

Set out below is the management discussion and analysis on the Remaining Group for the year ended 31 March 2022, 2023 and 2024 and the six months ended 30 September 2024. Upon Completion of the Disposal, the Company will no longer hold any interest in the Target Company, and the Target Company will no longer remain as a subsidiary company of the Company.

For the purpose of this circular and for illustration purpose only, the management discussion and analysis of the Remaining Group below is made with the inclusion of HKMAI but with the exclusion of the Target Group (which included the Target Company, The New Medical Center Limited, 100% interest in HKMAI TST and The New Medical Imaging Center Limited).

There will be no change to the principal business of the Remaining Group as a result of the Disposal. Following the Disposal, the Remaining Group will continue to carry out its existing businesses. The management discussion and analysis of the Remaining Group for each of the years ended 31 March 2022 (“FY2022”), 31 March 2023 (“FY2023”) and 31 March 2024 (“FY2024”) and the six months ended 30 September 2024 (“FY2025 1st half”) respectively are set out below.

BUSINESS AND FINANCIAL REVIEW

Segmental information

The Remaining Group is principally engaged in medical services, aesthetic medical and beauty and wellness services, veterinary and other services. A summary of the revenues and operating results of each business segment of the Remaining Group for FY2022, FY2023, FY2024 and FY2025 1st half are as follows:

FY2022	Medical	Aesthetic medical and beauty and wellness	Veterinary and other	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	1,443,012	1,091,204	139,338	2,673,554
Segment operating results	150,701	106,603	26,383	283,687

For FY2022, revenue of the Remaining Group was approximately HK\$2,673.6 million, which was mainly derived from medical segment. The operating profit of the Remaining Group was approximately HK\$283.7 million.

FY2023	Medical <i>HK\$'000</i>	Aesthetic medical and beauty and wellness <i>HK\$'000</i>	Veterinary and other <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	2,278,024	1,101,896	231,314	3,611,234
Segment operating results	9,969	114,657	20,190	144,816

For FY2023, revenue of the Remaining Group was approximately HK\$3,611.2 million, which was mainly derived from medical segment. The revenue is increased by 35.1% compared with that of last year, which was mainly due to the increase in medical segment. The operating profit of the Remaining Group was approximately HK\$144.8 million.

FY2024	Medical <i>HK\$'000</i>	Aesthetic medical and beauty and wellness <i>HK\$'000</i>	Veterinary and other <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	2,364,793	1,309,401	269,686	3,943,880
Segment operating results	(49,772)	62,359	6,971	19,558

For FY2024, revenue of the Remaining Group was approximately HK\$3,943.9 million, which was mainly derived from medical segment. The revenue is increased by 9.2% compared with that of last year, which was mainly due to the increase in aesthetic medical and beauty and wellness segment. The operating profit of the Remaining Group was approximately HK\$19.6 million.

FY2025 1st half	Medical <i>HK\$'000</i>	Aesthetic medical and beauty and wellness <i>HK\$'000</i>	Veterinary and other <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	1,119,995	629,762	168,869	1,918,626
Segment operating results	(29,448)	57,667	12,674	40,893

For FY2025 1st half, revenue of the Remaining Group was approximately HK\$1,918.6 million, which was mainly derived from medical segment. The revenue is decreased by 3.3% compared with that of last period, which was mainly due to the decrease in medical segment. The operating profit of the Remaining Group was approximately HK\$40.9 million.

Medical segment

The medical segment represents all medical services (excluding aesthetic medical services) and dental services.

During FY2023, the Remaining Group's revenue from medical segment increased by 57.9% from HK\$1,443 million for FY2022 to HK\$2,278 million for FY2023. The Remaining Group continues to gain market share in the healthcare services industry through both organic expansion and M&A growth. Growth in the medical segment was the result of a wider customer base supported by a higher number of medical specialties offered in the network, conversion of cross-brand referrals, and ramp up of previously opened new stores. The Remaining Group's suite of medical services spanned 35 specialist disciplines, and the headcount of full-time and exclusive registered practitioners increased to 300.

During FY2024, through both organic and M&A expansion, the Remaining Group's medical service portfolio grew to encompass 39 specialist disciplines with 322 registered practitioner headcount. In addition, there were organic growth derived from the 6 medical facilities that were established from last financial year and 6 new health screening centres, laboratories and pain management centres that commenced operation during the year. These enabled the Remaining Group's revenue from medical segment to rise by 3.8% year-on-year to HK\$2,365 million, representing revenue contribution of 60.0%.

During FY2025 1st half, due to a more cautious spending sentiment and the trend of Hong Kong residents seeking cross-border consumption in Shenzhen for price advantages, some of our discretionary medical services aimed at B2C demand – such as dental care, health screenings, and pain management – were adversely affected. Consequently, our revenue from medical services decreased by 4.8% year-on-year to HK\$1,120 million, accounting for approximately 58.4% of our total revenue.

Aesthetic medical and beauty and wellness segment

The aesthetic medical and beauty and wellness segment represents aesthetic medical, traditional beauty, haircare and ancillary wellness services and sale of skincare, healthcare and beauty equipment and products. The Disposal has no impact on the aesthetic medical and beauty and wellness segment for the years ended 31 March 2022, 2023 and 2024 and the six months ended 30 September 2024.

During FY2023, revenue contributed by aesthetic medical and beauty and wellness services increased by 1.0% from HK\$1,091 million for FY2022 to HK\$1,102 million for FY2023. Revenue from Hong Kong rose by 0.6% to HK\$810 million. Revenue from Macau and the Chinese Mainland achieved a modest increase to approximately HK\$292 million, due to a new store opened in Chinese Mainland and relatively smaller business disruptions from pandemic-related controls.

During FY2024, revenue contribution by this segment has increased by 18.8% year-on-year to HK\$1,309 million, accounted for 33.2% of the total revenue. Revenue from Hong Kong rose by 31.7% year-on-year to HK\$1,066 million mainly due to normalization of post-COVID-19 local pent-up demand and rebound in the number of Mainland tourists. On the contrary, revenue from the 10 service points in Chinese Mainland and Macau recorded a year-on-year decline of 26.9% to HK\$123 million and a year-on-year decline of 3.1% to HK\$119 million respectively mainly due to local consumption downgrade.

During FY2025 1st half, consumer confidence is still lower than pre-pandemic level and the revenue contribution by this segment has decreased by 5.4% year-on-year to HK\$630 million, accounted for 32.8% of the total revenue. Revenue from the 29 service points in Hong Kong declined by 2.1% year-on-year to HK\$533 million. Revenue from the 10 service points in Mainland China and the 3 service points in Macau recorded a year-on-year decline of 5.6% to HK\$55 million and a year-on-year decline of 33.9% to HK\$42 million respectively, mainly due to local consumption downgrade.

Veterinary and other segment

The veterinary and the other segment mainly represents veterinary services and multi-channel networking and related services. The Disposal has no impact on the veterinary and the other segment for the years ended 31 March 2022, 2023 and 2024 and the six months ended 30 September 2024.

During FY2023, revenue from this segment rose by 66.0% year-on-year to HK\$231 million, mainly driven by the growth of the Group's veterinary business. The Group has taken strategic steps to consolidate the Group's presence in the Hong Kong veterinary segment. The Group acquired a veterinary clinic during the year and opened its first organic veterinary hospital – Animal Medical Academy Hospital (“AMAH”) in Tsim Sha Tsui East. The Group currently provides not only veterinary general practitioner services but also specialty services covering anaesthesia & analgesia, neurology, cardiology, and advanced imaging services. The Group continues to invest in the veterinary business to build a leading renowned brand and shaping the veterinary business into a new growth engine.

During FY2024, revenue from this segment rose by 16.6% year-on-year to HK\$270 million, mainly driven by the growth of the Group's veterinary market share in Hong Kong, with the number of registered veterinary surgeons increased to 56 during the year. AMAH in Tsim Sha Tsui East commenced operation in the last quarter of FY2023 has been ramping up progressively and has achieved EBITDA breakeven towards the end of the period. The Group will continue to invest in its leading veterinary consolidation platform to turn it into one major growth engine.

During FY2025 1st half, revenue from this segment rose by 18.3% year-on-year to HK\$169 million, accounted for 8.8% of our total revenue, mainly driven by the growth of the Group's veterinary market share in Hong Kong, with the number of registered veterinary surgeons increased to 59 during the six months ended 30 September 2024.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2022, the Remaining Group had total assets of HK\$4,329 million, net current assets of HK\$143 million, equity attributable to equity shareholders of the Company of HK\$1,735 million and non-controlling interests of HK\$359 million.

As at 31 March 2022, current assets and current liabilities of the Remaining Group were HK\$1,255 million and HK\$1,112 million respectively. Accordingly, the Remaining Group's current ratio was 1.13.

As at 31 March 2023, the Remaining Group had total assets of HK\$4,992 million, net current liabilities of HK\$255 million, equity attributable to equity shareholders of the Company of HK\$1,736 million and non-controlling interests of HK\$401 million. The increase in equity attributable to equity shareholders of the Company was approximately 0.1% when compared with that of last year.

As at 31 March 2023, current assets and current liabilities of the Remaining Group were HK\$1,155 million and HK\$1,410 million respectively. Accordingly, the Remaining Group's current ratio was 0.82.

As at 31 March 2024, the Remaining Group had total assets of HK\$5,489 million, net current assets of HK\$245 million, equity attributable to equity shareholders of the Company of HK\$2,235 million and non-controlling interests of HK\$320 million. The increase in equity attributable to equity shareholders of the Company was approximately 28.7% when compared with that of last year, which was mainly due to the gain on disposal of the Target Group.

As at 31 March 2024, current assets and current liabilities of the Remaining Group were HK\$1,653 million and HK\$1,408 million respectively. Accordingly, the Remaining Group's current ratio was 1.17.

As at 30 September 2024, the Remaining Group had total assets of HK\$5,035 million, net current assets of HK\$66 million, equity attributable to equity shareholders of the Company of HK\$1,868 million and non-controlling interests of HK\$415 million. The decrease in equity attributable to equity shareholders of the Company was approximately 16.4% when compared with that of last year, which was mainly due to the dividend paid to non-controlling interests.

As at 30 September 2024, current assets and current liabilities of the Remaining Group were HK\$1,452 million and HK\$1,386 million respectively. Accordingly, the Remaining Group's current ratio was 1.05.

GEARING RATIO

As at 31 March 2022, 2023 and 2024 and 30 September 2024, the gearing ratio of the Remaining Group were 11.3%, 33.6%, 36.0% and 39.1%, respectively. The gearing ratio was measured by total debt (total debt refers to the aggregate sum of bank borrowings and

convertible bonds excluding lease liabilities relating to properties leased for own use) divided by total equity.

CAPITAL COMMITMENTS

As at 31 March 2022, 2023 and 2024 and 30 September 2024, the Remaining Group had capital commitments in respect of acquiring certain property, plants and equipment, contracted but not provided in the consolidated financial statement amounting to approximately HK\$200 million, HK\$30 million, HK\$nil and HK\$nil respectively.

In addition, the Group was committed at 31 March 2022, 2023 and 2024 and 30 September 2024 to enter into few new leases that is not yet commenced, the aggregate lease payments without considering the extension options amounted to HK\$44.9 million, HK\$380 million, HK\$380 million and HK\$380 million respectively.

CONTINGENT LIABILITIES

As at 31 March 2022, 2023 and 2024 and 30 September 2024, the Remaining Group had no significant contingent liabilities.

CAPITAL STRUCTURE

For FY2022, FY2023, FY2024 and FY2025 1st half, the Remaining Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may raise new debts, adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debts.

The Remaining Group's assets portfolio was mainly financed by bank borrowings and convertible bonds:

	As at 31 March			As at 30 September
	2022	2023	2024	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings of the Remaining Group	–	489,008	678,902	650,019
Convertible bonds of the Remaining Group	235,709	230,132	241,767	241,767

Based on the agreed scheduled repayment dates in the loan agreements and ignoring the effect of any repayment on demand clause, the Remaining Group's bank borrowings and convertible bonds were repayable:

	As at 31 March			As at
	2022	2023	2024	30 September
	HK\$'000	HK\$'000	HK\$'000	2024 HK\$'000
Within 1 year	–	101,348	136,912	222,893
After 1 year but within 2 years	–	74,330	494,999	648,985
After 2 years but within 5 years	235,709	543,462	288,758	19,908
	<u>235,709</u>	<u>719,140</u>	<u>920,669</u>	<u>891,786</u>
Effective interest rates of bank borrowings per annum	–	4.03% to 7.13%	5.77% to 8.33%	5.26% to 6.32%
Effective interest rates of convertible bonds per annum	7.94%	7.94%	7.94%	7.94%

MATERIAL ACQUISITIONS AND DISPOSALS

FY2022

On 15 June 2021, High Group Corporation Limited (“**High Group**”), a wholly-owned subsidiary of the Group, entered into sale and purchase agreements with the sellers, to acquire 51% of the equity interest in each of King Equity Investments Limited, Eternal Harvest International Limited, Hong Kong Veterinary Imaging Center Limited and Crown Leader Limited, respectively. According to the agreements, High Group paid an aggregate cash consideration of HK\$66,000,000 for these acquisitions. The acquisition was completed on 20 August 2021.

On 5 November 2021, Jade Master International Limited, a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement to acquire 70% of the equity interest in Premier Medical Group (BVI) Limited, at a cash consideration of HK\$100,000,000.

On 29 November 2021, Union Dental Holding Limited, a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with the sellers, to acquire 55% of the equity interest in Bayley & Jackson. According to the agreement, the Group acquired 55% of the equity interest at an aggregate consideration of comprising (i) cash consideration of HK\$119,424,000; and (ii) the allotment and issuance of 796,360 new shares of the Company which the consideration is based on the share price of completion date. The acquisition was completed on 17 January 2022.

On 16 February 2022, Union (Group) Investment Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to acquire entire equity interest in Excellent Power Investments Limited at a cash consideration of HK\$68,000,000. The acquisition was completed on 31 March 2022.

FY2023

On 23 May 2022, Union Preventive Healthcare Limited, a wholly-owned subsidiary of the Group, entered into sales and purchase agreement with the sellers to acquire 75% of the equity interest in Mobile Medical International Holdings Limited at a consideration of HK\$41,250,000. The acquisition was completed on 14 June 2022.

On 30 September 2022, Team Expert Investment Limited, an indirect wholly-owned subsidiary of the Group entered into sales and purchase agreement with the sellers to acquire 60% of the equity interest in Pioneer Evolution Limited which principally holds 50.54% issued share capital in Sure-Care Medical and Health Limited at a consideration of HK\$36,400,000. The acquisition was completed on 18 January 2023.

FY2024

On 7 February 2023, Union Medical Technology Limited (“**UMT**”) and Union (Group) Investment Limited (“**Union Group**”), both being wholly-owned subsidiaries of the Group, entered into a sales and purchase agreement with the seller (“**Excellent Connect Seller**”) to acquire 100% equity interest in Excellent Connect Limited (“**Excellent Connect**”). The maximum consideration consists of (1) the maximum total cash consideration of HK\$125,000,000 comprising (i) the initial cash consideration in the amount of HK\$100,000,000 to be payable to the Excellent Connect Seller, and (ii) the contingent consideration in the maximum amount of HK\$25,000,000, and (2) transfer of 25% issued share capital of UMT (the “**Consideration Shares**”) from Union Group to the Excellent Connect Seller. On 1 April 2023, the initial cash consideration of HK\$100,000,000 has been settled in full and the Consideration Shares have been transferred by Union Group to Excellent Connect Seller. Excellent Connect became a 75%-owned subsidiary of the Group upon completion of the acquisition on 1 April 2023.

On 1 October 2022, High Group Corporation Limited (“**High Group**”), a wholly-owned subsidiary of the Group, entered into sales and purchase agreements with the seller, to acquire 51% of the equity interest in each of HWEVC Limited and Maple Investment Limited. According to the agreements, High Group paid an aggregate cash consideration of HK\$10,710,000 for these acquisitions. The acquisition was completed on 12 June 2023.

FY2025 1st half

On 30 November 2023, the Group acquired a 42.88% issued share capital in Pangenia from Active Compass Limited and Victor Mind International Limited for an aggregate consideration of HK\$115 million. On 13 June 2024, the Group completed the acquisition of an additional 12.38% issued share capital in Pangenia from Success Synergy Limited and Bio-Gene Limited for a consideration of HK\$17.4 million and HK\$15.8 million, respectively, increasing the Group’s interest therein from 42.88% to 55.26%.

On 14 November 2023, EC Medical Venture Capital Limited (“**EC Medical Venture Capital**”), an indirect wholly-owned subsidiary of the Group, enter into a sale and purchase agreement with the sellers to acquire 100% of the equity interest in EC BP Limited at consideration consists of (i) cash consideration of HK\$39 million and (ii) consideration of shares of 7.24% of the equity interest in EC Medical Venture Capital. The acquisition was completed on 1 April 2024. Upon the completion, the Group’s shareholding in EC Medical Venture Capital has reduced from 75% to 69.57%.

FOREIGN CURRENCY MANAGEMENT

The Remaining Group carried out certain operating transactions in foreign currencies, which exposed the Remaining Group to foreign currency risk, mainly pertaining to the risk of fluctuations in the Hong Kong dollar and U.S. dollar against Renminbi. For FY2022, FY2023, FY2024 and FY2025 1st half, the Remaining Group had not used any derivative contracts to hedge against its exposure to currency risk. The management managed the currency risk by closely monitoring the fluctuation of the foreign currency rates and will consider hedging measures against significant foreign exchange exposure should such need arise.

EMPLOYMENT AND REMUNERATION POLICY

The Group is aware of the importance of human resources and is dedicated to retaining competent and talented directors and employees by offering them competitive remuneration packages. Their salaries and bonuses were determined with reference to their duties, work experience, performance and prevailing market practices. The Group also participates in the Mandatory Provident Fund (“**MPF**”) scheme in Hong Kong, and provides employees with medical insurance coverage. No forfeited contribution is available to reduce the contribution payable in the future years. The MPF contributions charged to the consolidated statement of profit or loss represent the contributions payable to the funds by the Group. The Share Option Scheme, the Co-Ownership Plan 2 and the Share Award Scheme are in place to reward individual employees for their outstanding performance and contribution to the success of the Group.

Share option of 21,330,000 shares and 5,300,000 shares were granted during FY2022 and FY2023 respectively. No share option were granted during FY2024 and FY2025 1st half.

As at 31 March 2022, 2023 and 2024 and 30 September 2024, the Remaining Group employed approximately 2,652, 2,514, 2,517 and 2,778 employees (excluding registered practitioners) respectively in Hong Kong, Macau and the PRC.

For FY2022, FY2023, FY2024 and FY2025 1st half, the staff costs (including directors’ emoluments) of the Remaining Group amounted to approximately HK\$872.0 million, HK\$1,250.9 million, HK\$1,235.8 million and HK\$510.3 million respectively.

SIGNIFICANT INVESTMENTS

For FY2022, FY2023, FY2024 and FY2025 1st half, the Remaining Group had no significant investments.

PLEDGE ON ASSETS

As at 31 March 2022, investment properties of HK\$197,100,000, ownership interests in leasehold land and building held for own use of HK\$33,511,000 and time deposits of HK\$2,000,000 were pledged by the Remaining Group to obtain banking facilities from various banks. The pledge of these assets was released during the year ended 31 March 2023.

As at 31 March 2023 and 2024 and 30 September 2024, certain of the Remaining Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Remaining Group's or relevant subsidiaries' financial ratios, as are commonly found in lending arrangements with financial institutions. If the Remaining Group were to breach the covenants, the drawn down facilities may be subject to repayment immediately. It is also provided in the facility agreement for the unsecured bank loans of HK\$400,000,000, HK\$671,843,000 and HK\$644,634,000 respectively that if the controlling shareholder of the Company, Mr. Tang Chi Fai, is not or ceases to be the controlling shareholder of the Company owning less than 51% of the total issued shares of the Company, then the lender is entitled to request immediate repayment of these outstanding loans and all accrued interest.

OUTLOOK AND FUTURE PLAN

Following the completion of the Disposal, the Remaining Group is poised to embark on a strategic transformation that leverages its strengthened financial position and streamlined operations. The disposal marks a significant milestone, allowing the Remaining Group to focus on core growth areas while optimizing shareholder value. Below is an outline of the Remaining Group's outlook and future plan:

1. Strengthened Financial Position

The disposal will bolster the Remaining Group's cash flow and liquidity, creating a robust financial foundation to pursue new opportunities. With reduced debt levels and improved cash reserves, the Remaining Group is better positioned to weather economic challenges and invest in strategic initiatives.

2. Strategic Partnerships and Alliances

The Remaining Group will continue to explore strategic partnerships with leading industry players, insurance companies, and corporate clients to drive synergies and expand service offerings. Collaborations like the ongoing partnership with AIA demonstrate the Remaining Group's commitment to delivering value-added solutions to stakeholders.

3. Shareholder Value Maximization

With a sharper strategic focus and improved financial flexibility, the Remaining Group is dedicated to maximizing shareholder value. The Group plans to maintain a disciplined capital allocation strategy, balancing reinvestment in growth initiatives with consistent dividend returns.

Outlook

Looking ahead, the Remaining Group is optimistic about its ability to capture opportunities in the rapidly evolving healthcare industry. The Group's strategic focus, strengthened by the disposal, positions it to deliver sustainable growth, adapt to market dynamics, and achieve operational excellence.

The management is confident that this renewed direction will reinforce the Remaining Group's position as a leading healthcare service provider in the region and deliver long-term value to shareholders.