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MODERN HEALTHCARE TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

(1) EXEMPTED CONNECTED TRANSACTIONS – SINGAPORE LEASES AND (2) CONTINUING CONNECTED TRANSACTIONS – 2023 MASTER LEASE AGREEMENT

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



EXEMPTED CONNECTED TRANSACTIONS IN RELATION TO THE SINGAPORE LEASES

On 22 February 2023, Dr. Tsang entered into the following Singapore Leases with members of the Group for leasing the following Singapore Properties to the Group:

1. Singapore Lease I in respect of Singapore Property I; and
2. Singapore Lease II in respect of Singapore Property II.

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2023 MASTER LEASE AGREEMENT

Reference is made to the circular of the Company dated 11 March 2020 in respect of the continuing connected transactions in relation to the 2020 Master Lease Agreement. Pursuant to the 2020 Master Lease Agreement, members of the Group have entered into various individual lease agreements with the Owners for leasing certain premises from the Owners during the term of the 2020 Master Lease Agreement. All such individual leases (if not terminated earlier), together with the 2020 Master Lease Agreement, will expire on 31 March 2023 but the Group is expected to continue to lease the relevant Existing Premises from the Owners after the expiry of the relevant leases.

In view of the above, on 22 February 2023, the Company entered into the 2023 Master Lease Agreement with Asia Power so that the Leasing Arrangements between the Group and the Owners can continue for the three years ending 31 March 2026 without any disruption to the Group's business operations.

Asia Power is the holding company of various companies (being the Owners) holding various properties in Hong Kong and other places in the world.

LISTING RULES IMPLICATIONS

Singapore Leases

As at the date of this announcement, Dr. Tsang, being an executive Director, the chairperson of the Board and a controlling Shareholder, holds 677,247,942 issued Shares (representing approximately 74.88% of the issued share capital of the Company). The spouse of Dr. Tsang is interested in 650,000 issued Shares (representing approximately 0.072% of the issued share capital of the Company) as at the date of this announcement. Accordingly, Dr. Tsang is a connected person of the Company and the transactions contemplated under the Singapore Leases constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

However, given that all applicable percentage ratios in respect of the aggregate value of the right-of-use assets under the Singapore Leases are less than 5% and the total value of the right-of-use assets under the Singapore Leases is less than HK\$3,000,000 and the transactions contemplated under the Singapore Leases are on normal commercial terms or better, the transactions contemplated under the Singapore leases are fully exempt from the requirements under Chapter 14A of the Listing Rules.

The 2023 Master Lease Agreement

In addition, by virtue of Asia Power being wholly owned by a family trust set up by Dr. Tsang, Asia Power is also a connected person of the Company and the Leasing Arrangements under the 2023 Master Lease Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of each of the Annual Caps is more than 25%, the Leasing Arrangements under the 2023 Master Lease Agreement are subject to the reporting, annual review, announcement, circular (including independent financial advice) and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee comprising all of the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened at which an ordinary resolution will be proposed to seek the Independent Shareholders' approval of, among other things (if any), the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps. Since Dr. Tsang is materially interested in the 2023 Master Lease Agreement, she and her associates will be required to abstain from voting on the resolution to be proposed at the EGM to approve the 2023 Master Lease Agreement and the Annual Caps. Dr. Tsang has also abstained from voting on the resolutions at the Board Meeting convened to approve the Singapore Leases and the 2023 Master Lease Agreement.

A circular containing, among other things, (i) details of the 2023 Master Lease Agreement and the Annual Caps; (ii) the recommendation of the Independent Board Committee in respect of the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice on the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps; (iv) a notice convening the EGM together with the proxy form; and (v) other information required under the Listing Rules will be despatched to the Shareholders on or before 14 March 2023.

SINGAPORE LEASES

A summary of each of the Singapore Leases is set out below:

	Singapore Lease I	Singapore Lease II
Date:	22 February 2023	22 February 2023
Parties:	Dr. Tsang (as lessor) and GIG Coffee (as lessee)	Dr. Tsang (as lessor) and Modern Beauty Salon (as lessee)
Address of Singapore Properties:	Block 419, Tampines Street 41#01-104(520419) Level 1	Block 419, Tampines Street 41#01-104(520419) Level 2
Term:	1 April 2023 – 31 March 2026	1 April 2023 – 31 March 2026
Monthly Rental: exclusive of rates, government rent, service charge and other outgoings (including but not limited to water, gas and electricity charges) (<i>Note 1</i>)	SGD6,174 (equivalent to approximately HK\$36,569)	SGD4,116 (equivalent to approximately HK\$24,379)
Permitted Usage:	<i>Note 2</i>	<i>Note 2</i>

Notes:

1. In accordance with HKFRS 16, the total value of the right-of-use assets to be recognised by the Group in respect of the leasing of the Singapore Properties is approximately HK\$2,104,177.00.
2. It is a term of each of the Singapore Leases that the relevant premises shall not be used for any illegal purpose. Other than that, there is no restriction on the usage of the Singapore Properties. Singapore Property I is currently used and will continue to be used for provision of food and beverage services while Singapore Property II is currently used and will continue to be used for provision of beauty and wellness services.

THE 2023 MASTER LEASE AGREEMENT

Background

Reference is made to the circular of the Company dated 11 March 2020 in respect of the continuing connected transactions in relation to the 2020 Master Lease Agreement, pursuant to which members of the Group entered into various individual lease agreements (“**Existing Lease Agreements**”, each an “**Existing Lease Agreement**”) with the Owners for leasing certain premises from the Owners during the term of the 2020 Master Lease Agreement.

Given that the 2020 Master Lease Agreement and the individual lease agreements entered into pursuant thereto will expire on 31 March 2023 and the Group expects that it will continue to lease the Existing Premises after the expiry of the respective Existing Lease Agreements on 31 March 2023, on 22 February 2023, the Company entered into the 2023 Master Lease Agreement with Asia Power so as to enable the continuance of the Leasing Arrangements between the Group and the Owners for the three years ending 31 March 2026.

Currently, the Existing Premises are being used in the ordinary and usual course of the business of the Group as its operating facilities (including but not limited to offices, retail shops, service centres and warehouses). The Group intends to continue to lease the Existing Premises in Hong Kong and Singapore under the arrangement contemplated under the 2023 Master Lease Agreement. Set out below is a summary of the Existing Lease Agreements in respect of the Existing Premises which are expected to continue under the 2023 Master Lease Agreement:

Particulars of the Existing Premises	Present usage	Total rental paid/payable for the year ended 31 March		Estimated total rental for the year ending 31 March	Fair market rent (monthly) as at 1 January
		2021 HK\$ (Note 1)	2022 HK\$ (Note 1)	2023 HK\$ (Note 1)	2023 HK\$ (Note 1 and 2)
Hong Kong Island					
1. Shop and Toilet Area on 1st Floor, Shop and Toilet Area on 2nd Floor, Lift and Staircase (No. 3) and Grease Trap Room on 1st Floor, 1st Floor Staircase for 2nd Floor, Lift and Staircase on 2nd Floor, Lift Machine Room for 1st to 2nd Floors on 3rd Floor, Signage Units Nos. 1 to 8 on Ground Floor, Signage Units Nos. 9 to 14 on 1st Floor, Store and Open Store on Ground Floor, The Grandeur, 47 Jardine's Bazaar, Causeway Bay, Hong Kong	Service centre	4,314,000.00	4,314,000.00	4,314,000.00	344,000.00
2. 1/F, (including its Flat Roof and Stair-Entrance on Ground Floor), King Kwong Mansion, No. 8 King Kwong Street, Happy Valley, Hong Kong	Service centre	774,000.00	774,000.00	774,000.00	60,000.00
3. Portion B of Basement of Hang Ying House, Nos. 318-328 King's Road, North Point, Hong Kong	Service centre	1,314,000.00	1,314,000.00	1,314,000.00	107,000.00
4. Portion B of Shop C on Ground Floor and Shop E on Basement, King's View Court, 901-907 King's Road, Quarry Bay, Hong Kong	Service centre	2,544,000.00	2,544,000.00	2,544,000.00	200,000.00
5. 3/F., Causeway Bay Commercial Building, Nos. 1-5 Sugar Street, Causeway Bay, Hong Kong	Service centre	2,544,000.00	2,544,000.00	2,544,000.00	231,000.00
6. Rooms 301-305, 3/F., On Lok Yuen Building, Nos. 25, 27 & 27A Des Voeux Road Central, Hong Kong	Service centre	1,462,800.00	1,462,800.00	1,462,800.00	133,000.00
7. Rooms 1201-1203, 12/F., Silver Fortune Plaza, No. 1 Wellington Street, Central, Hong Kong	Service centre	1,962,600.00	1,962,600.00	1,962,600.00	162,000.00

Particulars of the Existing Premises	Present usage	Total rental paid/payable for the year ended 31 March		Estimated total rental for the year ending 31 March	Fair market rent (monthly) as at 1 January
		2021 HK\$ (Note 1)	2022 HK\$ (Note 1)	2023 HK\$ (Note 1)	2023 HK\$ (Note 1 and 2)
8. 5/F., World Trust Tower, No. 50 Stanley Street, Central, Hong Kong	Service centre	1,194,000.00	1,194,000.00	1,194,000.00	97,000.00
9. Unit 2A, 2/F, Winner House, No. 310 King's Road, North Point, Hong Kong	Service centre	1,494,000.00	1,494,000.00	1,494,000.00	120,000.00
10. Unit 2B, 2/F, Winner House, No. 310 King's Road, North Point, Hong Kong (Note 3)	Service centre	–	418,000.00	1,254,000.00	97,000.00
Kowloon					
11. Workshop Nos. 11-13, 32B, 33B, 50-71, 78 and store room No. 10 on 6th Floor and Lorry Car Parking Space No. 8, 14 and 15 on Basement, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay (Note 4)	Office and warehouse	1,631,412.00	1,631,412.00	1,631,412.00	181,000.00
12. 3/F & 4/F (including Flat Roof) BCC Building, Nos 25-31 Carnarvon Road, Kowloon, Hong Kong	Service centre	3,714,000.00	3,714,000.00	3,714,000.00	302,000.00
13. Units C1, C2, D1, D2, E1 & E2, 16/F, TG Place, No. 10 Shing Yip Street, Kowloon	Service centre	1,626,000.00	1,626,000.00	1,626,000.00	156,000.00
14. 16/F & Lavatories, Oriental Central Nos. 67-71 Chatham Road South, Kowloon, Hong Kong	Service centre	1,411,800.00	1,411,800.00	1,411,800.00	128,000.00
15. 1/F, 44-46 Carnarvon Road, Tsim Sha Tsui, Kowloon, Hong Kong	Service centre	178,500.00	714,000.00	714,000.00	52,000.00
New Territories					
16. 18/F, Hou Feng Industrial Building, Nos.1-5 Wing Kin Road, Kwai Chung, New Territories	Warehouse	738,000.00	738,000.00	738,000.00	67,000.00
17. 1st Floor (with floor roof adjacent thereto), Len Fat Mansion, Nos. 56-60, 64-86 Kin Yip Street, Yuen Long, New Territories	Service centre	1,878,000.00	1,878,000.00	1,878,000.00	150,000.00
18. Units B74-B90, B99-B116, B132-B136, 1/F., The Commercial Accommodation of Well On Garden, No. 9 Yuk Nga Lane, Tseung Kwan O, New Territories	Service centre	1,554,000.00	1,554,000.00	1,554,000.00	127,000.00
19. Unit 1, 25/F., North Wing Tuen Mun Parklane Square, No. 2 Tuen Hi Road, Tuen Mun, New Territories (Note 5)	Service centre	–	–	540,000.00	53,000.00
20. Unit 4502B, 4503-4506 on Level 45 of Tower II, Metro Plaza, No. 223 Hing Fong Road, Kwai Chung, New Territories (Note 6)	Service centre	–	–	805,000.00	112,000.00

Particulars of the Existing Premises	Present usage	Total rental paid/payable for the year ended 31 March		Estimated total rental for the year ending 31 March	Fair market rent (monthly) as at 1 January
		2021 <i>SGD</i> <i>(Note 1)</i>	2022 <i>SGD</i> <i>(Note 1)</i>	2023 <i>SGD</i> <i>(Note 1)</i>	2023 <i>SGD</i> <i>(Note 1 and 2)</i>
Singapore					
21. Blk 218, Bedok North Street 1, #01-19 (Upper Level) Singapore 460218 <i>(Note 7)</i>	Service centre	–	12,000.00 (equivalent to approximately HK\$71,076.00)	24,000.00 (equivalent to approximately HK\$142,152.00)	2,100.00 (equivalent to approximately HK\$12,438.30)
		HK\$30,335,112.00	HK\$31,359,688.00	HK\$33,611,764.00	HK\$2,891,438.30 per month

Notes:

1. Exclusive of rates, government rent and management fees.
2. The monthly fair rent is based on the preliminary opinion of an independent property valuer.
3. The relevant Existing Lease Agreement was entered into in the year ended 31 March 2022.
4. Currently, Workshop 78 comprised in Property 11 has been used by the Group free of charge.
5. The relevant Existing Lease Agreement was entered into in the year ending 31 March 2023.
6. The relevant Existing Lease Agreement was entered into in the year ending 31 March 2023.
7. The relevant Existing Lease Agreement was entered into in the year ended 31 March 2022.

Depending on the then operation needs of the Group and market conditions, the Group may lease Additional Premises from the Owners and/or switch the leased premises from one location to another location in the future. The Leasing Arrangements contemplated under the 2023 Master Lease Agreement provide the Group with the flexibility to enter into additional individual lease agreement(s) with the relevant Owner(s), during the term of the 2023 Master Lease Agreement, for leasing properties which suit the Group's operational needs, subject always to the fact the individual lease agreement(s) must be on terms which are fair and reasonable and on normal commercial terms or better. As at the date of this announcement, the locations of the Additional Premises have not yet been identified.

Since the Group intends to continue to lease the above Existing Premises and may lease Additional Premises from the Owners, as explained above, the Company and Asia Power entered into the 2023 Master Lease Agreement on 22 February 2023 to set out the principal terms and conditions governing the Leasing Arrangements by the Group from the Owners in the future.

Date of the 2023 Master Lease Agreement

22 February 2023

Parties to the 2023 Master Lease Agreement

Asia Power and the Company

The relationship between Asia Power and the Company is more particularly described in the paragraph headed “LISTING RULES IMPLICATIONS – 2023 Master Lease Agreement” in this announcement below.

Subject Matter

Pursuant to the 2023 Master Lease Agreement, the Group will enter into separate lease agreements to lease certain premises from the relevant Owners from time to time during the term of the 2023 Master Lease Agreement. As at the date of this announcement, such premises are expected to include the Existing Premises.

Conditions

The 2023 Master Lease Agreement and the Leasing Arrangements under the 2023 Master Lease Agreement are conditional upon:

1. the passing of an ordinary resolution by the Independent Shareholders at the EGM approving the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps; and
2. (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities in Hong Kong or other jurisdictions (if applicable) or other relevant third parties in connection with the Leasing Arrangements under the 2023 Master Lease Agreement required to be obtained on the part of the Group having been obtained.

If the conditions above shall not have been fulfilled on or before the Long Stop Date, the 2023 Master Lease Agreement shall cease and terminate, save and except for certain provisions in relation to costs and expenses and miscellaneous matters which shall remain in full force and effect.

Duration

Subject to fulfillment of the above conditions on or before the Long Stop Date, the 2023 Master Lease Agreement shall be for a term commencing from 1 April 2023 and ending on 31 March 2026. The 2023 Master Lease Agreement may be terminated by the Company by giving Asia Power at least sixty days’ written notice of termination.

Subject to fulfillment of the above conditions on or before the Long Stop Date, each of the leases to be entered into between the Group and the relevant Owners pursuant to the 2023 Master Lease Agreement will have a term commencing on or after 1 April 2023 and expiring on (i) the expiration or earlier termination of its own terms or (ii) 31 March 2026, whichever is earlier.

Rental and Pricing Policies

Pursuant to the 2023 Master Lease Agreement, each individual lease to be entered into shall be on normal commercial terms or better (within the meaning of Chapter 14A of the Listing Rules) and the amount of rental (exclusive of rates, government rent and management fees) under each such lease shall be determined by the parties to such individual lease with reference to the then prevailing market rents on premises comparable in location, area and permitted use (“**Comparable Premises**”) provided that before each such individual lease under the 2023 Master Lease Agreement is entered into, the Group shall, at its own cost and expenses, obtain a confirmation from an independent property valuer providing its opinion of the then prevailing market rent of the premises with reference to the market rent of the Comparable Premises and the rent to be set out in the relating Leasing Arrangement under the 2023 Master Lease Agreement shall be no more than such prevailing market rent and the effective date of the opinion shall not be more than three months.

The government rent, rates and management fee under each individual lease under the 2023 Master Lease Agreement will be paid to the government or, as the case may be, the management companies by the relevant tenant direct.

The Annual Caps and Basis of Determination

The Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants applicable to the Group include HKFRS 16 “Leases” which has come into effect on 1 January 2019 and is applicable to financial years starting on or after 1 January 2019. Under HKFRS 16, the Group, as the lessee, shall recognize the total rental payments payable to the relevant Owners under the 2023 Master Lease Agreement as a right-of-use asset and a lease liability in the consolidated statement of the financial position of the Group.

The rental paid by the Group to the subsidiaries of Asia Power under the 2020 Master Lease Agreement for each of the two years ended 31 March 2022 and the rent paid/payable for the year ending 31 March 2023 amounted to approximately HK\$30.3 million, HK\$31.4 million and HK\$33.6 million respectively.

Based on the opinion of the independent property valuer, the aggregate prevailing monthly rent of the Existing Premises as at 1 January 2023 is HK\$2,891,438.30. On such basis, the annual rent for leasing such premises is thus HK\$34,697,259.60 and the estimated value of the right-of-use asset for the Existing Premises for the year ending 31 March 2024 amounts to approximately HK\$99,430,066.

Having considered the current business environment, it is the intention of the Group to negotiate for a discount for the monthly rental (as compared to the fair rent as stated above) when the Group enters into the individual leases with the Owners. Asia Power has in principle agreed to giving such discount under the Leasing Arrangements.

Taking into account (i) the fact that the Group intends to continue to lease the Existing Premises and may lease Additional Premises, for its own use during the three years ending 31 March 2026; (ii) the estimated value of the Group’s right-of-use assets of the Existing Premises which is initially measured on present value basis and calculated by discounting the non-cancellable lease payments for respective connected lease, using the incremental borrowing rate as the discount rate;

and (iii) the said aggregate prevailing monthly rent of the Existing Premises, it is expected that the Annual Cap in respect of the Leasing Arrangements as contemplated under the 2023 Master Lease Agreement for the year ending 31 March 2024, the year ending 31 March 2025 and the year ending 31 March 2026 will not exceed HK\$119 million, HK\$6 million and HK\$3 million respectively. These Annual Caps were determined after taking into account (i) the prevailing market rents of the relevant Existing Premises; and (ii) a buffer of approximately 20% for rental payments in respect of Additional Premises which may be leased from the Owners during the term of the 2023 Master Lease Agreement.

INTERNAL CONTROL PROCEDURES

The Group has established internal control procedures as follows:

- (1) as regards the individual lease agreement of the Leasing Arrangement, the determination of the monthly rental will be made reference to the fair rent opinion issued/to be issued by the independent property valuer;
- (2) the Group will monitor the performance by the parties to the individual leases to be entered into pursuant to the 2023 Master Lease Agreement from time to time to ensure that the obligations of the relevant parties are properly discharged;
- (3) the Group will semi-annually review the amount of the lease liability recognised in the Group's financial statements so as to ensure that the payments made/to be made are within the relevant Annual Caps;
- (4) the Group will annually provide the following information: (i) the aggregate rental amount payable by the Group to Asia Power under the Leasing Arrangements; (ii) the right-of-use assets for the corresponding year; and (iii) the status of compliance with the Annual Caps with the audit committee of the Board for consideration;
- (5) the audit committee of the Board will in its meetings discuss and assess the implementation of the continuing connected transactions of the Group at least twice a year; and
- (6) the auditors of the Group will, in addition to its interim review and year-end audit, conduct annual review of the Leasing Arrangements and confirm to the Board as to whether such Leasing Arrangements are indeed conducted in accordance with the terms of the 2023 Master Lease Agreement and the individual leases in all material aspects, on normal commercial terms and in accordance with the pricing policy of the Group and whether the Annual Caps have been complied with. In addition, the independent non-executive Directors will also provide their annual confirmations with respect to the continuing connected transactions of the Group in the annual reports of the Group.

The Company is satisfied that it has an adequate system of controls to safeguard the Leasing Arrangements, and to provide information for the independent non-executive Directors and auditors to properly review the Leasing Arrangements annually.

REASONS AND BENEFITS OF ENTERING INTO THE SINGAPORE LEASES AND THE 2023 MASTER LEASE AGREEMENT

The Group is a renowned beauty salon group in Hong Kong offering comprehensive beauty and wellness services and sales of skincare and wellness products at its network of service centres in Hong Kong, mainland China, and Singapore.

Singapore Leases

The entering into of the Singapore Leases enables the Group to continue to occupy and use the Singapore Property I which are currently being used by the Group as café shop and the Singapore Property II as service centre after the expiry of the respective existing lease agreements of the Singapore Properties on 31 March 2023, so that there will not be any interruption to the Group's usage of such properties.

The Board (including the independent non-executive Directors) is of the view that the transactions under each of the Singapore Leases are conducted in the ordinary and usual course of business of the Group and on normal commercial terms or better, and the terms of each of the Singapore Leases are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2023 Master Lease Agreement

Asia Power, which is a company wholly owned by a family trust set up by Dr. Tsang, directly or indirectly owns a number of premises in Hong Kong (including but not limited to the Existing Premises) and other countries in Asia. The Board considers that the entering into of a framework agreement (i.e. the 2023 Master Lease Agreement in the present case) to cater for the Leasing Arrangements offers the Group the flexibility to enter into separate lease agreements with the relevant Owners for leasing certain premises at prevailing market rent or lower from time to time during the period ending 31 March 2026 and allows the Group to switch the leased premises from one location to another and to lease Additional Premises from the Owner(s) so long as the terms of the new leases are fair and reasonable and on normal commercial terms or better, in each case, within the limit set under the Annual Caps.

The Group has entered into master lease agreement with Asia Power since 2011 on successive terms and based on the previous experience, the Board realizes that it is inevitable for the Group to increase or reduce the number of the individual leases with the Owners based on the actual market sentiment and the operational needs of the Group. Therefore, the Board considers that the 2023 Master Lease Agreement should be in the form of a framework agreement rather than an agreement with fixed term in order to give flexibility to management of the Group to alter the leases with the relevant Owners in view of the ever-changing business environment.

In addition, given that it has been the intention of the Group to continue to lease the Existing Premises from the Owners for its own use and depending on the operational needs of the Group, the Group may lease Additional Premises from the relevant Owner(s) and/or switch the leased premises from one location to another location, the Company considers that the entering into of the 2023 Master Lease Agreement will shelter the Group from any potential disruption to the Group's business which may be resulted from relocation of its existing beauty and wellness centres in the event that the relevant Existing Lease Agreements are not renewed upon their expiry. On the

other hand, the 2023 Master Lease Agreement also allows the Group to lease Additional Premises from the Owners at market prices from time to time during the term of the 2023 Master Lease Agreement, which would provide the Group with operational convenience to expand its network of service centres when business opportunities arise.

Furthermore, the Board is of the view that by entering into the 2023 Master Lease Agreement, the Group could avoid treating each Leasing Arrangement as a connected transaction under Chapter 14A of the Listing Rules (taking into account the requirements of HKFRS 16) and accordingly, avoid unnecessary and burdensome administrative costs from complying with the applicable Listing Rules every time when a new individual lease agreement is entered into with the relevant Owner so long as such lease agreement is entered into in accordance with the 2023 Master Lease Agreement, thus bringing business convenience and operational efficiency to the Group.

Given certain properties that may be leased by the Group from the Owner(s) (i.e. the Additional Premises) have not yet been identified as at the date of the 2023 Master Lease Agreement, the Board considers that the Leasing Arrangements contemplated under the 2023 Master Lease Agreement will constitute continuing connected transactions of the Company, which shall be subject to the Annual Caps, under Chapter 14A of the Listing Rules.

Having considered the above, the Directors (excluding the independent non-executive Directors whose opinion will be rendered and stated in the circular to be despatched after taking into account the advice from the Independent Financial Adviser) are of the view that the terms of the 2023 Master Lease Agreement and the Annual Caps are fair and reasonable and the entering into of the 2023 Master Lease Agreement is in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Company was incorporated in the Cayman Islands with limited liability and its shares of the Company are listed on the Stock Exchange. The Group is principally engaged in offering comprehensive beauty and wellness services and sales of skincare and wellness products at its network of service centres in Hong Kong, mainland China, and Singapore.

Dr. Tsang is an executive Director, the chairperson of the Board and a controlling Shareholder of the Company. As at the date of this announcement, she held 677,247,942 issued Shares (representing approximately 74.88% of the issued share capital of the Company). The spouse of Dr. Tsang is interested in 650,000 issued Shares (representing approximately 0.072% of the issued share capital of the Company). By virtue of her relationship with the Group, Dr. Tsang is a connected person of the Company.

Asia Power is a company incorporated in the British Virgin Islands with limited liability. It is wholly owned by a family trust set up by Dr. Tsang and is principally engaged in investment holding and thus also a connected person of the Company.

GIG Coffee is a company incorporated in Singapore with limited liability. As at the date of this announcement, it is a wholly-owned subsidiary of the Company. GIG Coffee is principally engaged in provision of food and beverage services in Singapore.

Modern Beauty Salon is a company incorporated in Singapore with limited liability. As at the date of this announcement, it is a wholly-owned subsidiary of the Company. Modern Beauty Salon is principally engaged in provision of beauty and wellness services in Singapore.

LISTING RULES IMPLICATIONS

Singapore Leases

In accordance with HKFRS 16, the Group will recognize right-of-use assets in its consolidated statement of financial position in respect of the lease of Singapore Properties under Singapore Leases.

As at the date of this announcement, Dr. Tsang, being an executive Director, the chairperson of the Board and a controlling Shareholder, holds 677,247,942 issued Shares (representing approximately 74.88% of the issued share capital of the Company). The spouse of Dr. Tsang is interested in 650,000 issued Shares (representing approximately 0.072% of the issued share capital of the Company) as at the date of this announcement. Accordingly, Dr. Tsang is a connected person of the Company. Since each of the Singapore Leases was entered into between a wholly-owned subsidiary of the Company and Dr. Tsang, the transactions contemplated under the Singapore Leases constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

However, given that all applicable percentage ratios in respect of the aggregate value of the right-of-use assets under the Singapore Leases are less than 5% and the total value of the right-of-use assets under the Singapore Leases is less than HK\$3,000,000 and the transactions contemplated under the Singapore Leases are on normal commercial terms or better, the transactions contemplated under the Singapore Leases are fully exempt from the requirements under Chapter 14A of the Listing Rules.

The 2023 Master Lease Agreement

In addition, by virtue of Asia Power being wholly owned by a family trust set up by Dr. Tsang, Asia Power is also a connected person of the Company and the Leasing Arrangements under the 2023 Master Lease Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of each of the Annual Caps is more than 25%, the Leasing Arrangements under the 2023 Master Lease Agreement are subject to the reporting, annual review, announcement, circular (including independent financial advice) and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee comprising all of the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened at which an ordinary resolution will be proposed to seek the Independent Shareholders' approval of, among other things (if any), the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps. Since Dr. Tsang is materially interested in the 2023 Master Lease Agreement, she and her associates will be required to abstain from voting on the resolution to be proposed at the EGM to approve the 2023 Master Lease Agreement and the Annual Caps. To the best of the Directors' knowledge, information and belief, no other Shareholder is required to abstain from voting on the resolution(s) to approve the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps. Dr. Tsang has also abstained from voting on the resolutions at the Board Meeting convened to approve the Singapore Leases and the 2023 Master Lease Agreement.

A circular containing, among other things, (i) details of the 2023 Master Lease Agreement and the Annual Caps; (ii) the recommendation of the Independent Board Committee in respect of the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice on the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps; (iv) a notice of the EGM; and (v) other information required under the Listing Rules will be despatched to the Shareholders on or before 14 March 2023.

DEFINITIONS

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

“2020 Master Lease Agreement”	the agreement dated 20 February 2020 entered into between the Company and Asia Power in respect of the Existing Premises
“2023 Master Lease Agreement”	the agreement dated 22 February 2023 entered into between the Company and Asia Power in respect of the Leasing Arrangements for the three years ending 31 March 2026
“Additional Premises”	the additional premises that may be leased by member(s) of the Group from the Owner(s) during the term of the 2023 Master Lease Agreement, the location of such premises is not yet identified as at the date of this announcement
“Annual Caps”	the maximum consideration payable by the Group to Asia Power and/or the Owners (as the case may be) under the Leasing Arrangements pursuant to the 2023 Master Lease Agreement for the year ending 31 March 2024, the year ending 31 March 2025 and the year ending 31 March 2026 in the amount of HK\$119 million, HK\$6 million and HK\$3 million, respectively
“Asia Power”	Asia Power Global Limited, a company with limited liability incorporated in the British Virgin Islands and is wholly owned by a family trust set up by Dr. Tsang
“associate(s)”	has the meaning as ascribed thereto in the Listing Rules

“Board”	the board of Directors
“Company”	Modern Healthcare Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 919)
“Director(s)”	the director(s) of the Company
“Dr. Tsang”	Dr. Tsang Yue, Joyce, an executive Director, the chairperson of the Board and a controlling Shareholder (within the meaning of the Listing Rules)
“EGM”	an extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve, among other matters, the Leasing Arrangements pursuant to the 2023 Master Lease Agreement and the Annual Caps
“Existing Lease Agreement(s)”	as defined in “THE 2023 MASTER LEASE AGREEMENT – Background” in this announcement
“Existing Premises”	the properties owned by the Owners in Hong Kong and/or other place(s) in the world currently leased to the Group under the Existing Lease Agreements and are expected to continue to be leased to the Group upon the expiry of the Existing Lease Agreements as disclosed in the paragraph headed “THE 2023 MASTER LEASE AGREEMENT – Background” in this announcement”
“GIG Coffee”	GIG Coffee Pte. Limited, a company with limited liability incorporated in Singapore and a wholly-owned subsidiary of the Company
“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 People’s Republic of China
“Independent Board Committee”	an independent board committee, comprising all of the independent non-executive Directors, namely, Ms. Liu Mei Ling, Rhoda, Dr. Wong Man Hin, Raymond, Mr. Hong Po Kui, Martin, established to advise the Independent Shareholders in respect of the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps

“Independent Financial Adviser”	Akron Corporate Finance Limited (亞貝隆資本有限公司), a licenced corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps
“Independent Shareholder(s)”	the Shareholder(s), other than those who are required by the Listing Rules to abstain from voting on the resolution approving the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps, being Dr. Tsang and her associates
“Leasing Arrangements”	the leasing of the premises (comprising the Existing Premises and, if applicable, the Additional Premises) by the Group from the Owners pursuant to the 2023 Master Lease Agreement by the entering into of a tenancy or lease agreement in respect of such premises between any member of the Group and the relevant Owner
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2023
“Modern Beauty Salon”	Modern Beauty Salon (S) Pte. Limited, a company with limited liability incorporated in Singapore and a wholly-owned subsidiary of the Company
“Owners”	subsidiaries of Asia Power from time to time which are or may become the legal and beneficial owners of the Existing Premises and the Additional Premises and “Owner” shall mean any of them
“SGD”	Singapore dollars, the lawful currency of Singapore
“Singapore Lease I”	the agreement dated 22 February 2023 entered into between Dr. Tsang and GIG Coffee in respect of leasing of Singapore Property I
“Singapore Lease II”	the agreement dated 22 February 2023 entered into between Dr. Tsang and Modern Beauty Salon in respect of leasing of Singapore Property II
“Singapore Leases”	collectively, the Singapore Lease I and the Singapore Lease II
“Singapore Properties”	collectively, Singapore Property I and Singapore Property II
“Singapore Property I”	Block 419, Tampines Street 41#01-104(520419) Level 1
“Singapore Property II”	Block 419, Tampines Street 41#01-104(520419) Level 2

“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

On behalf of the Board
Modern Healthcare Technology Holdings Limited
Dr. Tsang Yue, Joyce
Chairperson

Hong Kong, 22 February 2023

As at the date of this announcement, the Board consists of three executive Directors, Dr. Tsang Yue, Joyce, Mr. Yip Kai Wing and Ms. Yeung See Man and three independent non-executive Directors, Ms. Liu Mei Ling, Rhoda, Dr. Wong Man Hin, Raymond and Mr. Hong Po Kui, Martin.

Unless otherwise specified in this announcement, for identification purpose only, amounts denoted in SGD in this announcement are converted into HK\$ at a rate of SGD 1 to HK\$5.923.