entered into a Services Agreement with the Target Company, pursuant to which the Company will provide certain operational management services to HKMAI TST ("**Services**") for three years after the Completion ("**Services Period**") in accordance with the terms and conditions thereto. The Company will provide the Services with regard to six core functional areas of HKMAI TST, including (a) radiologist services, (b) customer services, (c) human resources services, (d) marketing and referral services, (e) IT and imaging equipment and (f) finance, operational and procurement services during the Services Period, subject to the termination provisions under the Services Agreement.

The Company will provide the Services in accordance with the service levels specified in the Services Agreement or, where no such service levels are specified, use commercially reasonable efforts to provide the Services in the same manner (including as regards their nature, quality and timeliness) in which they are provided by the Group to HKMAI TST prior to Completion. Notwithstanding the provision of Services to HKMAI TST, the Company will have no charge, management, control or responsibility of HKMAI TST.

Financial Impacts of the Disposal and intended use of Proceeds

Upon completion of the Disposal, the Target Group will include 100% of the issued shares in HKMAI TST and exclude any interests in HKMAI, and will cease to be subsidiaries of the Company and their financial results will no longer be consolidated into the financial statements of the Group.

Pursuant to the Share Purchase Agreement, the Group shall agree to waive the current accounts between the Target Group and the Group in the net amount of HK$92,741,000 owed by the Target Group to the Group prior to Completion. As detailed in the Note 6(a) of the unaudited pro forma financial information of the Remaining Group as set out in Appendix V to this Circular, these current accounts mainly represented the historical acquisition cost of The New Medical Center Limited by the Target Company financed by the Group. Therefore. the aforementioned waiver of the current accounts between the Target Group and the Group has already been taken into account in determining the Consideration, and the Board is of the view that the Disposal, including the Consideration and its terms, are fair and reasonable.

Potential financial impacts of the Disposal

(i) Pro-forma financial position of the Remaining Group

(a) Net asset position

As disclosed in the annual report of the Group for the year ended 31 March 2024, (i) the audited consolidated total assets of the Group were approximately HK$5,373 million; (ii) the audited consolidated total liabilities of the Group were approximately HK$2,970 million; and (iii) the consolidated net assets of the Group were approximately HK$2,403 million as at 31 March 2024. The net assets per Share was approximately HK$2.027 per Share as at 31 March 2024.

According to the "Unaudited pro forma financial information of the Remaining Group" as set out in Appendix V to this circular, assuming Completion has taken place on 31 March 2024, (i) the unaudited pro-forma consolidated total assets of the Remaining Group would be approximately HK$5,489 million; (ii) the unaudited pro-forma consolidated total liabilities of the Remaining Group would be approximately HK$2,935 million; and (iii) the unaudited pro-forma consolidated net assets of the Remaining Group would be approximately HK$2,554 million. The unaudited pro-forma net assets per Share would be approximately HK$2.16 per Share. The aforesaid amount of the estimated net assets per Share is for illustration only.

(b) Indebtedness and gearing position

As at 31 March 2024, the Group had audited total debts (total debt refers to the aggregate sum of bank borrowings and convertible bonds excluding leasing liabilities relating to the properties leased for own use) of approximately HK$920.7 million and the Group's gearing ratio, calculated based on total debts divided by total equity, was approximately 38.4%.

According to the "Unaudited pro forma financial information of the Remaining Group" as set out in Appendix V to this circular, assuming Completion has taken place on 31 March 2024, the unaudited pro-forma total debts of the Remaining Group would be HK$920.7 million and the Remaining Group's gearing ratio would be approximately 36.0%.

(c) Current assets position

The audited net current liabilities of the Group as at 31 March 2024 amounted to approximately HK$112 million.

According to the "Unaudited pro forma financial information of the Remaining Group" as set out in Appendix V to this circular, assuming the Completion has taken place as at 31 March 2024, the unaudited pro-forma net current assets of the Remaining Group amounted to HK$245 million. Such improvement was mainly due to the gain on the Disposal.

The aforesaid unaudited pro-forma financial position of the Remaining Group is for illustrative purpose only.

(ii) Gain on Disposal

Based on the First Sale Shares Consideration of HK$437,580,000, the Group expects to record an expense of approximately HK$1.5 million from the Disposal in total comprehensive income, representing a net gain of approximately HK$272 million recognised in profit or loss, which is calculated based on (i) the First Sale Shares Consideration; (ii) the estimated unaudited net asset value of the Target Group attributable to the First Sale Shares as at the Completion Date; and (iii) transaction costs (including third party professional costs) of the Disposal attributable to the First Sale Shares, and which is calculated after the waiver of the current accounts between the Target Group and the Group in the net amount of HK$92,741,000 owed by the Target Group to the Group as detailed in the section headed "Financial Impacts of the Disposal and intended use of Proceeds" in this Circular. Please also refer to Note 5(b)(ii) of the unaudited pro forma financial information of the Remaining Group as set out in Appendix V to this Circular for the explanatory note of the calculation of the estimated gain of the Disposal.

The abovementioned financial effects are shown for illustrative purpose only and the actual gain or loss eventually to be recognised by the Group is subject to review by the auditors of the Company upon finalisation of the consolidated financial statements of the Group.

Intended use of Proceeds

The Company intends to apply the entire net proceeds of the Disposal of approximately HK$436 million towards the general working capital requirements of the Group, of which 70% of the net proceeds will be applied to operational expenditure and 30% of the net proceeds will be used for capital expenditure.

Information of the Parties Involved in the Disposal

The Company

The Company is a company incorporated under the laws of the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of medical services, aesthetic medical and beauty and wellness services, and veterinary and other services.

The First Seller

The First Seller, an indirect wholly-owned subsidiary of the Company, is a company incorporated under the laws of the British Virgin Islands with limited liability. The First Seller is principally engaged in investment holding.

The Second Seller

The Second Seller is a registered medical practitioner on the Specialist Registration in general surgery of the Medical Council of Hong Kong and founder of the Target Company. The Second Seller is also a director of the Target Company, and holds 48% equity interest in the Target Company as at the Latest Practicable Date.

The Third Seller

The Third Seller is an individual and senior management of the Target Company. The Third Seller is also a director of the Target Company, and holds 1% equity interest in the Target Company as at the Latest Practicable Date.

The Purchaser

The Purchaser, an indirect wholly-owned subsidiary of AIA, is a company incorporated under the laws of Hong Kong with limited liability. The Purchaser is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties of the Group.

The Target Company

The Target Company is a company incorporated on 2 May 2018 under the laws of Hong Kong with limited liability and is principally engaged in investment holding. The New Medical Center Limited is a private company incorporated under the laws of Hong Kong on 11 November 2015. Founded by the Second Seller together with the Third Seller and other acquaintances, The New Medical Center Limited was principally engaged in provision of medical services.

On 18 May 2020, the Company, the First Seller, the Target Company (the purchasing vehicle served as the acquirer in this transaction) entered into a sale and purchase agreement with the Second Seller, the Third Seller and three other individuals who were Independent Third Parties at that time, to acquire the entire share capital of The New Medical Center Limited, for the consideration comprising:

i. a total amount of HK$100,000,000 payable to the above mentioned five sellers;

ii. at the completion of the acquisition, in exchange of 4,800 shares of the Target Company, representing 48.0% of the entire issued share capital of the Target Company, to be allotted and issued to the Second Seller and 100 shares of the Target Company, representing 1.0% of the entire issued share capital of the Target Company, to be allotted and issued to the Third Seller;

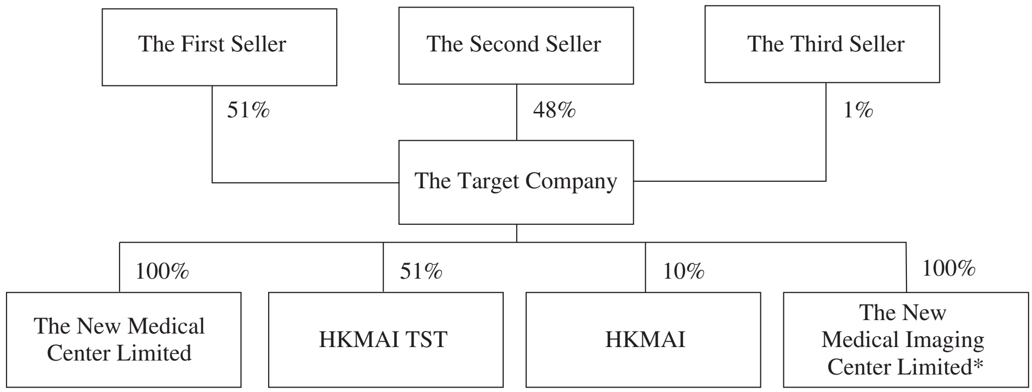
iii. a further consideration of a total amount of HK$20,000,000 which was settled by the Company allotting and issuing 4,761,905 new shares to the Second Seller at an issue price of HK$4.2 per share; and

iv. a contingent consideration in cash of not exceeding HK$16,000,000 to the Second Seller.

On 13 July 2020, the Company announced that the completion of acquisition took place. Please refer to the Company's announcement dated 18 May 2020 for further background of the Target Group.

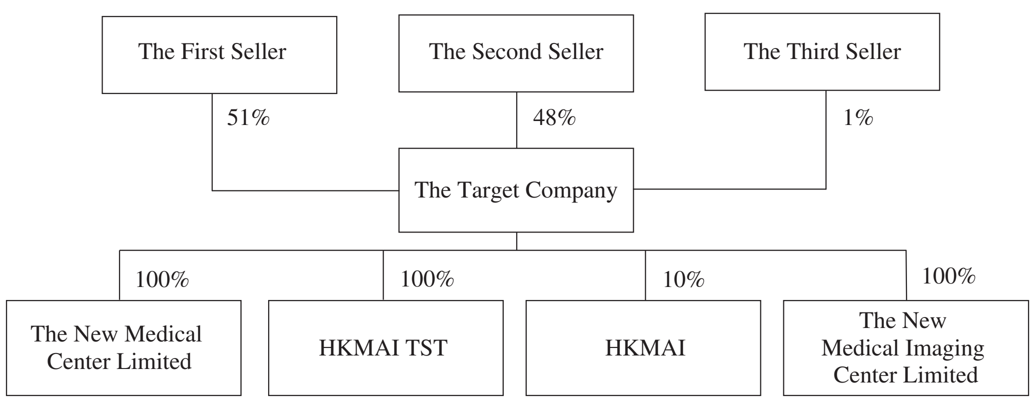
To cope with the expansion of the Target Group and to strengthen the Target Group's leading position in the provision of medical services in Hong Kong, the Target Group expanded its services into medical imaging diagnostics in 2020 through its subsidiaries. Please refer to the paragraph headed "B. Disposal of the Target Company – Reorganisation of HKMAI TST and HKMAI" above for the principal business of HKMAI TST and HKMAI. The New Medical Imaging Center Limited is a dormant company.

The group structure of the Target Company prior to the Completion and the HKMAI Transfers is as follows:

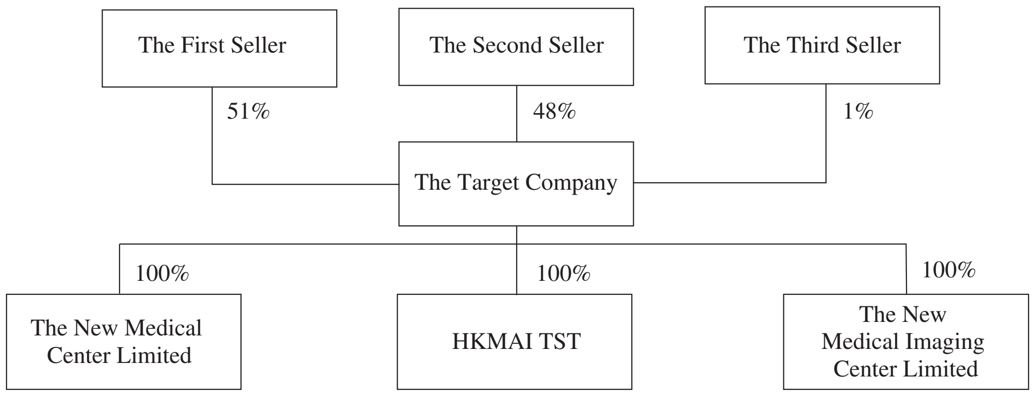


* *The New Medical Imaging Center Limited is a dormant company*

For illustration purposes, assuming that the HKMAI TST Transfer occurs prior to the HKMAI Transfer, the group structure of the Target Company prior to the Completion and the HKMAI Transfer but after the HKMAI TST Transfer is as follows:



The group structure of the Target Company immediately prior to the Completion but after the HKMAI Transfers (namely, the HKMAI TST Transfer and the HKMAI Transfer) is as follows:



Set out below is the audited financial information of each of the Target Group, HKMAI TST and HKMAI for the two financial years ended 31 March 2024 and 31 March 2023:

The Target Group (including its 51% interest in HKMAI TST and 10% interest in HKMAI)

	For the year ended 31 March	
	2024	**2023**
	HK$'000	*HK$'000*
Net assets	402,973	398,252
Profits before tax	61,049	63,464
Profits after tax	51,721	53,490

HKMAI TST

	For the year ended 31 March	
	2024	**2023**
	HK$'000	*HK$'000*
Net assets	51,383	44,955
Profits before tax	7,695	8,349
Profits after tax	6,428	7,033

HKMAI

	For the year ended 31 March	
	2024	**2023**
	HK$'000	*HK$'000*
Net assets	99,732	94,033
Profits before tax	7,591	11,705
Profits after tax	5,699	11,129

The profitability of the Target Group's business as compared to that of the Remaining Group's business is attributable the amortisation of the intangible assets of HK$14.5 million per annum (arising at consolidation at the Group level), which cancel out the profitability of the Target Group at the Group level. The Remaining Group has also adopted an aggressive expansion in 2023 and 2024, which will require a longer ramp up period.

Reasons for and Benefits of the Disposal

The Disposal is in line with its strategy to make good use of and manage its resources to better develop its assets portfolio. The Disposal allows the Group to re-allocate the proceeds to satisfy general working capital requirements.

Having considered the above, the Directors consider that the First Sale Shares Consideration and the terms of the Share Purchase Agreement, which were determined after arm's length negotiations between the Parties, are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

Listing Rules Implications

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Second Seller holds 48% equity interest in the Target Company, being an indirect subsidiary of the Company, and the Third Seller is a director of the Target Company, each of the Second Seller and the Third Seller is considered a connected person of the Company at the subsidiary level by virtue of being a substantial shareholder and a director of the Target Company, respectively. Therefore, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, since (i) each of the Second Seller and the Third Seller is a connected person of the Company at the subsidiary level; (ii) the transactions contemplated under the Disposal are entered into on normal commercial terms; and (iii) the Board (including the independent non-executive Directors) has approved the Disposal and the transactions contemplated thereunder, and confirmed that such transactions are entered into on normal commercial terms, are fair and reasonable and are in the interest of the Company and Shareholders as a whole, the transactions contemplated under the Disposal are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules. None of the Directors has any material interests in the Disposal. Therefore, none of the Directors is required to abstain from voting on relevant resolutions of the Board.

For reasons set out above, the Second Seller HKMAI Transfer also constitutes a connected transaction under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, since (i) the Second Seller is a connected person of the Company at the subsidiary level; (ii) the transactions contemplated under the Second Seller HKMAI Transfer are entered into on normal commercial terms; and (iii) the Board (including the independent non-executive Directors) has approved the Second Seller HKMAI Transfer and the transactions contemplated thereunder, and confirmed that such transactions are entered into on normal commercial terms, are fair and reasonable and are in the interest of the Company and Shareholders as a whole, the transactions contemplated under the Second Seller HKMAI Transfer are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

C. ACQUISITION OF SHARES IN A NON-WHOLLY OWNED SUBSIDIARY

On 6 November 2024 (after trading hours), (1) Dr. Hui (as vendor) and the Target Company (as purchaser); and (2) Dr. Shum (as vendor) and the Target Company (as purchaser), respectively, entered into the Acquisition Agreements, pursuant to which the Target Company has conditionally agreed to purchase, and each of Dr. Hui and Dr. Shum has conditionally agreed to sell 20% and 20% of the issued share capital in HKMAI TST, respectively, subject to the terms and conditions thereunder.

The Acquisition Agreements

The principal terms of the Acquisition Agreements in relation to the Acquisition are set out below:

Date

6 November 2024

Parties

The parties to the Acquisition Agreements are as follows:

(i) Dr. Hui Kei Tat (as vendor) and the Target Company (as purchaser); and

(ii) Dr. Shum Sing Fai John (as vendor) and the Target Company (as purchaser).

Assets to be Acquired

Pursuant to the Acquisition Agreements, each of Dr. Hui and Dr. Shum have agreed to sell, and the Target Company has agreed to acquire 7,000,000 ordinary shares in HKMAI TST (representing 20% of its entire issued share capital) and 7,000,000 ordinary shares in HKMAI TST (representing 20% of its entire issued share capital), respectively.

Consideration and Payment Terms

The Acquisition Consideration payable for the issued share capital in HKMAI TST held by each of Dr. Hui and Dr. Shum shall be HK$8,471,000 and HK$8,471,000, respectively. It was determined after arm's length negotiations among Dr. Hui, Dr. Shum and the Target Company having taken into account of, among other things, the net asset value of HKMAI TST, and the benefits that would be brought to the Group by the Acquisition and the Disposal as explained in more detail in the sections headed "Reasons for and Benefits of the Disposal" and "Reasons for and Benefits of the Acquisition" above.

The Acquisition Consideration shall be payable by cheque or wire transfer on or before the Completion Date.

The Acquisition Consideration is expected to be funded by the internal resources of the Target Company.

Completion

Completion of the Acquisition will take place on the date that the Acquisition Consideration is settled, which is expected to be on or before 28 January 2025. Upon the completion of the HKMAI TST Transfer (including the completion of the Acquisition), HKMAI TST will be a wholly-owned subsidiary of the Target Company.

Information of the Parties Involved in the Acquisition

The Target Company

Please refer to the section headed "Information of the Parties Involved in the Disposal – The Target Company" above.

Dr. Hui

Dr. Hui is a registered medical practitioner of the Medical Council of Hong Kong. Dr. Hui holds 20% equity interest in HKMAI TST as at the Latest Practicable Date.

Dr. Shum

Dr. Shum is a registered medical practitioner of the Medical Council of Hong Kong. Dr. Shum holds 20% equity interest in HKMAI TST as at the Latest Practicable Date.

HKMAI TST

Hong Kong Medical Advanced Imaging (TST) Limited is a company incorporated in Hong Kong with limited liability and is principally engaged in the provision of medical advanced imaging services.

Reasons for and Benefits of the Acquisition

The Acquisition and the HKMAI TST Transfer are part and parcel of the Disposal, the reasons for and the benefits of which are set out in the section headed "Reasons for and Benefits of the Disposal" above.

Having considered the above, the Directors consider that the Acquisition Consideration and the terms of the Acquisition Agreements, which were determined after arm's length negotiations, are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

Listing Rules Implications

While the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition is part and parcel of the Disposal, the highest applicable percentage ratio of which (as defined in Rule 14.07 of the Listing Rules) exceeds 75%. As such, pursuant to Rule 14.24 of the Listing Rules, the Acquisition will be classified by reference to the larger of the two elements, i.e. the Disposal, which constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules. The Acquisition is therefore subject to notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As each of Dr. Hui and Dr. Shum holds 20% equity interest in HKMAI TST, being an indirect subsidiary of the Company, each of Dr. Hui and Dr. Shum is considered a connected person of the Company at the subsidiary level by virtue of being a substantial shareholder of HKMAI TST. Therefore, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.101 of the Listing Rules, since (i) each of Dr. Hui and Dr. Shum is a connected person of the Company at the subsidiary level; (ii) the transactions contemplated under the Acquisition are entered into on normal commercial terms; and (iii) the Board (including the independent non-executive Directors) has approved the Acquisition and the transactions contemplated thereunder, and confirmed that such transactions are entered into on normal commercial terms, are fair and reasonable and are in the interest of the Company and

Shareholders as a whole, the transactions contemplated under the Acquisition are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules. None of the Directors has any material interests in the Acquisition. Therefore, none of the Directors is required to abstain from voting on relevant resolutions of the Board.

D. WAIVER FROM STRICT COMPLIANCE WITH RULE 14.66(10) OF, AND PARAGRAPH 43(2)(C) OF APPENDIX D1B TO, THE LISTING RULES IN RELATION TO THE DISPLAYING OF THE SHARE PURCHASE AGREEMENT ON THE COMPANY'S WEBSITE AND THE STOCK EXCHANGE'S WEBSITE

The Company has applied to, and has been granted a waiver by, the Stock Exchange from strict compliance with Rule 14.66(10) of, and paragraph 43(2)(c) of Appendix D1B to, the Listing Rules such that certain information as described below (the "**Redacted Information**") would be redacted in the Share Purchase Agreement for the purpose of displaying on the Company's website and the Stock Exchange's website (the "**Redacted Share Purchase Agreement**"). The Company considers that:

(i) the disclosure of certain Redacted Information may be in violation of the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong); and

(ii) the disclosure of the Redacted Information is or may be prejudicial or competitively harmful, to the Group and is not in its interest as a whole.

The term Redacted Information includes the following information:

(i) personal data or information of individual(s); and

(ii) administrative or procedural matters to be accomplished before Completion which relates to non-public facts and information which the Group is not at disposal to disclose.

Accordingly, only the Redacted Share Purchase Agreement will be available on the Company's website and the Stock Exchange's website as a document on display in accordance with the arrangements as set out in this circular.

E. EGM

The EGM will be convened and held at 20/F, Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong on Wednesday, 5 February 2025 at 10:30 a.m. for the Shareholders to approve the Disposal, the Acquisition and the transactions contemplated thereunder. A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Link Market Services (Hong Kong) Pty Ltd. at Suite 1601, 16/F, Central Tower, 28 Queen's Road, Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM if you so wish.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the transactions contemplated under the Disposal and the Acquisition. As such, no Shareholder is required to abstain from voting under the Listing Rules at the EGM on the resolution(s) to approve the Disposal, the Acquisition and the transactions contemplated thereunder.

F. RECOMMENDATION

The Directors (including the independent non-executive Directors) have approved the Disposal, the Acquisition and the transactions contemplated thereunder, and confirmed that such transactions are entered into on normal commercial terms, and are fair and reasonable and are in the interest of the Company and Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM.

G. GENERAL

Your attention is also drawn to the appendices to this circular.

H. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully
By order of the Board
EC Healthcare
Raymond Siu
Company Secretary