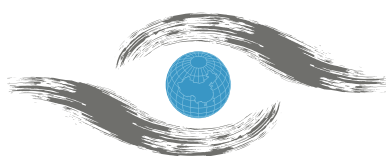


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C-MER 希瑪

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 A MEDICAL PRACTICE INVOLVING
THE ISSUE OF CONSIDERATION SHARES UNDER
GENERAL MANDATE**

INTRODUCTION

The Board is pleased to announce that on 28 August 2020 (after trading hours of the Stock Exchange), HK International Eye Care, a wholly-owned subsidiary of the Company and the Seller entered into the Purchase Agreement, pursuant to which HK International Eye Care has conditionally agreed to acquire, and the Seller has conditionally agreed to sell, the Practice and the Assets at the Consideration. The Consideration will be satisfied partly by cash and partly by the allotment and issue of the Consideration Shares by the Company to the Seller at the Consideration Share Price.

Upon Closing, the Seller will hold approximately 0.16% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirement under the Listing Rules.

Shareholders and potential investors should note that the Acquisition contemplated under the Purchase Agreement is subject to satisfaction of certain Closing Conditions and it may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that, on 28 August 2020 (after trading hours of the Stock Exchange), HK International Eye Care and the Seller entered into the Purchase Agreement, pursuant to which HK International Eye Care has conditionally agreed to acquire, and the Seller has conditionally agreed to sell, the Practice and the Assets at the Consideration, which will be satisfied partly by cash and partly by the allotment and issue of the Consideration Shares by the Company to the Seller at the Consideration Share Price upon Closing.

THE PURCHASE AGREEMENT

The principal terms of the Purchase Agreement are set out below:

Date: 28 August 2020

Parties: (1) HK International Eye Care, as the Buyer; and
(2) Cheung Ming Kuen 張明權, as the Seller.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Seller is an Independent Third Party.

Objects of the Acquisition: The Practice and the Assets

Consideration: The maximum consideration for the Acquisition shall be HK\$26,745,000, divided into:

- (1) HK\$15,281,000 in cash, which will be settled using the internal financial resources of the Group within five (5) business days upon Closing;
- (2) HK\$11,364,000 by way of allotment and issue of 1,852,322 Consideration Shares by the Company at a price of approximately HK\$6.135 per Consideration Share to the Seller within ten (10) business days after Closing; and

- (3) a maximum of HK\$100,000 for the acquisition of medicines that are held at the Clinic Premises immediately after the close of business on the date of Closing and to be settled at their original purchase cost that will be separately agreed between the Buyer and the Seller after Closing.

Assuming no changes to the number of issued Shares as of the date of this Announcement, upon Closing, the Seller will hold approximately 0.16% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Basis of Consideration: The Consideration (including the issue price of the Consideration Shares) was determined after arm's length negotiation between the Seller and the Buyer with reference to, among other things, (i) the historical financial performance of the Practice for the two years ended 31 March 2020, at which the Seller will continue to run after Closing; (ii) the Revenue Guarantee that is to be provided by the Seller upon Closing as further disclosed in this announcement; (iii) the Seller will become a partner of HK International Eye Care and Hong Kong (C-MER) International Eye Care Group (China) Limited on similar terms that are similar to and customarily offered to other doctors of the Group upon Closing; (iv) the synergies that may be achieved through the acquisition of the Practice and the patient base of the Practice; and (v) the historical performance of the price of the Shares.

Taking into account of the above, the Directors are of the view that the Consideration payable for the Acquisition is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

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

- (1) the warranties given by the Seller in the Purchase Agreement remaining true and accurate and not misleading between the date of the Purchase Agreement and Closing;
- (2) the Seller having performed and complied with all terms, agreements, obligations and conditions contained in the Purchase Agreement that are required to be performed or complied with by it on or before Closing;

- (3) all necessary licenses, consents and approvals of, notices to and filings or registrations with any Governmental Authority or any other person required for consummation of the transactions contemplated by the Acquisition having been duly obtained or made and remaining valid and effective up to and including the time immediately prior to the Closing and have not been revoked, terminated or suspended;
- (4) to the reasonable opinion of the Buyer there is no material adverse change of the Practice during the period between the date of the Purchase Agreement and up to and including the Closing;
- (5) the Seller not having been disciplined or threatened with any disciplinary action, and not having been subject to any investigation by the Medical Council of Hong Kong, other relevant governmental departments and/or regulatory authorities in Hong Kong or the PRC up to Closing;
- (6) the Buyer and/or its affiliate having entered into a lease agreement in respect of the Clinic Premises on substantially the same terms and conditions as stipulated in the existing lease agreement entered into between the Seller and the landlord, in form and substance satisfactory to Buyer and duly executed by Buyer and the landlord;
- (7) all acts and authorisations in connection with the transactions contemplated in the Transaction Documents in form and substance reasonably satisfactory to the Buyer have been carried out or obtained; and
- (8) the Listing Committee of the Stock Exchange having granted 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.

If the conditions have not been fulfilled on or before the Long Stop Date, the provisions of the Purchase Agreement (other than certain specified provisions) shall from such date have no effect and no party shall have any liability under them but without prejudice to the rights of any of the parties in respect of antecedent breaches.

- Closing: Closing shall take place on the fourth business day after satisfaction (or waiver, where applicable) of all the Closing Conditions.
- Post-Closing lock up of the Consideration Shares: At any time during the one (1) month period commencing on the date of Closing, without the prior written consent of the Buyer:
- (1) the Seller has agreed not to 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 Consideration Shares or any interest therein;
 - (2) the Seller has agreed not to enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Consideration Shares or any interest therein;
 - (3) the Seller has agreed not to enter into any transaction with the same economic effect as any transaction specified in (1) or (2) above; or
 - (4) the Seller has agreed not to offer to or agree to or announce any intention to effect any transaction specified in (1), (2) or (3) above, in each case, whether any of the transactions specified in (1), (2) or (3) above is to be settled by delivery of the Consideration Shares or in cash or otherwise.
- Cooperation Agreement: On or prior to Closing, the Seller shall enter into the partnership agreement, pursuant to which the Seller shall become a partner of HK International Eye Care and Hong Kong (C-MER) International Eye Care Group (China) Limited on terms that are similar to and customarily offered to other doctors of the Group.

Revenue Guarantee:

For a term of four (4) years commencing from the day after the date of Closing (the “**Guarantee Period**”), the Seller guarantees to the Buyer the due and punctual performance and observance of the following revenue guarantee (the “**Revenue Guarantee**”):

- (a) for each of the calendar year commencing on the day after the date of Closing during the Guarantee Period, the Qualified Revenue (as defined below) shall not be less than HK\$12.0 million (the “**Target Annual Revenue**”);
- (b) the aggregate Target Annual Revenue during the Guarantee Period shall not be less than HK\$48.0 million (“**Target Aggregate Revenue**”);
- (c) Sources of “**Qualified Revenue**” for each of the calendar year during the Guarantee Period, and “**Aggregate Qualified Revenue**” for the Guarantee Period, shall include activities carried out by the Seller in his capacity as a medical doctor within and outside HK International Eye Care and Hong Kong C-MER International Eye Care Group (China) Limited such as clinics and hospitals and other miscellaneous centres and include the following activities (and no other):
 - (i) consultations; and
 - (ii) procedures and surgeries from laser and eye operations, but excluding ancillary fees to be paid including (without limitation) equipment usage fees, operating theatre fees, Intraocular lens and consumables);

and excludes income derived from ophthalmic investigation and eye medication.

Any shortfall of the Qualified Revenue from the Target Annual Revenue for a particular calendar year shall be the “**Shortfall**”.

- (a) If for any reason the Qualified Revenue is less than the Target Annual Revenue (or such other target(s) during the as may be separately agreed between the Seller and the Buyer in writing) for any calendar year during the Guarantee Period (a “**Shortfall Year**”), the Seller shall compensate the Buyer fifty (50) per cent of the Shortfall (the “**Shortfall Compensation**”) in cash within 14 (fourteen) Business Days after the accounts prepared for this purpose for the relevant calendar year have been made up by the Buyer’s accountants.
- (b) To the extent the Qualified Revenue is greater than the Target Annual Revenue (the “**Excess Amounts**”) during any year of the Guarantee Period, such Excess Amounts may be carried forward and accumulated to the remaining years of the Guarantee Period (the “**Excess Pool**”):
 - (i) to the extent that there is a Shortfall Year during the Guarantee Period, the available Excess Amount in the Excess Pool shall be used to offset (either partially or fully) the Seller’s Shortfall for that Shortfall Year (the “**Offset Amount**”). The Offset Amount shall then be considered spent and be deducted from the Excess Pool. To the extent that the Offset Amount is not sufficient to cover the Shortfall, the remaining Shortfall remains payable by the Seller, and Shortfall Compensation shall be paid in cash by the Seller (such amount the “**Paid Compensation**”) in accordance with (a) above;
 - (ii) to the extent that in any subsequent year, Excess Amounts become available in the Excess Pool, these Excess Amounts may be applied retrospectively to prior Shortfall Year(s) as if such Excess Amount was earned in the relevant prior Shortfall Year(s), such that part or all of Paid Compensation that has previously paid may be refunded to the Seller. If this arrangement applies, the Excess Amounts so spent shall be correspondingly deducted from the Excess Pool.

If for any reason the Seller is medically certified to be unable to work as a medical practitioner within four (4) years from the date of Closing, subject to prior consent by the Buyer (such consent shall not be unreasonably withheld), the Revenue Guarantee may be terminated by way of a written notice from the Seller to the Buyer (the date of receipt of the notice by the Buyer being the “**Termination Date**”), together with the payment of a termination fee (the “**Termination Fee**”) by the Seller at a time that is to be mutually agreed between the Parties, which shall be calculated using the following formula:

$$(Target\ Aggregate\ Revenue - Aggregate\ Qualified\ Revenue\ up\ to\ the\ Termination\ Date) \times 0.5$$

but provided that:

- (i) all Shortfall Compensation previously paid to the Buyer during the Guarantee Period and not yet otherwise returned to the Seller shall be offset against the Termination Fee; and
- (ii) the first HK\$10.0 million of the Termination Fee payable shall be waived by the Buyer, provided that there has been no breach of any of the Transaction Documents or the Cooperation Agreement.

THE CONSIDERATION SHARES AND THE GENERAL MANDATE

The Consideration Shares to be allotted and issued, assuming there will not be any issue or repurchase of Shares prior to Closing, will represent approximately 0.16% of the existing issued share capital of the Company and approximately 0.16% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares will be issued at the issue price of HK\$6.135 per Consideration Share which represents:

- (i) a premium of approximately 0.08% to the closing price of HK\$6.13 per Share as quoted on the Stock Exchange on the trading day immediately preceding the date of this announcement; and
- (ii) a premium of approximately 0.15% to the closing price of HK\$6.126 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 issue price was arrived at after arm's length negotiations between the Seller and HK International Eye Care with reference to the average closing prices for the last ten consecutive trading days immediately preceding the date of this announcement. The Directors consider that the issue price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration Shares will be issued under the General Mandate and credited as fully paid upon their allotment and issue. As at the date of this announcement, 68,000,000 Shares had been issued under the General Mandate (for details, please refer to the announcements of the Company dated 19 June 2020 and 30 June 2020), and 147,145,595 Shares remain available for issue under the General Mandate. Accordingly, the General Mandate is sufficient for the allotment and issue of the Consideration Shares and the allotment and issue of the Consideration Shares is not subject to Shareholders' approval.

The Consideration Shares shall rank *pari passu* with the existing Shares of the Company. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

EFFECT ON THE SHAREHOLDING STRUCTURE

The effects of the allotment and issue of the Consideration Shares on the shareholding structure of the Company are set out as below, which are for illustrative purpose only and assume 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 issue of the Consideration Shares:

Shareholder	As at the date of this announcement		Immediately after the issue of the Consideration Shares	
	<i>No. of Shares</i>	<i>Approximate % of shareholding</i>	<i>No. of Shares</i>	<i>Approximate % of shareholding</i>
C-MER Group Limited (<i>Note 1</i>)	722,696,756	63.19%	722,696,756	63.09%
Dr. Lee Yau Wing Vincent	12,953,000	1.13%	12,953,000	1.13%
Li Chun Shan (<i>Note 2</i>)	1,036,000	0.09%	1,036,000	0.09%
Chan Chi Leong (<i>Note 3</i>)	2,200,000	0.19%	2,200,000	0.19%
The Seller	–	–	1,852,322	0.16%
Other public Shareholders	404,842,221	35.40%	404,842,221	35.34%
Total	<u>1,143,727,977</u>	<u>100%</u>	<u>1,145,580,299</u>	<u>100%</u>

Notes:

- (1) C-MER Group Limited is beneficially wholly-owned by Dr. LAM Shun Chiu Dennis as to 70% and Ms. LI Xiaoting as to 30%. By virtue of the Securities and Futures Ordinance, Dr. LAM Shun Chiu Dennis is deemed to be interested in the same number of Shares which the Seller is interested in.
- (2) Inclusive of interest held by spouse.
- (3) Representing interest held by spouse.
- (4) The percentage figures included in the shareholding structures have been subject to rounding adjustment.

INFORMATION ON THE GROUP AND HK INTERNATIONAL EYE CARE

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 five eye hospitals in Shenzhen, Zhuhai, 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.

HK International Eye Care is a wholly-owned subsidiary of the Company incorporated in Hong Kong that is principally engaged in the provision of ophthalmic services.

INFORMATION ON THE SELLER

The Practice is located at the Clinic Premises, and provides medical and related services in the specialty of ophthalmology located in Central, Hong Kong.

The Seller is the sole proprietor of the Practice. The Seller is a registered medical practitioner under the Medical Council of Hong Kong and is on the General Register. He is also on the Specialist Register for Ophthalmology in good standing.

The following sets forth the financial information of the Practice for the years ended 31 March 2019 and 31 March 2020 as extracted from the accounts of the Practice provided by the Seller:

	For the year ended 31 March	
	2020	2019
	(in HK\$'000)	(in HK\$'000)
Revenue	15,912	15,635
Net profit before taxation	12,154	11,791
Net profit after taxation	N/A <i>(Note)</i>	N/A <i>(Note)</i>

Note: Profit after taxation is not applicable as the Practice is a sole proprietorship and taxes are not paid by the Practice but borne by the Seller personally as the sole proprietor of the Practice, and such information is not listed in the accounts of the Practice.

The value of Assets to be acquired by the Buyer as at 31 March 2020 is HK\$208,509, which constituted primarily of medical equipment and furniture and fixtures at the Clinic Premises.

REASONS FOR AND BENEFITS OF THE ACQUISITION

It has always been the Group'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. The Seller is one of the well-established and experienced ophthalmologists in Hong Kong. The Directors believe that the Acquisition will enable the Group to maximise advantage from obtaining professional talent of the Seller while at the same time obtaining patient base from the Seller, and complement and leverage the Group's existing services and facilities and enhance the Group's comprehensive capacity in serving existing clients and attract new clients.

HK International Eye Care continued to achieve a remarkable performance in the ophthalmic services and generate recurrent income. Taking into account of the remarkable financial performance of HK International Eye Care which would contribute considerable profits to the Group, the acquisition of the Practice and the joining of the Seller as a partner of Hong Kong C-MER International Eye Care Group (China) Limited and HK International Eye Care represents a tremendous opportunity for the Company to further increase the market share and allow better utilisation of the Group's surgery centres and our team of allied health staff. The Acquisition can enable the Group to increase its revenue stream and utilise its financial resources efficiently.

Having considered the above reasons, the Directors consider that the Purchase Agreement is in line with the overall business direction of the Group. 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 Directors consider that the terms of the Purchase Agreement 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

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless the context requires otherwise, the capitalised terms used in this announcement shall have the following meanings:

“Acquisition”	the acquisition of the Practice and the Assets pursuant to the practice and assets purchase agreement;
“Assets”	means the assets that are related to, or are used or held for us in connection with the Practice;
“Board”	the board of Directors of the Company;
“Buyer” or “HK International Eye Care”	Hong Kong (International) Eye Care Group Limited 香港(國際)眼科醫療集團有限公司, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;

”Clinic Premises”	Room 1908, Melbourne Plaza, 33 Queen’s Road Central, Hong Kong;
“Closing”	the closing of the Acquisition in accordance with the Purchase Agreement;
“Closing Conditions”	the closing conditions to the Closing, certain details of which are set out under the paragraph headed “The Purchase Agreement – Closing Conditions”;
“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;
“Consideration”	the maximum consideration for the Acquisition, being HK\$26,745,000;
“Consideration Share(s)”	an aggregate total of 1,852,322 new Shares to be issued and allotted by the Company to the Seller pursuant to the terms and conditions of the Purchase Agreement;
“Consideration Share Price”	means approximately HK\$6.135 per Consideration Share (rounded to two decimal places);
“Cooperation Agreement”	means the partnership agreement to be entered into between the Seller, Hong Kong C-MER International Eye Care Group (China) Limited and the Buyer;
“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 19 May 2020 to issue, allot and deal with up to 20% of the then issued share capital of the Company as at the date of the annual general meeting;
“Government Authority”	means any government or political subdivision thereof; any department, agency or instrumentality of any government or political subdivision thereof; any court or arbitral tribunal; and the governing body of any securities exchange and “Government Authorities” should be construed accordingly;

“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;
“Long Stop Date”	31 October 2020;
“Practice”	medical and related services in the specialty of ophthalmology operated by the Seller at the Clinic Premises;
“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;
“Purchase Agreement”	the practice and assets purchase agreement entered into between the Seller and HK International Eye Care dated 28 August 2020;
“Revenue Guarantee”	the Seller’s guarantee of his due and punctual performance and observance of the revenue guarantee as stipulated in the Purchase Agreement;
“Seller”	Dr. Cheung Ming Kuen, an Independent Third Party and the sole proprietor of the Practice;
“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;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Transaction Documents” means the Purchase Agreement, and other related documents in connection thereto (if any); and

“%” per cent.

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

Hong Kong, 28 August 2020

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 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.