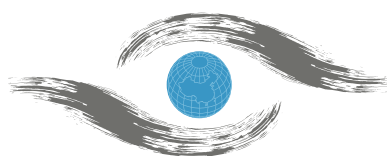


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**C-MER 希瑪**

**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)**

**SHARE TRANSACTION  
SUBSCRIPTION OF SHARES IN AVALON GLOBAL HOLDINGS LIMITED  
INVOLVING THE ISSUANCE OF  
CONSIDERATION SHARES UNDER GENERAL MANDATE**

**INTRODUCTION**

The Board is pleased to announce that, on 20 January 2020 (after trading hours of the Stock Exchange), C-MER Investment and Avalon Global entered into the Subscription Agreement, pursuant to which C-MER Investment has conditionally agreed to subscribe the Subscription Shares, representing approximately 5% of the issued share capital of Avalon Global upon Closing, and Avalon Global has conditionally agreed to allot and issue the Subscription Shares to C-MER Investment at the Consideration, which will be satisfied partly by cash and partly by the allotment and issuance of the Consideration Shares by the Company to Avalon Global or its nominee at the Consideration Share Price upon Closing. Upon Closing, Avalon Global will hold approximately 0.37% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares.

Upon Closing, C-MER Investment and the existing shareholders of Avalon Global will enter into the Shareholders' Agreement to, among others, set out certain rights and obligations of the shareholders of Avalon Global.

## **IMPLICATIONS UNDER THE LISTING RULES**

All the applicable percentage ratios in respect of the transaction contemplated under the Subscription Agreement are less than 5%. However, as the Consideration will be partially satisfied by the allotment and issuance of the Consideration Shares pursuant to the Subscription Agreement, the transaction contemplated under the Subscription Agreement constitutes a share transaction and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The exercise of each of the C-MER Investment's Tag-along Right and the Special Participation Right under the Shareholders' Agreement is at the discretion of the Company. According to Rule 14.75(1) of the Listing Rules, on the grant of each of the C-MER Investment's Tag-along Right and Special Participation Right, only the premium (which is nil) will be taken into consideration for calculating the percentage ratios for the purpose of classification of notifiable transactions. The Company will comply with the relevant Listing Rules in the event of C-MER Investment's exercise of each of the Tag-along Right and the Special Participation Right.

**The Closing of the proposed Subscription is subject to the satisfaction and/or waiver (where applicable) of conditions precedent under the Subscription Agreement, which may or may not be fulfilled. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.**

## **INTRODUCTION**

The Board is pleased to announce that, on 20 January 2020 (after trading hours of the Stock Exchange), C-MER Investment and Avalon Global entered into the Subscription Agreement, pursuant to which C-MER Investment has conditionally agreed to subscribe the Subscription Shares, representing approximately 5% of the issued share capital of Avalon Global upon Closing, and Avalon Global has conditionally agreed to allot and issue the Subscription Shares to C-MER Investment at the Consideration, which will be satisfied partly by cash and partly by the allotment and issuance of the Consideration Shares by the Company to Avalon Global or its nominee at the Consideration Share Price upon Closing.

## **THE SUBSCRIPTION AGREEMENT**

- Date** : 20 January 2020
- Parties** : 1. C-MER Investment as the subscriber; and
2. Avalon Global as the issuer of the Subscription Shares.

**Subject matter** : C-MER Investment has conditionally agreed to subscribe the Subscription Shares, representing approximately 5% of the issued share capital of Avalon Global as enlarged by the allotment and issue of the Subscription Shares upon Closing, and Avalon Global has conditionally agreed to allot and issue the Subscription Shares to C-MER Investment at the Consideration. Upon Closing, Avalon Global will hold approximately 0.37% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares. The Subscription Shares shall rank *pari passu* with all the existing shares of Avalon Global.

**Consideration** : The Consideration for the Subscription Shares shall be HK\$38,875,000, which shall be payable to Avalon Global in the following manner upon Closing:

- HK\$19,437,500 in cash, which will be settled using the internal financial resources of the Group; and
- HK\$19,437,500 by way of allotment and issuance of 3,864,314 Consideration Shares by the Company at a price of approximately HK\$5.03 per Consideration Share to Avalon Global (or its nominee).

**Basis of Consideration** : The Consideration (including the price of the Consideration Shares) was determined after arm's length negotiation between Avalon Global and the Company with reference to (a) the fair value of the Subscription Shares based on the valuation of the entire equity interests in Avalon Global of HK\$780 million as at 31 October 2019 prepared by an independent valuer, and (b) the investment amount of the recent investment into Avalon Global by an Independent Third Party investor in the aggregate amount of US\$5 million (equivalent to approximately HK\$38.9 million) at an aggregate price of approximately US\$9,740.32 (equivalent to approximately HK\$75,780) per share for 513.33 shares in the second half of 2019.

The Directors are of the view that the Consideration payable for the Subscription is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

**Conditions Precedent** : Closing of the Subscription Agreement is conditional upon the fulfilment (or waiver, as appropriate) of, among others, the following conditions:

- (1) C-MER Investment having entered into the Shareholders' Agreement with Avalon Global and the other shareholders of Avalon Global; and
- (2) the Listing Committee of the Stock Exchange granting the listing approval in relation to the listing of, and permission to deal in, the Consideration Shares and the listing approval not subsequently revoked prior to the Closing.

None of the above conditions can be waived by the parties to the Subscription Agreement. As at the date of this announcement, none of the above conditions precedent has been fulfilled or waived.

**Closing** : Closing shall take place on 31 January 2020 or such other date as Avalon Global and C-MER Investment may otherwise agree in writing.

**Post-Closing lock-up** : For a period of one year from the date of Closing:

- (a) Avalon Global has agreed not sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create any encumbrances over, or agree to transfer or dispose of or create an encumbrances over, either directly or indirectly, conditionally or unconditionally, any of the Consideration Shares or any interest therein; and
- (b) C-MER Investment has agreed not sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create any encumbrances over, or agree to transfer or dispose of or create an encumbrances over, either directly or indirectly, conditionally or unconditionally, any of the Subscription Shares or any interest therein.

## THE SHAREHOLDERS' AGREEMENT

The existing shareholders of Avalon Global currently have in place a shareholders' agreement that sets out certain rights and obligations of the shareholders of Avalon Global. As one of the conditions precedent to Closing, C-MER Investment will enter into the Shareholders' Agreement with the existing shareholders of Avalon Global. The salient terms of the Shareholders' Agreement will be as follows:

**Restriction on transfer of shares :** Subject to the exceptions in respect of transfers as set out in the Shareholders' Agreement, no shareholder of Avalon Global may sell, assign, mortgage, pledge, transfer or otherwise dispose or encumber any or all of their shares in Avalon Global.

**Pre-emptive rights :** Each of the shareholders of Avalon Global shall have the right to participate in the subscription for additional shares in Avalon Global in any subsequent round of financing.

Any transfer of shares in Avalon Global is subject to right of first refusal where shareholders of Avalon Global shall have the right (the "**Right of First Refusal**") to purchase the shares offered (or any part thereof) on the same terms offered to a third-party purchaser (the "**Intended Purchaser**"). In the event that the Right of First Refusal is not exercised (in part or in full), the non-transferring shareholders of Avalon Global shall have the tag-along right to proportionally sell their shares in Avalon Global (or any part thereof) to such Intended Purchaser on the same terms and conditions (the "**Tag-along Right**").

In the case where the shareholders of Avalon Global holding in aggregate of at least 50% of the shares in Avalon Global resolved to sell or transfer to an Intended Purchaser not less than 66.67% of Avalon Global's shares, all shareholders of Avalon Global shall have the drag-along obligation, which, in the case of C-MER Investment, shall be subject to compliance with the requirements of the Listing Rules by the Company.

**Special participation right** : Subject to the conditions set out in the Shareholders' Agreement, C-MER Investment shall have the right to exercise its special participation right to subscribe for additional shares in Avalon Global at a price equal to the lower of (i) the subscription price per share of the relevant subsequent issuance of new securities by Avalon Global (the "Issuance"); and (ii) the Subscription Price (the "**Special Participation Right**"). The maximum number of additional shares which C-MER Investment may subscribe for shall equal to the number such that, following the completion of the Issuance, its shareholding in Avalon Global in aggregate (on an as-converted fully-diluted basis) being equal to 5% of the total issued shares in Avalon Global.

The operation of the above salient terms (including but not limited to the restriction on transfer of shares, pre-emptive rights and the Special Participation Right under the Shareholders' Agreement) shall be subject to compliance with the requirements of the Listing Rules by the Company. No premium was or will be payable for the said pre-emptive rights and the Special Participation Right.

## **THE CONSIDERATION SHARES AND THE GENERAL MANDATE**

The 3,864,314 Consideration Shares represents (i) approximately 0.37% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 0.37% of the issued share capital of the Company as enlarged by the issuance of the Consideration Shares.

The Consideration Shares will be issued at the issue price of HK\$5.03 per Consideration Share which represents:

- (i) a discount of approximately 3.6% to the closing price of HK\$5.22 per Share as quoted on the Stock Exchange on the trading day immediately preceding the date of this announcement; and
- (ii) a discount of approximately 1.3% to the closing price of HK\$5.098 per Share as quoted on the Stock Exchange on the five consecutive trading days ended on the trading day immediately preceding the date of this announcement.

The Consideration Shares will be allotted and issued to Avalon Global pursuant to the General Mandate granted to the Board at the annual general meeting of the Company held on 25 June 2019. Under the General Mandate, the Directors can allot, issue and deal with up to 208,083,332 Shares, representing up to 20% of the entire issued share capital of the Company in issue on the date of passing of the relevant resolution at such annual general meeting. As at the date of this announcement, no Shares had been issued under the General Mandate. Accordingly, the General Mandate is sufficient for the allotment and issuance of the Consideration Shares and the allotment and issuance of the Consideration Shares is not subject to Shareholders' approval.

The Consideration Share Price was determined after arm's length negotiation between the Company and Avalon Global with reference to the prevailing market price of the Shares and the business performance of the Group. The Board considers that the Consideration Share Price is fair and reasonable and on normal commercial terms.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares, when allotted and issued, will rank pari passu in all respects among themselves and with all other Shares in issue.

## EFFECT ON THE SHAREHOLDING STRUCTURE

The effects of the allotment and issuance of the Consideration Shares on the shareholding structure of the Company are set out as below, assuming no further issue of new Shares or repurchase of Shares by the Company from the date of this announcement up to the date immediately after the issuance of the Consideration Shares:

Shareholder	As at the date of this announcement		Immediately after the issuance of the Consideration Shares	
	No. of Shares	Approximate %	No. of Shares	Approximate %
C-MER Group Limited	722,696,756	68.7%	722,696,756	68.49%
Dr. Lee Yau Wing Vincent	8,635,333	0.8%	8,635,333	0.82%
Dr. Lau Johnson Yiu Nam	8,030,865	0.8%	8,030,865	0.76%
Avalon Global (or its nominee)	–	–	3,864,314	0.37%
Other public Shareholders	311,937,040	29.7%	311,937,040	29.56%
Total	<u>1,051,299,994</u>	<u>100%</u>	<u>1,055,164,308</u>	<u>100%</u>

## INFORMATION ON THE GROUP

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 two day surgery centres and four satellite clinics in Hong Kong and four eye hospitals in Shenzhen, Beijing, Shanghai and Kunming. 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 AVALON GLOBAL

Avalon Global is a company limited by shares incorporated in the British Virgin Islands on 2 January 2015. Avalon Global is an investment holding company, and its subsidiaries are primarily engaged in the business of developing next generation healthcare solutions to benefit humanity and improve lives across the fields of biopharma, diagnostics, medical devices and other areas of healthcare. Avalon Global is currently in the process of developing an influenza vaccine.

The following sets forth the unaudited consolidated financial information of Avalon Global for the years ended 31 December 2017 and 31 December 2018 and the ten months ended 31 October 2019:

	<b>For the year ended 31 December 2017 (HK\$)</b>	<b>For the year ended 31 December 2018 (HK\$)</b>	<b>For the ten months ended 31 October 2019 (HK\$)</b>
Net income	43,402,107	34,575,489	10,495,042
Net profit (loss) before taxation	652,024	(21,671,310)	(15,931,191)
Net profit (loss) after taxation	652,024	(26,627,586)	(15,931,191)

Based on the unaudited management accounts of Avalon Global, the net asset value of Avalon Global as at 31 October 2019 was approximately HK\$208 million.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Dr. LAU Johnson Yiu-Nam, a former independent non-executive Director who indirectly owns approximately 29.63% of Avalon Global as at the date of the Subscription Agreement, Avalon Global and the ultimate beneficial owners of Avalon Global (except Dr. LAU Johnson Yiu-Nam) are Independent Third Parties.

## REASONS FOR AND BENEFIT OF THE SUBSCRIPTION

While it has always been C-MER's core business to establish, own and run eye hospital/clinic chain and to provide high-quality eye services to patients, we are also keen to explore opportunities for strategic partnerships, alliances and investment on eye-related pharmaceuticals, innovation and technology projects.

Avalon Global operates a good platform for scientists, medical doctors, biotechnologists, professors and business professionals to develop next generation healthcare solutions.

The Group has always been keen to develop and invest in ophthalmic technology and has a group of top-tier ophthalmologists that are strong in research. The Subscription is a good opportunity to line up the ophthalmologists in our Group with Avalon Global to provide better solution for our patients.



The Directors consider that the Subscription is in line with the overall business direction of the Group and represents an attractive opportunity for the Group to invest in life sciences products and technologies, and the Directors believe that these products and technologies have potential for development both in Hong Kong and in Mainland China and ultimately on a global scale. The Directors believe that there is significant room for growth for Avalon Global through realising the full potential of its platform.

Following Closing, the Group will continue to collaborate with healthcare professionals and focus on medical service and drug development so as to establish a coherent and well integrated healthcare service network.

The Board considers that the terms of the Subscription Agreement, the Shareholders' Agreement and the Subscription Price are fair and reasonable, on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

All the applicable percentage ratios in respect of the transaction contemplated under the Subscription Agreement are less than 5%. However, as the Consideration will be partially satisfied by the allotment and issuance of the Consideration Shares pursuant to the Subscription Agreement, the entering into the Subscription Agreement constitutes a share transaction and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The exercise of each of the C-MER Investment's Tag-along Right and the Special Participation Right under the Shareholders' Agreement is at the discretion of the Company. According to Rule 14.75(1) of the Listing Rules, on the grant of each of the C-MER Investment's Tag-along Right and Special Participation Right, only the premium (which is nil) will be taken into consideration for calculating the percentage ratios for the purpose of classification of notifiable transactions. The Company will comply with the relevant Listing Rules in the event of C-MER Investment's exercise of each of the Tag-along Right and the Special Participation Right.

## **DEFINITIONS USED IN THIS ANNOUNCEMENT**

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

“Avalon Global”	Avalon Global Holdings Limited, a company incorporated in the British Virgin Islands;
“Board”	the board of Directors of the Company;
“C-MER Investment”	C-MER Investment Limited (希瑪投資有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;

“Closing”	the closing of the Subscription in accordance with the Subscription Agreement;
“Company”	C-MER Eye Care Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange;
“Conditions Precedent”	the conditions precedent to the Closing, as more particularly set out under the paragraph headed “The Subscription Agreement – Conditions Precedent”;
“Consideration”	the total consideration in the sum of HK\$38,875,000, which shall be satisfied (i) as to HK\$19,437,500 in cash; and (ii) as to HK\$19,437,500 by way of allotment and issuance of the Consideration Shares by the Company;
“Consideration Share(s)”	an aggregate total of 3,864,314 new Shares to be issued and allotted by the Company to Avalon Global pursuant to the terms and conditions of the Subscription Agreement;
“Consideration Share Price”	means approximately HK\$5.03 per Consideration Share (rounded to two decimal places);
“Directors”	directors of the Company;
“General Mandate”	the mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 25 June 2019 to issue, allot and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	an individual or a company who or which is independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

“PRC”	the People’s Republic of China and for the sole purpose of this announcement shall exclude Hong Kong, Macau Special Administrative Region and Taiwan;
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.1 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Shareholders’ Agreement”	means the shareholders’ agreement, in the agreed form, to be entered into by Avalon Global, C-MER Investment and other shareholders of Avalon Global upon Closing;
“Special Participation Right”	the right for C-MER Investment to subscribe for additional shares in Avalon Global, as more particularly set out under the paragraph headed “The Shareholders’ Agreement – Special participation right”;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription of the Subscription Shares by C-MER Investment pursuant to the Subscription Agreement;
“Subscription Agreement”	the subscription agreement dated 20 January 2020 entered into between C-MER Investment and Avalon Global in relation to the Subscription;
“Subscription Price”	the subscription price of approximately HK\$75,780 per Subscription Share;
“Subscription Shares”	an aggregate total of 513 shares to be issued and allotted by Avalon Global to C-MER Investment pursuant to the terms and conditions of the Subscription Agreement;
“Tag-along Right”	the right of shareholders of Avalon Global to proportionally sell their shares in Avalon Global to an intended purchaser, as more particularly set out under the paragraph headed “The Shareholders’ Agreement – Pre-emptive rights”;

“US\$” United States dollars, the lawful currency of the United States of America; and

“%” per cent.

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

Hong Kong, 20 January 2020

*In this announcement, translation of US\$ into HK\$ is based on the exchange rate of US\$1:HK\$7.78. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.*

*As at 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 four independent non-executive Directors, namely Dr. LI Kwok Tung Donald, Mr. MA Andrew Chiu Cheung, Mr. CHAN Chi Leong and Ms. BENTLEY Annie Liang.*