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EC Healthcare
醫思健康

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

DISCLOSEABLE TRANSACTION
ACQUISITION OF 100% OF ISSUED SHARE CAPITAL OF
THE TARGET COMPANY AND
DISPOSAL OF EQUITY INTERESTS IN A SUBSIDIARY

THE ACQUISITION

The Board is pleased to announce that on 7 February 2023 (after trading hours), the Company, the Purchaser (an indirect wholly-owned subsidiary of the Company before Completion), Union Group (an indirect wholly-owned subsidiary of the Company), the Seller and Mighty Able (a company wholly owned by the Seller) entered into the Sale and Purchase Agreement, pursuant to which, among others, the Purchaser has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Sale Shares, representing 100% of the issued share capital of the Target Company, for the maximum Consideration consisting of (1) the maximum total cash consideration of HK\$125,000,000 comprising (i) the initial cash consideration in the amount of HK\$100,000,000 to be payable to the Seller, and (ii) the Contingent Consideration in the maximum amount of HK\$25,000,000, and (2) the Consideration Shares with a fair value of HK\$12,500,000 to be transferred from Union Group to Mighty Able, subject to the terms and conditions of the Sale and Purchase Agreement.

Upon Completion of the Acquisition, the Purchaser shall own 100% of the issued share capital of the Target Company and the issued share capital of the Purchaser shall be held as to 75% and 25% by Union Group and Mighty Able, respectively. The Target Company will become an indirect non-wholly owned subsidiary of the Company. The financial results of the Target Company will be consolidated into the consolidated financial statements of the Group.

THE DISPOSAL

Upon settlement of the Consideration by, among others, the Consideration Shares, the Company's indirect shareholding in Union Medical Technology (an indirect wholly-owned subsidiary of the Company before Completion) will reduce from 100% to 75%. The transfer of Consideration Shares by

Union Group to Mighty Able constitutes a disposal of equity interests in Union Medical Technology (the “Disposal”).

LISTING RULES IMPLICATIONS

One or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition and the transactions under the Sale and Purchase Agreement (including the Disposal, the provision of Funding and the grant of Option) exceed 5% but all are less than 25%, the Acquisition and the transactions under the Sale and Purchase Agreement constitute a discloseable transaction of the Company under Rule 14.06 of the Listing Rules.

All of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are less than 5%, the Disposal is exempt from the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.24 of the Listing Rules, all the transactions contemplated under the Sale and Purchase Agreement (including the Acquisition, the Disposal, the provision of Funding and the grant of Option) would constitute a discloseable transaction of the Company under Rule 14.06 of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As Completion is subject to fulfilment or waiver (as the case may be) of the conditions precedent of the Agreement and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Acquisition

The Board is pleased to announce that on 7 February 2023 (after trading hours), the Company, the Purchaser (an indirect wholly-owned subsidiary of the Company before Completion), Union Group, the Seller and Mighty Able (a company directly wholly-owned by the Seller) entered into the Sale and Purchase Agreement, pursuant to which, among others, the Purchaser has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Sale Shares, representing 100% of the issued share capital of the Target Company, for the maximum Consideration consisting of (1) the maximum total cash consideration of HK\$125,000,000 comprising (i) the initial cash consideration in the amount of HK\$100,000,000 to be payable to the Seller, and (ii) the Contingent Consideration in the maximum amount of HK\$25,000,000, and (2) the Consideration Shares with a fair value of HK\$12,500,000 to be transferred from Union Group to Mighty Able, subject to the terms and conditions of the Sale and Purchase Agreement.

Upon Completion of the Acquisition, the Purchaser shall own 100% of the issued share capital of the Target Company and the issued share capital of Union Medical Technology (i.e. the Purchaser) shall be held as to 75% and 25% by Union Group and Mighty Able, respectively. The Target Company will become an indirect non-wholly owned subsidiary of the Company. The financial results of the Target Company will be consolidated into the consolidated financial statements of the Group.

The Disposal

Upon settlement of the Consideration by, among others, the Consideration Shares, the Company’s indirect shareholding in Union Medical Technology (an indirect wholly-owned subsidiary of the Company before

Completion) will reduce from 100% to 75%. The transfer of Consideration Shares by Union Group to Mighty Able constitutes a disposal of equity interests in Union Medical Technology.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Agreement are set out below:

Date : 7 February 2023

Parties : (1) The Company;
(2) The Purchaser;
(3) Union Group;
(4) The Seller; and
(5) Mighty Able.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of the Seller and Mighty Able is a third party independent of the Company and its connected persons.

Assets to be acquired : Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Sale Shares, representing 100% of the issued share capital of the Target Company.

Consideration and payment terms : The maximum Consideration of the Acquisition consists of:

- (1) the maximum total cash consideration of HK\$125,000,000 comprising:
 - (i) initial cash consideration in the amount of HK\$100,000,000 to be payable to the Seller at Completion; and
 - (ii) contingent consideration of (I) HK\$12,500,000 payable to the Seller if the CAGR of the post-Completion net profit of the Target Group is at or above 3% and below 5%, or (II) HK\$25,000,000 payable to the Seller if the CAGR of the post-Completion net profit of the Target Group is at or above 5% (the "**Contingent Consideration**"). The post-Completion net profit of the Target Group shall be determined by the Purchaser based on the audited financial statements of the Target Company. For the avoidance of doubt, no Contingent Consideration will be payable to the Seller if the CAGR of the post-Completion net profit of the Target Group is below 3%; and

- (2) transfer of 25% of the issued share capital of the Purchaser with a fair value of HK\$12,500,000 as at 31 March 2022 (calculated with reference to the valuation of the Purchaser and its subsidiaries as at 31 March 2022 based on their profitability and business performance) by Union Group to Mighty Able at Completion.

The Consideration was determined based on arm's length negotiations between the Purchaser and the Seller with reference to (i) the business, historical performance and prospects of the Target Group; (ii) the profitability of the Target Group; and (iii) the expertise of the management of the Target Group.

The initial cash consideration and the Contingent Consideration will be funded by internal resources of the Group.

CONDITIONS PRECEDENT AND COMPLETION OF THE AGREEMENT

Conditions Precedent

Completion of the Acquisition is conditional upon the satisfaction (or waiver by the Purchaser) of the following conditions:

- (i) the Purchaser having completed business, financial and legal due diligence review in all aspects on the Target Group and the results of which are satisfactory to the Purchaser in its sole and absolute discretion in all respects;
- (ii) all necessary consents and approvals in connection with the Acquisition having been duly obtained;
- (iii) each the Warranties remaining true, accurate and not misleading in all respects, and no fact, event or circumstance having occurred which would make the Warranties untrue or inaccurate in any respect, as given as at the date of the Agreement at all times up to and including the Completion Date;
- (iv) there has been no material adverse change of each of the Target Group member from the date of the Agreement and up to and including the Completion Date;
- (v) all loans, indebtedness, expenses, payables (excluding trade payables during the ordinary and usual course of business of the Target Group) and accruals (if any) owing by any of the Target Group member to any person and the interests thereon having been fully and duly repaid or waived before the Completion and any other encumbrances (if any) created on or over the Sale Shares and/or any assets of the any Target Group member in respect of the loans and indebtedness having been duly released and discharged before Completion;

- (vi) the directors' loans, the shareholder's loans or any similar balance in nature (if any) having been waived in an amount, form and substance satisfactory to the Purchaser;
- (vii) the Seller having prepared and delivered to the Purchaser the pro forma completion accounts indicating no material adverse change in the total assets and/or liabilities of the Target Group on the Completion and there being no unrecorded liabilities, commitments (verbal or written), guarantees having been incurred for the period commenced from 31 December 2021 and ending on the Completion Date; and
- (viii) there having been no breach by the Seller of any of his obligations under the Agreement.

Completion

Subject to the fulfilment (or where applicable, waiver) of the conditions precedent, Completion shall take place on the Completion Date or such other time to be agreed by the Purchaser and Seller in writing. Upon Completion of the Acquisition, the Purchaser shall own 100% of the issued share capital of the Target Company and the issued share capital of the Purchaser shall be held as to 75% and 25% by Union Group and Mighty Able, respectively.

In the event that any of the conditions precedent is not fulfilled or waived within three months after the date of the Sale and Purchase Agreement or such later date as may be agreed between the parties to the Agreement in writing, the Agreement shall become null and void and be of no further effect and all the obligations and liabilities of the parties shall cease and determine (save for the rights in respect of any antecedent breaches).

Funding

Pursuant to the Sale and Purchase Agreement, Union Group agrees to make an unsecured interest-free shareholder's loan to Union Medical Technology in the maximum amount of HK\$200,000,000 within five years from the Completion Date (the "**Funding**"), subject to the determination by the board of directors of Union Medical Technology taking into account the then funding needs of Union Medical Technology and the Target Group. The Funding will be funded by internal resources of the Group.

The Funding is intended to be used for further acquiring and consolidating upstream business in the same industry of the Target Company. For further details of the intended uses of the Funding, please refer to the paragraph headed "Reasons for and Benefits of the Acquisition" below.

Profit Guarantee

The Seller guarantees to the Purchaser that (i) the accumulated Net Profit of the Target Group shall be no less than the guaranteed Net Profit as set out below (the "**Guaranteed Net Profit**") in accumulation for each Profit Guaranteed Year, and (ii) the accumulated Net Profit of the Target Group for the entire Profit Guaranteed Period shall be no less than HK\$75,000,000 (the "**Accumulated Guaranteed Net Profit**") (together, the "**Profit Guarantee**").

Profit guaranteed year	Guaranteed Net Profit
Year 1	HK\$25,000,000
Year 2	HK\$25,000,000
Year 3	HK\$25,000,000
Total:	HK\$75,000,000

If the Net Profit ending any Year is negative (i.e. the Target Group recorded a net loss during that Year), such amount of net loss shall be deducted from the accumulated Net Profit ending the relevant Year.

For the purposes of determining whether the Profit Guarantee has been met, the Net Profit and the Profit Shortfall Payment (if any) for the relevant Year will be determined by the Purchaser with reference to the audited consolidated accounts of the Target Group prepared in accordance with HKFRS. The Purchaser shall issue a notice in writing to the Seller in relation to the amount of the accumulated Net Profit and the Profit Shortfall Payment (if any) within 30 days after the issuance of the audited consolidated accounts of the Target Group and in any event no later than four months after the relevant Year.

Profit Shortfall Payment

The Seller undertakes that if the accumulated Net Profit is less than the accumulated Guaranteed Net Profit during the Profit Guaranteed Period (the “**Profit Shortfall**”), he shall pay the Purchaser an amount equivalent to the Profit Shortfall (the “**Profit Shortfall Payment**”) within 30 days after the date on which the accumulated Net Profit for the relevant Profit Guarantee Year or Year 3, as applicable in accordance with the Agreement, is determined.

Upon occurrence of event(s) of force majeure during the Profit Guaranteed Period for the relevant Profit Guaranteed Year (the “**Discarded Year**”) and subject to mutual agreement between the Purchaser on the one part and the Seller on the other, all the Profit Guaranteed Year(s) equivalent to or after the end of the Discarded Year will be postponed for one year. In any event, the Profit Guaranteed Year shall not be postponed twice during the Profit Guaranteed Period.

Option

Pursuant to the Sale and Purchase Agreement, Union Group has granted an option to Mighty Able (the “**Option**”), pursuant to which Mighty Able shall have the right upon exercise of the Option to require Union Group to purchase from it up to an aggregate of 20% of the issued share capital of Union Medical Technology (the “**Option Shares**”), provided that (i) there having been no breach by the Seller of any of his obligations under the Sale and Purchase Agreement and the shareholders agreement of Union Medical Technology and any other agreements between the Company (and/or its subsidiaries) and the Seller entered into from time to time, and (ii) there having been no Profit Shortfall in any of the Years. The Option can be exercised once by Mighty Able during each of (i) the three months period after the publication of the annual results announcement for the year ending 31 March 2028 by the Company, and (ii) the three months period after the publication of the interim results announcement for the six months ending 30 September 2028 by the Company.

Upon the exercise of the Option, Mighty Able shall become bound to sell, and Union Group shall become bound to purchase the Option Shares. The consideration of the Option Shares payable by Union Group to Mighty Able shall be HK\$110,000,000, which is determined with reference to (i) the business, historical performance and prospects of the Target Group, (ii) the profitability of the Target Group, and (iii) the Target Group having been able to satisfy the Profit Guarantee. Such consideration shall be settled by allotment of shares in the Company to Mighty Able (subject to any necessary approval by the shareholders of the Purchaser and the Company and the approval from the Stock Exchange with respect of the issuance of shares in the Company being granted) or cash to be determined by the Company and Purchaser in their absolute discretion.

SHAREHOLDERS' AGREEMENT OF UNION MEDICAL TECHNOLOGY

According to the Sale and Purchase Agreement, among others, the Company, Union Group, the Purchaser, the Seller and Mighty Able shall enter into a shareholders' agreement upon Completion, in relation to, among other matters, the affairs, business and management of Union Medical Technology, and the relationship among the shareholders of Union Medical Technology.

INFORMATION ABOUT THE PARTIES TO THE AGREEMENT

The Group is the largest non-hospital medical service provider in Hong Kong (according to Frost & Sullivan's data based on the Group's revenue for the calendar year 2021), providing medical, aesthetic medical and beauty and wellness, and other services.

The Seller is Mr. Chung Wai Ting. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Seller is a third party independent of the Company and its connected persons.

Mighty Able is a company incorporated under the laws of British Virgin Islands with limited liability. It is principally engaged in investment holding. As at the date of this announcement, it is directly wholly owned by the Seller.

The Purchaser is a company incorporated under the laws of British Virgin Islands with limited liability. It is principally engaged in investment holding and its subsidiaries are principally engaged in the distribution of aesthetic medical and beauty related consumables. As at the date of this announcement, it is directly wholly owned by Union Group and is an indirect wholly-owned subsidiary of the Company.

The Target Company was incorporated under the laws of British Virgin Islands with limited liability and is wholly owned by the Seller as at the date of this announcement. The Target Company is principally engaged in investment holding and its subsidiaries are principally engaged in the business of distribution of aesthetic devices and beauty related consumables and leasing of aesthetic devices.

Set out below is the unaudited consolidated financial information of the Target Group for each of the two financial years ended 31 December 2021 prepared in accordance with HKFRS:

	For the year ended 31 December 2020 (unaudited) <i>HK\$ '000</i>	For the year ended 31 December 2021 (unaudited) <i>HK\$ '000</i>
Profit before tax	13,479	29,633
Profit after tax	11,982	25,275
Net assets	27,250	9,575

FINANCIAL EFFECT OF THE DISPOSAL

Since Union Medical Technology will remain as a subsidiary of the Company upon Completion of the Acquisition, the financial results of Union Medical Technology will continue to be consolidated into the financial statements of the Group. It is expected that the Group will not record any gain or loss, nor any sales proceeds from the Disposal in relation to the Acquisition.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Being the largest non-hospital medical service provider in Hong Kong, the vision of the Group is to provide safe, professional and effective services within its enclosed eco-system.

To cope with the expansion of the Group in its leading position in the field of aesthetic medical services in Hong Kong, the Board believes that the Acquisition of the Target Company will help the Group (i) achieve ecosystem by way of vertical integration and maintain its leading market position in the aesthetic medical industry; (ii) enhance operational efficiency and provide the Group with priority access to new aesthetic and medical technology; and (iii) diversify the Group's business portfolio.

Furthermore, the Funding to be provided by Union Group is intended to be used for, among others, further acquisitions and consolidations of upstream business within the same line of businesses of the Target Group in the Asia Pacific region. As at the date of this announcement, no potential investment or acquisition targets has been identified.

The terms of the Agreement, including the Consideration, were determined on arm's length negotiations between the parties with reference to the business, expertise, historical performance, prospects and profitability of the Target Company as well as the extent of the Profit Guarantee. Having considered the above, the Directors believe that the terms of the Agreement and the Acquisition and the transactions under the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

One or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition and the transactions under the Sale and Purchase Agreement (including the Disposal, the provision of Funding and the grant of Option) exceed 5% but all are less than 25%, the Acquisition and the transactions under the Sale and Purchase Agreement constitute a discloseable transaction of the Company.

All of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are less than 5%, the Disposal is therefore exempt from the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.24 of the Listing Rules, all the transactions contemplated under the Sale and Purchase Agreement (including the Acquisition, the Disposal, the provision of Funding and the grant of Option) would constitute a discloseable transaction of the Company under Rule 14.06 of the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Seller pursuant to the Agreement
“Board”	the board of Directors
“Business Day”	any day (excluding Saturday, Sunday and public holidays and a day on which a tropical cyclone warning no. 8 or above is hoisted or a “black rainstorm warning signal” or “extreme conditions” caused by a super typhoon is in force in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which

	banks are generally open for ordinary banking business in Hong Kong
“CAGR”	the compound annual growth rate
“Company”	EC Healthcare (stock code: 2138), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the Agreement
“Completion Date”	the fifth Business Day immediately following the day on which all the conditions precedent have been satisfied and/or waived or such later date as the Purchaser and the Seller may mutually agree in writing
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration payable by the Purchaser to the Seller for the Acquisition pursuant to the Agreement
“Consideration Shares”	2,500 ordinary shares of Union Medical Technology, representing 25% of the entire issued share capital of Union Medical Technology immediately upon Completion
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mighty Able”	Mighty Able Limited, a company incorporated under the laws of British Virgin Islands. As at the date of this announcement, it is directly wholly owned by the Seller.
“Net Profit”	the consolidated net profit of the Target Group which shall be determined with reference to the audited accounts of the Target Group, issued by the appointed accountants, and subject to the adjustments as set out in the Agreement

“Profit Guaranteed Period”	the period commencing from the Completion Date and ending Year 3 (both days inclusive) unless postponed by a Discarded Year
“Profit Guaranteed Year”	any of a year during the Profit Guaranteed Period commencing from Year 1 and ending Year 3 (both days inclusive) unless postponed by a Discarded Year
“Purchaser” or “Union Medical Technology”	Union Medical Technology Holdings Limited, a company incorporated under the laws of British Virgin Islands with limited liability and as at the date of this announcement, a direct wholly owned subsidiary of Union Group
“Sale and Purchase Agreement” or “Agreement”	the conditional sale and purchase agreement dated 7 February 2023 entered into between the Company, Union Group, the Purchaser, the Seller and Mighty Able in respect of the Acquisition
“Sale Shares”	100 ordinary shares of the Target Company
“Seller”	Mr. Chung Wai Ting, owner of the Sale Shares and an independent third party
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Excellent Connect Limited, a company incorporated under the laws of British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiaries from time to time
“Union Group”	Union (Group) Investment Limited, a company incorporated under the laws of Hong Kong with limited liability and as at the date of this announcement, an indirect wholly owned subsidiary of the Company
“Warranties”	means the warranties, representations and/or undertakings contained in or referred to or as set out in the Agreement (including the schedules thereto) generally
“Year 1”	the one-year period ending on 31 December 2023 (unless postponed by a Discarded Year)
“Year 2”	the one-year period ending on 31 December 2024 (unless postponed by a Discarded Year)
“Year 3”	the one-year period ending on 31 December 2025 (unless postponed by a Discarded Year)
“Years”	collectively, Year 1, Year 2 and Year 3 and each as a “Year”

By order of the Board
EC Healthcare
Raymond Siu
Company Secretary

Hong Kong, 7 February 2023

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