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EC Healthcare

醫思健康

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2138)

CONNECTED TRANSACTIONS TENANCY AGREEMENTS

The Board hereby announces that on 20 December 2021 (after trading hours), the Tenant, an indirect wholly-owned subsidiary of the Company, entered into the Tenancy Agreements with the Landlord, pursuant to which the Landlord agreed to lease and the Tenant agreed to take the Relevant Premises.

As at the date of this announcement, the Landlord is ultimately and beneficially owned and controlled by Mr. Lu Wing Tuen Winson, the father of Mr. Lu Lyn Wade Leslie (who is an executive director and co-chief executive officer of the Company). Therefore, the Landlord is an associate of a connected person of the Company and is a connected person of the Company. The entering into of the Tenancy Agreements constitute connected transactions of the Company.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the value of the right-of-use assets to be recognized by the Company in connection with the Tenancy Agreements pursuant to HKFRS 16 exceed 0.1% but are less than 5%, the transactions contemplated under the Tenancy Agreements are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Board hereby announces that on 20 December 2021, the Tenant entered into the Tenancy Agreements with the Landlord, pursuant to which the Landlord agreed to lease, and the Tenant agreed to accept the leases of, the Relevant Premises.

TENANCY AGREEMENTS

The principal terms of the Tenancy Agreements are summarized as follows:

Date: 20 December 2021

Parties: The Landlord and the Tenant

Term: For Tenancy Agreement 1, Tenancy Agreement 2, Tenancy Agreement 3 and Tenancy Agreement 4: Four years and nine months commencing from 1 January 2022 to 30 September 2026 (both days inclusive)

For Tenancy Agreement 5 and Tenancy Agreement 6: Five years commencing from 1 June 2022 to 31 May 2027 (both days inclusive)

- Leased properties:**
- (1) Premises 1 under Tenancy Agreement 1, with a total gross floor area of approximately 4,731 square feet
 - (2) Premises 2 under Tenancy Agreement 2, with a total gross floor area of approximately 2,574 square feet
 - (3) Premises 3 under Tenancy Agreement 3, with a total gross floor area of approximately 2,574 square feet
 - (4) Premises 4 under Tenancy Agreement 4, with a total gross floor area of approximately 4,162 square feet
 - (5) Premises 5 under Tenancy Agreement 5, with a total gross floor area of approximately 4,162 square feet
 - (6) Premises 6 under Tenancy Agreement 6, with a total gross floor area of approximately 4,023 square feet

Usage: The Premises may be used as a medical centre, beauty service centre, dental centre, health management centre, clinics, medical laboratory, office and/ or other similar operations

Rent:

	Fixed monthly rent <i>(Note)</i>	Total rent payable for the entire term	Rent-free period
Tenancy Agreement 1	HK\$268,377	HK\$14,760,735	2 months
Tenancy Agreement 2	HK\$116,532	HK\$6,409,260	2 months
Tenancy Agreement 3	HK\$116,532	HK\$6,409,260	2 months
Tenancy Agreement 4	HK\$188,425	HK\$10,174,950	3 months
Tenancy Agreement 5	HK\$544,844	HK\$29,966,420	5 months
Tenancy Agreement 6	HK\$272,101	HK\$14,965,555	5 months

Note: The fixed monthly rent is exclusive of government rates, government rent, management fee, air-conditioning charges and all other outgoings.

Payment terms: The monthly rent shall be payable by the Tenant to the Landlord in advance on the 1st day of each calendar month.

Deposit: For each Tenancy Agreement, the Tenant shall pay the Landlord a deposit equivalent to 3 calendar month's rental, management fee and air-conditioning charges for the term of such Tenancy Agreement upon the signing of such Tenancy Agreement which is subject to increase pursuant to the terms of such Tenancy Agreement.

Naming rights and rights to use billboards: Subject to the approval of the relevant government authorities (if applicable), the Tenant may, but not obliged to, exercise the Other Rights, i.e. the naming right of the building where the Relevant Premises are located (i.e. Fung House) and the right to use the multi-location marketing billboards located at various parts of the building. In the event that the Tenant uses the said rights, the Tenant shall pay a fee to be agreed between the Landlord and the Tenant as far as the rights are used, provided that such fee shall not in any event exceed HK\$150,000 per month.

The terms of the Tenancy Agreements, including but not limited to the consideration, were arrived at after arm's length negotiation between the parties, considering, among others, (i) the valuation report in respect of the Relevant Premises with valuation date as of 15 December 2021 prepared by an independent valuer; and (ii) the prevailing market rates of lease properties similar to the Relevant Premises in the nearby area.

RIGHT-OF-USE ASSETS

In accordance with HKFRS 16, the Group is required to recognise the Tenancy Agreements as right-of-use assets, and, as a result, the entering into of the Tenancy Agreements and the transactions contemplated thereunder will be regarded as acquisitions of assets by the Group pursuant to the Listing Rules. The value of the right-of-use assets to be recognised by the Group under the Tenancy Agreements is estimated to be approximately HK\$86,588,680, being the present value of the aggregate rent and the fees for the Other Rights under each of the Tenancy Agreements in accordance with HKFRS 16. Shareholders should note that the above figures are unaudited and may be subject to adjustment in the future.

REASONS FOR AND BENEFITS OF THE TENANCY AGREEMENTS

To better satisfy the expansion of the Group's business of provision of medical and healthcare services; and the Group's needs for clinics and healthcare services centres, the Board considers that it is beneficial to the Group to take the lease of the Relevant Premises from the Landlord, taking into account (i) the strategic location of the Relevant Premises; (ii) the monthly rent and the fee of the Other Rights which the Board considers to be reasonable in view of prevailing market rate; (iii) that the layout and fixtures of the Relevant Premises are of a nature and type suitable for the business of and intended multi-purpose use by the Group as clinics and healthcare services centres; and (iv) that the term of the Relevant Leases may provide more stability to the Company's lease and use of the Relevant Premises for its businesses in accordance with the terms of the respective Tenancy Agreements as compared to other leases in the market with shorter term. As such, the Board believes that the leasing of the Relevant Premises shall facilitate the operation and growth of the Group's business as a whole.

The Board (including the independent non-executive Directors) is of the view that (i) the terms of the Tenancy Agreements are fair and reasonable; (ii) the transactions under the Tenancy Agreements are conducted on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) the entering into of the Tenancy Agreements and the transactions thereunder are in the interests of the Group and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Landlord is ultimately and beneficially owned and controlled by Mr. Lu Wing Tuen Winson, the father of Mr. Lu Lyn Wade Leslie (who is an executive director and co-chief executive officer of the Company). Therefore, the Landlord is an associate of a connected person of the Company and is thus a connected person of the Company and the entering into of the Tenancy Agreements constitute connected transactions of the Company.

As the term of the Tenancy Agreement exceeds three years, the Company has appointed an independent financial advisor to advise on the term of the Tenancy Agreement pursuant to the requirements under Chapter 14A of the Listing Rules. The independent financial advisor has confirmed its opinion to the Board that the term of each of the Tenancy Agreements is a normal commercial term of a transaction of this nature and consider that it is normal business practice for agreements of this type to be of such duration.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the value of the right-of-use assets to be recognized by the Company in connection with the Tenancy Agreements calculated on an aggregate basis pursuant to HKFRS 16 exceed 0.1% but are less than 5%, the transactions contemplated under the Tenancy Agreements are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Lu has abstained from voting on the Board resolution approving the Tenancy Agreements. Save as disclosed above, none of the Directors have a material interest in the transactions contemplated under the Tenancy Agreements and none of them have abstained from voting on the relevant Board resolution.

INFORMATION ABOUT THE PARTIES

The Group is principally engaged in the provision of medical and healthcare services.

The Tenant is an indirect wholly-owned subsidiary of the Company and is principally engaged in the provision of administrative services to the Group.

The Landlord is principally engaged in, inter alia, investment holding.

DEFINITION

In this announcement, unless the context otherwise requires, the following expressions shall have the meanings set out below:

“associate”	has the meaning as ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	EC Healthcare 醫思健康, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Landlord”	Supreme Honour Development Limited, a company incorporated in Hong Kong with limited liability, the landlord to the Tenancy Agreements
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lu”	Mr. Lu Lyn Wade Leslie, an executive Director and the co-chief executive officer of the Company
“Other Rights”	the naming rights and the rights to use of multi-location marketing billboards located at various parts of the building in which the Premises are located, i.e. Fung House under the Tenancy Agreements
“Premises 1”	the whole 21 st and 22 nd floors of Fung House (馮氏大廈), 19-20 Connaught Road Central, Central, Hong Kong
“Premises 2”	the whole 7 th floor of Fung House (馮氏大廈), 19-20 Connaught Road Central, Central, Hong Kong
“Premises 3”	the whole 6 th floor of Fung House (馮氏大廈), 19-20 Connaught Road Central, Central, Hong Kong
“Premises 4”	the whole 3 rd floor of Fung House (馮氏大廈), 19-20 Connaught Road Central, Central, Hong Kong
“Premises 5”	the whole ground floor of Fung House (馮氏大廈), 19-20 Connaught Road Central, Central, Hong Kong
“Premises 6”	the whole basement floor of Fung House (馮氏大廈), 19-20 Connaught Road Central, Central, Hong Kong
“Relevant Premises”	Premises 1, Premises 2, Premises 3, Premises 4, Premises 5 and Premises 6 collectively
“Share(s)”	ordinary share(s) in the share capital of the Company with par value of HK\$0.00001 each
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tenancy Agreement 1”	the deed of agreement dated 20 December 2021 entered into between the Tenant and the Landlord, pursuant to which the Landlord agreed to lease and the Tenant agreed to take the Premises 1 for four years and nine months
“Tenancy Agreement 2”	the deed of agreement dated 20 December 2021 entered into between the Tenant and the Landlord, pursuant to which the Landlord agreed to lease and the Tenant agreed to take the Premises 2 for four years and nine months
“Tenancy Agreement 3”	the deed of agreement dated 20 December 2021 entered into between the Tenant and the Landlord, pursuant to which the Landlord agreed to lease and the Tenant agreed to take the Premises 3 for four years and nine months
“Tenancy Agreement 4”	the deed of agreement dated 20 December 2021 entered into between the Tenant and the Landlord, pursuant to which the Landlord agreed to lease and the Tenant agreed to take the Premises 4 for four years and nine months
“Tenancy Agreement 5”	the deed of agreement dated 20 December 2021 entered into between the Tenant and the Landlord, pursuant to which the Landlord agreed to lease and the Tenant agreed to take the Premises 5 for five years
“Tenancy Agreement 6”	the deed of agreement dated 20 December 2021 entered into between the Tenant and the Landlord, pursuant to which the Landlord agreed to lease and the Tenant agreed to take the Premises 6 for five years
“Tenancy Agreements”	the Tenancy Agreement 1, Tenancy Agreement 2, Tenancy Agreement 3, Tenancy Agreement 4, Tenancy Agreement 5 and Tenancy Agreement 6, collectively; “Tenancy Agreement” means any one of the Tenancy Agreement
“Tenant”	Grand Best Union Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, the tenant to the Tenancy Agreements
“%”	per cent

By order of the Board
EC Healthcare
Raymond Siu
Company Secretary

Hong Kong, 20 December 2021

As at the date of this announcement, the executive Directors are Tang Chi Fai, Lu Lyn Wade Leslie, Lee Heung Wing, Wong Ka Ki Ada, Wong Chi Cheung and; the non-executive Director is Luk Kun Shing Ben; and the independent non-executive Directors are Ma Ching Nam, Look Andrew, Lam Chi Hang Josekin.