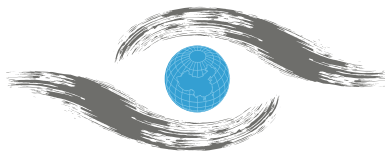


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C-MER 希瑪

C-MER EYE CARE HOLDINGS LIMITED

希瑪眼科醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3309)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF 80% EQUITY INTEREST
IN THE KUNMING EYE HOSPITAL**

**CONTINUING CONNECTED TRANSACTION
LEASE AGREEMENT ENTERED INTO FOLLOWING
COMPLETION OF THE ACQUISITION**

Acquisition and related arrangements

The Board is pleased to announce that on 28 August 2018 (after morning trading session of the Stock Exchange), C-MER China entered into the Acquisition Agreement with the Vendors, pursuant to which C-MER China has conditionally agreed to acquire from the Vendors 80% equity interest of the Kunming Eye Hospital and inject capital to the Kunming Eye Hospital as the Consideration. Upon Completion, the Kunming Eye Hospital will become a non-wholly-owned subsidiary of the Company. Completion is expected to take place during the fourth quarter of 2018.

The Lease Agreement will be entered into prior to the date of Completion as one of the conditions precedent to Completion. The Directors consider that the operation of the Kunming Eye Hospital will not require the ownership of the Hospital Premises so long as the Kunming Eye Hospital has the right to continue to use the Hospital Premises upon normal commercial terms.

Implications under the Listing Rules

As one or more of the relevant percentage ratios under Rule 14.07 of the Listing Rules for the Acquisition is more than 5% but all relevant percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction (as such term is defined under the Listing Rules) for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Following Completion, the Vendors shall be substantial shareholders (as such term is defined under the Listing Rules) of the Kunming Eye Hospital (which will be a 80%-owned subsidiary of the Company) and as such, the Vendors shall be treated as connected persons at the subsidiary level of the Company and the transaction contemplated under the Lease Agreement shall constitute a continuing connected transaction with connected persons at the subsidiary level for the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios under Rule 14.07 of the Listing Rules for the transaction contemplated under the Lease Agreement is more than 1% and HK\$3,000,000 but less than 5%, the transaction contemplated under the Lease Agreement constitutes a continuing connected transaction (as defined under the Listing Rules) for the Company and is subject to reporting and announcement requirements but exempted from the circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Moreover, the Board has approved the Lease Agreement and the Directors, including the independent non-executive Directors, have confirmed that the terms of the Lease Agreement are fair and reasonable, the transactions contemplated under the Lease Agreement are on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole. On this basis and pursuant to Rule 14A.101 of the Listing Rules, the Lease Agreement is exempt from the circular, independent financial advice and Shareholders' approval requirements as otherwise required under the Listing Rules.

As the Completion is subject to the fulfilment of a number of condition(s) precedent as set forth in the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and investors of the Company should exercise caution when dealing in the securities of the Company.

The Board is pleased to announce that the Acquisition Agreement has been entered into on 28 August 2018 (after morning trading session of the Stock Exchange), whereby C-MER China has agreed to acquire 80% equity interest in the Kunming Eye Hospital and inject capital to the Kunming Eye Hospital. Completion is expected to take place during the fourth quarter of 2018.

BACKGROUND INFORMATION AND SUMMARY OF TERMS OF THE ACQUISITION

As set forth in the Prospectus, one of the future strategies of the Group is to explore any acquisition opportunity of operating eye hospital in selected PRC cities. Following discussions and negotiations with the Vendors, the Acquisition Agreement has been entered into whereby C-MER China will acquire 80% equity interest in the Kunming Eye Hospital. A summary of the principal terms and conditions of the Acquisition Agreement is set forth below:

Date: 28 August 2018 (after morning trading session of the Stock Exchange)

Parties:

1. Dr. Duan (as one of the Vendors)
2. Mr. HAN Ning (韓凝) (as one of the Vendors)
3. C-MER China (as the purchaser)

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendors are Independent Third Parties before Completion.

Subject matter: C-MER China has conditionally agreed to acquire from the Vendors 80% equity interest of the Kunming Eye Hospital and inject new capital to the Kunming Eye Hospital as the Consideration. Upon Completion, the Kunming Eye Hospital will become a non-wholly-owned subsidiary of the Company.

Consideration: The Consideration payable by C-MER China to the Vendors shall be RMB30.0 million (equivalent to HK\$35.4 million) and to the Kunming Eye Hospital shall be RMB20.0 million (equivalent to HK\$23.6 million) as capital injection. The Consideration shall be settled by cash in accordance with the terms and conditions of the Acquisition Agreement.

Terms of payment: According to the Acquisition Agreement, C-MER China agrees to pay to the bank accounts of the Vendors the Consideration in cash on the date on which Completion takes place. The amount of capital injection shall be paid by C-MER China to the Kunming Eye Hospital within 180 days following the date on which Completion takes place.

Basis of consideration: The Consideration has been arrived at after arm's length negotiations between the Vendors and C-MER China taking into consideration:

- (a) the revenue and the earnings of the Kunming Eye Hospital for the year ended 31 December 2017 and the six months ended 30 June 2018;

- (b) the price-to-earnings multiple of the comparable companies that primarily provide eye hospital management services or establish eye hospitals in the PRC and share similar business model with the Kunming Eye Hospital;
- (c) the appraised value of the Kunming Eye Hospital of RMB37.5 million as agreed between the Vendors and C-MER China;
- (d) comparable transactions which involved acquisition of target companies in the industry of provision of eye care services in the PRC; and
- (e) the effect of the rental payment under the Lease Agreement.

Completion:

The Vendors shall assist C-MER China in the transfer of the 80% equity interest of the Kunming Eye Hospital and complete the Acquisition within five business days after all conditions (as set forth below) are satisfied by the Vendors. It is expected that Completion will take place during the fourth quarter of 2018.

Conditions:

Completion shall be conditional upon fulfilment of the following conditions precedent:

- (1) the Acquisition Agreement and all other documents related to the Acquisition (including the Lease Agreement) have been duly and effectively signed and the necessary authorisations and/or approvals for signing such documents, including all the required internal authorisations and government approvals, having been obtained;
- (2) the representations and warranties made by the Vendors remaining to be true, complete and accurate and not misleading on or before the Completion;
- (3) there is no change, event or circumstance having occurred which has or may be reasonably foreseen to have a material adverse effect on the assets, financial positions, operation and management of the Kunming Eye Hospital;
- (4) there is no other unfavourable events affecting the business operations of the Kunming Eye Hospital;
- (5) approval has been obtained whereby the board of the Kunming Eye Hospital shall consist of five directors, four of whom shall be nominated by C-MER China as a majority shareholder of the Kunming Eye Hospital;

- (6) approval from the relevant government authorities in the PRC have been obtained in relation to the Acquisition and the Kunming Eye Hospital as a sino-foreign joint venture in the PRC;
- (7) foreign exchange accounts of the Vendors have been opened by the relevant bank;
- (8) information on the foreign exchange accounts of the Vendors has been provided to C-MER China;
- (9) the approval of the Board and the relevant investment decision making committee of the Company (which should be obtained within 90 days), if applicable;
- (10) completion of financial, legal and business due diligence on the Kunming Eye Hospital to the satisfaction of the C-MER China;
- (11) signing of the commitment letter between Dr. Duan and C-MER so that Dr. Duan will continue to serve the Kunming Eye Hospital as the hospital chairman until 31 December 2022;
- (12) completion of the disposal of the Hospital Premises by Kunming Eye Hospital; and
- (13) signing of the Lease Agreement in full compliance with the relevant approval or corporate governance requirements.

Arrangements prior to Completion:

The Vendors and the Kunming Eye Hospital have undertaken to C-MER China that from the date of the Acquisition Agreement, unless with the prior written consent of C-MER China or otherwise set forth in the Acquisition Agreement, the Kunming Eye Hospital shall not (a) increase, allot, issue, alter, sell or redeem any shares, debentures or other securities or other options or note or other similar rights; (b) distribute any profit to any shareholder; (c) undertake any reorganisation of the share capital; (d) alter the amount of the registered capital; (e) dispose, transfer or enter into any licence on or relating to the intellectual property rights; (f) arrange any loan, debenture, guarantee, pledge, charge or other fund-raising arrangement of more than RMB100,000; (g) make any capital expenditure of more than RMB100,000; (h) alter or amend the constitutional document; and (i) enter into any agreement relating to any of the above.

Termination and force majeure: If there is a force majeure event, the parties to the Acquisition Agreement may agree to terminate the Acquisition Agreement. The force majeure events include (a) state of war or government order that prohibits the transfer of the equity interest as contemplated; (b) social instability or similar events that have direct impact on the transfer of equity interest as contemplated; (c) acts of god, such as typhoon, flood, explosion, earthquake and other natural adverse events; and (d) other events that may be agreed by the parties to the Acquisition Agreement as force majeure events.

Governing law: Laws of the PRC

SUMMARY OF THE TERMS OF THE LEASE AGREEMENT

As one of the conditions precedent to Completion, the Kunming Eye Hospital will dispose of the Hospital Premises to the Landlord and that the Landlord will lease the Hospital Premises back to the Kunming Eye Hospital. The Directors consider that the operation of the Kunming Eye Hospital will not require the ownership of the Hospital Premises so long as the Kunming Eye Hospital has the right to continue to use the Hospital Premises upon normal commercial terms. In this connection, the Lease Agreement will be entered into between the Landlord and the Kunming Eye Hospital prior to the date of Completion on the following terms:

Date: On or before the date on which Completion takes place.

Parties:

1. Kunming Shirong Industrial Company Limited (昆明視榮實業有限公司) (as the Landlord)
2. Kunming Eye Hospital (as the tenant)

Duration: Three years from the date on which Completion takes place, which can be renewed for further terms of three years at the option of the Kunming Eye Hospital with the annual rental cannot be increased by more than 4.0%.

Annual rental: RMB2,917,000 (for the first year), RMB3,500,000 (for the second year) and RMB3,500,000 (for the third year). These amounts of rental are determined with reference to market transactions of comparable commercial buildings, including offices and medical use premises. The rental under the Lease Agreement shall be payable in cash quarterly one month before the end of the relevant quarter.

Subject matter: The Kunming Eye Hospital shall continue to use the Hospital Premises as an eye hospital free from all encumbrances and third parties' interest and has exclusive possession of the Hospital Premises during the term of the Lease Agreement.

Governing law: Laws of the PRC

The Lease Agreement shall constitute a continuing connected transaction for the Company, further information on which is set forth in the paragraphs under “Implications under the Listing Rules” below.

INFORMATION ON THE COMPANY

The Company has been listed on the Stock Exchange since 15 January 2018. The Group is one of the leading ophthalmic service providers in Hong Kong and Guangdong Province, the PRC established under the brand of “C-MER Dennis Lam (希瑪林順潮)”. Headquartered in Hong Kong, the Group became the first foreign investor to wholly own an eye hospital in the PRC. The business of the Group was founded in Hong Kong in January 2012 by Dr. LAM Shun Chiu Dennis JP, an ophthalmic surgeon with over 30 years of clinical experience. As of the date of this announcement, the Group operates five satellite clinics and two eye surgery centres in Hong Kong and two eye hospitals in Shenzhen and Beijing. The Group is specialised in offering treatment and therapy services for ophthalmic diseases which include, amongst others, cataract, corneal and external eye diseases, glaucoma, vitreoretinal and macular diseases, as well as ancillary treatment by way of acupuncture and traditional Chinese medicine.

INFORMATION ON THE KUNMING EYE HOSPITAL

The Kunming Eye Hospital is a limited liability company incorporated in the PRC, and it operates an eye hospital at the Hospital Premises. Established in January 2003, the Kunming Eye Hospital currently has more than 60 staff including 16 physicians and 22 allied health professionals, three of whom have obtained doctorate degree and two of whom have obtained master’s degree in the relevant professions. With the registered capital of RMB16.0 million, the Kunming Eye Hospital has the capacity of 80 beds in its facilities to provide option to patients for in-patient eye care.

The Kunming Eye Hospital has been named by the Ministry of Health as one of the leading privately-owned eye hospitals that could attract foreign investments. The Kunming Eye Hospital has been awarded for seven consecutive years by the Kunming City Government as one the “*The 10 Best Privately-Managed Hospitals* (昆明十佳民營醫院)” and “*Excellent Kunming Privately-Managed Hospital* (昆明優秀民營醫院)”. Kunming Eye Hospital is also active in participating municipal eye care projects initiated by Kunming City Government. The Kunming Eye Hospital has also been awarded by the Yunnan Provincial Government as “*Boutique Leading Hospital* (精品示範醫院)”.

The Kunming Eye Hospital is specialised in offering treatment and therapy services for ophthalmic diseases which include, amongst others, cataract, corneal and external eye diseases, glaucoma, vitreoretinal and macular diseases. Since its establishment, the Kunming Eye Hospital has provided eye treatment surgery services to more than 110,000 patients.

The following sets forth the unaudited financial information of the Kunming Eye Hospital for the two financial years ended 31 December 2017 and the six months ended 30 June 2018:

	For the year ended 31 December 2016 (RMB'000)	For the year ended 31 December 2017 (RMB'000)	For the six months ended 30 June 2018 (RMB'000)
Revenue	14,632	13,849	4,677
Net profit/(loss) before taxation	4,815	3,815	(1,389)
Net profit/(loss) after taxation	4,812	3,810	(1,389)

The net asset value of the Kunming Eye Hospital as of 31 December 2017 amounted to RMB22.9 million including the Hospital Premises and RMB1.5 million (excluding the Hospital Premises).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Kunming Eye Hospital and its ultimate beneficial owners are Independent Third Parties before Completion. Upon Completion, the Kunming Eye Hospital will become a non-wholly owned subsidiary of the Company and its financial results will be consolidated in the consolidated financial statements of the Group.

INFORMATION ON THE VENDORS

To the best of the knowledge of the Directors, the Vendors are Independent Third Parties. Dr. Duan is the founder of the Kunming Eye Hospital and has more than 20 years of practicing experience as physician in the PRC. Since the establishment of the Kunming Eye Hospital, Dr. Duan has acted as the hospital chairman. Dr. Duan has been granted by the State Council of the PRC government "*China 100 Overseas Chinese Excellent Professionals in Business Ventures* (中國百名華僑華人專業人士傑出創業獎)". Prior to establishing the Kunming Eye Hospital, Dr. Duan previously worked for another eye hospital in Kunming and led the hospital to be the first eye hospital in Yunnan Province with internationally recognised eye treatment equipment and technology. Dr. Duan has treated more than 30,000 patients during her practice and is experience in treating cataract, corneal diseases, glaucoma, vitreoretinal and macular diseases.

Mr. Han is a business man and a minority shareholder of Kunming Eye Hospital.

INFORMATION ON THE LANDLORD

The Landlord is a limited liability company established in the PRC on 14 December 2016 and is permitted to be engaged in the manufacturing business of a wide range of products, property development, business consultation, sales of optical products and agency business under its business licence. The Landlord is owned as to 90% and 10% by Dr. Duan and Mr. HAN Ning, respectively, both are the Vendors. The sole director of the Landlord is Dr. Duan.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND ENTERING INTO THE LEASE AGREEMENT

As disclosed in the Prospectus, one of the strategies of the Group is to establish or acquire eye hospitals in selected PRC cities. The Directors believe that an expansion of the eye care service network in the PRC is instrumental to the business growth of the Group. The Prospectus also discloses that the Directors intend to use not more than HK\$69.4 million for any possible acquisition of an operating eye hospital in selected PRC cities by the end of 2018. The payment of the Consideration will be funded by the Net Proceeds.

The Directors believe that the Acquisition represents a good opportunity for the Group to expand the eye care service network in Western China (Yunnan Province) leveraging the expertise and the international reputation of the Group and the local knowledge and experience of the Kunming Eye Hospital. Following Completion, the Group will provide medical training to physicians and allied health professionals and upgrade the medical equipment so as to establish a coherent and well integrated eye care service network in selected PRC cities (including Beijing, Shenzhen and Kunming). The Directors consider the terms of the Acquisition, which are determined after arm's length negotiations between the parties are fair and reasonable and in the interests of the Shareholders as a whole.

The Lease Agreement will be entered into prior to the date of Completion as one of the conditions precedent to Completion. The Directors consider that the operation of the Kunming Eye Hospital will not require the ownership of the Hospital Premises so long as the Kunming Eye Hospital has the right to continue to use the Hospital Premises upon normal commercial terms.

IMPLICATIONS UNDER THE LISTING RULES

Acquisition Agreement

As one or more of the relevant percentage ratios under Rule 14.07 of the Listing Rules for the Acquisition is more than 5% but all relevant percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction (as such term is defined under the Listing Rules) for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Lease Agreement

Following Completion, the Vendors shall be substantial shareholders (as such term is defined under the Listing Rules) of the Kunming Eye Hospital (which will be a 80%-owned subsidiary of the Company) and as such, the Vendors shall be treated as connected persons at the subsidiary level of the Company and the transaction contemplated under the Lease Agreement shall constitute a continuing connected transaction with connected persons at the subsidiary level for the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios under Rule 14.07 of the Listing Rules for the transaction contemplated under the Lease Agreement is more than 1% and HK\$3,000,000 but less than 5%, the transaction contemplated under the Lease Agreement constitutes a continuing connected transaction (as defined under the Listing Rules) for the Company and is subject to reporting and announcement requirements but exempted from the circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Moreover, the Board has approved the Lease Agreement and the Directors, including the independent non-executive Directors, have confirmed that the terms of the Lease Agreement are fair and reasonable, the transactions contemplated under the Lease Agreement are on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole. On this basis and pursuant to Rule 14A.101 of the Listing Rules, the Lease Agreement is exempt from the circular, independent financial advice and Shareholders' approval requirements as otherwise required under the Listing Rules.

No Directors of the Company is interested in the Lease Agreement and therefore none shall be abstained from voting at the meeting of the Board approving the Lease Agreement.

As the Completion is subject to the fulfilment of a number of condition(s) precedent as set forth in the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and investors of the Company should exercise caution when dealing in the securities of the Company.

DEFINITIONS USED IN THIS ANNOUNCEMENT

Unless the context requires otherwise, the capitalised terms used herein shall have the following meanings:

“Acquisition”	the acquisition of 80% equity interest in the Kunming Eye Hospital by C-MER China;
“Acquisition Agreement”	the equity acquisition agreement dated 28 August 2018 entered into between C-MER China (as purchaser) and the Vendors (as the vendors) for the Acquisition;
“Board”	the board of Directors of the Company;
“C-MER China”	Hong Kong C-MER International Eye Care Group (China) Limited (香港希瑪國際眼科醫療集團(中國)有限公司), a company incorporated in Hong Kong on 4 October 2005 and a wholly-owned subsidiary of the Company, being the purchaser in the Acquisition;
“Company”	C-MER Eye Care Holdings Limited (希瑪眼科醫療控股有限公司), a company incorporated in the Cayman Islands on 1 February 2016 with all of its shares in issue are listed on the Stock Exchange (Stock code: 03309);
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement and is expected to take place during the fourth quarter of 2018;

“Consideration”	RMB30.0 million (equivalent to HK\$34.5) payable by C-MER China to the Vendors and RMB20.0 million (equivalent to HK\$23.6 million) payable by C-MER China to Kunming Eye Hospital as capital injection pursuant to the Acquisition Agreement, as described in the paragraph “Consideration” above, which will be funded by the Net Proceeds;
“Directors”	the directors of the Company, including the executive Directors and the independent non-executive Directors;
“Dr. Duan”	Dr. DUAN Zhihuan (段智寰), one of the Vendors;
“Group”	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the Company becoming the holding company of the present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at that time;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Hospital Premises”	the land use rights of approximately 3,791 sq. m. and the hospital premises erected thereon of approximately 9,705 sq. m., located at 44 Yunrui West Road, Wuhua District, Kunming, currently used by the Kunming Eye Hospital, which will be disposed to the Vendors pursuant to the Acquisition Agreement;
“Independent Third Party(ies)”	person(s) or entity(ies) which is or are third parties independent of the Company and its connected persons (as such term is defined under the Listing Rules) of the Company;
“Kunming Eye Hospital”	Kunming Eye Hospital (昆明眼科醫院), an operating eye hospital established as a limited company in the PRC on 2 January 2003 and an Independent Third Party before Completion;
“Landlord”	昆明視榮實業有限公司 (Kunming Shirong Industrial Company Limited), all equity interest of which is held by Dr. Duan and Mr. HAN Ning (韓凝), being the registered owners of the Hospital Premises shortly before Completion;
“Lease Agreement”	the lease agreement to be entered into between the Kunming Eye Hospital and the Landlords in relation to the Hospital Premises shortly before Completion;

“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time;
“Net Proceeds”	the net proceeds received by the Company from its initial public offering on the Stock Exchange as detailed in the Prospectus;
“PRC”	The People’s Republic of China and, except where the context requires and only for the purpose of this announcement, references in this announcement to the PRC or China do not include Taiwan, Hong Kong and Macau;
“Prospectus”	the prospectus dated 29 December 2017 issued by the Company;
“RMB”	Renminbi yuan, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Share(s)”	ordinary shares of the Company of HK\$0.10 each;
“Shareholders”	holders of the Shares;
“Vendors”	Dr. Duan and Mr. HAN Ning (韓凝), the existing shareholders of the Kunming Eye Hospital and Independent Third Parties before Completion;
“sq. m.”	square meter; and
“%”	per cent.

By order of the Board
C-MER Eye Care Holdings Limited
Dr. LAM Shun Chiu
Chairman and Chief Executive Officer and Executive Director

Hong Kong, 28 August 2018

As of the date of this announcement, the Board comprises four executive Directors, namely Dr. LAM Shun Chiu Dennis, Ms. LI Xiaoting, Dr. LEE Yau Wing Vincent and Mr. LI Chunshan and five independent non-executive Directors, namely Dr. LAU Johnson Yiu-Nam, Dr. LI Kwok Tung Donald, Mr. MA Chiu Cheung Andrew, Mr. CHAN Chi Leong and Ms. BENTLEY Annie Liang.