THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, other licensed corporation, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in EC Healthcare, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, licensed corporation, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

EC Healthcare
醫思健康
HKEx Stock Code: 2138

EC Healthcare
醫思健康

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2138)

MAJOR TRANSACTION
ACQUISITION OF FURTHER INTEREST IN PANGENIA

All capitalised terms used in this circular have the meanings set out in the section headed "Definitions" of this circular.

A letter from the Board (as defined in this circular) is set out on pages 3 to 19 of this circular.

The Company has obtained written approval for the Acquisition pursuant to Rule 14.44 of the Listing Rules from the controlling Shareholder of the Company which holds approximately 60.12% of the issued share capital of the Company having the right to attend and vote at an extraordinary general meeting. Accordingly, no Shareholders' meeting will be convened to approve the Acquisition pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

11 June 2024

CONTENTS

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

"2016 Share Option Scheme"	the share option scheme adopted by the Company on 19 February 2016
"Acquisition"	collectively, the Purchaser's acquisition of the entire share capital of Success Synergy pursuant to the Success Synergy SPA and the Purchaser's acquisition of the entire share capital of Bio-Gene pursuant to the Bio-Gene SPA
"Agreements"	collectively, the Bio-Gene SPA and the Success Synergy SPA
"Bio-Gene"	Bio-Gene Limited, a company incorporated under the laws of Hong Kong with limited liability and one of the Target Companies
"Bio-Gene SPA"	the sale and purchase agreement dated 4 January 2024 in relation to the acquisition of Bio-Gene by the Purchaser from the relevant sellers as further described in the paragraph headed "B. The Agreements" of the Letter from the Board in this circular
"Board"	the board of Directors
"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
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group, the Target Companies and the Pangenia Group
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Latest Practicable Date"	4 June 2024, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Pangenia"	a company incorporated in the British Virgin Islands
"Pangenia Group"	Pangenia and its subsidiaries

"Purchaser"	Jade Master International Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Share(s)"	ordinary share(s) in the share capital of the Company with par value of HK$0.00001 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Success Synergy"	Success Synergy Limited, a company incorporated under the laws of Samoa with limited liability and one of the Target Companies
"Success Synergy SPA"	the sale and purchase agreement dated 4 January 2024 in relation to the acquisition of Success Synergy by the Purchaser from the relevant seller as further described in the paragraph headed "B. The Agreements" of the Letter from the Board in this circular
"Target Companies"	Bio-Gene and Success Synergy
"Valuer"	Valtech Valuation Advisory Limited, an independent qualified valuer

EC Healthcare
醫思健康

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2138)

Executive Directors:
TANG Chi Fai *(Chairman)*
LU Lyn Wade Leslie *(Chief Executive Officer)*
LEE Heung Wing *(Chief Financial Officer)*

Non-Executive Director:
LUK Kun Shing Ben *(Chief Information Officer)*

Independent Non-Executive Directors:
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LOOK Andrew
AU Tsun

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11 June 2024

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF FURTHER INTEREST IN PANGENIA

A. INTRODUCTION

Reference is made to the announcement of the Company dated 4 January 2024. On 4 January 2024 (after trading hours), the Purchaser entered into the Success Synergy SPA and the Bio-Gene SPA to acquire the entire share capital of Success Synergy and Bio-Gene for a consideration of HK$17,400,000 and HK$15,800,000, respectively.

As at the Latest Practicable Date, the Company holds 42.88% of the issued share capital of Pangenia through its indirect wholly-owned subsidiaries, namely Active Compass Limited and Victor Mind International Limited, which were acquired by the Company as disclosed in the announcement of the Company dated 30 November 2023. Upon completion of the Acquisition, the Company will acquire an additional 12.36% of the issued share capital of Pangenia, and hold an aggregate controlling stake of 55.26% of the issued share capital of Pangenia.

The purpose of this circular is to provide you with, among others, (i) further details on the Acquisition; (ii) the financial information of the Pangenia Group; (iii) the unaudited pro forma financial information of the Enlarged Group; and (iv) the Valuer's valuation report on the Pangenia Group.

B. THE AGREEMENTS

Principal Terms of the Agreements

The principal terms of the Agreements are set out below.

	The Success Synergy SPA	The Bio-Gene SPA
Date	4 January 2024 (after trading hours)	
Parties	(1) the Company; (2) the Purchaser; and (3) Sharp Point Consultant Limited (as a seller)	(1) the Company; (2) the Purchaser; (3) Hau Kwok Po (as a seller); (4) Wong Hon Wah (as a seller); and (5) Cheng Wai Man (as a seller)
	To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for the relevant relationship with the Pangenia Group, each of the counterparties as stated above and their respective ultimate beneficial owners (if any) is a third party independent of the Company and its connected persons.	
Subject matter of the Agreements	The Purchaser has agreed to purchase the entire issued share capital in Success Synergy (a Target Company) from the seller. Upon completion, Success Synergy will become a wholly-owned subsidiary of the Company. Success Synergy in turn holds 2,775,330 ordinary shares in Pangenia, representing 6.49% of the issued share capital of Pangenia.	The Purchaser has agreed to purchase the entire issued share capital in Bio-Gene (a Target Company) from the sellers. Upon completion, Bio-Gene will become a wholly-owned subsidiary of the Company. Bio-Gene in turn holds 2,520,765 ordinary shares in Pangenia, representing 5.89% of the issued share capital of Pangenia.
Consideration	HK$17,400,000	HK$15,800,000

	The Success Synergy SPA	The Bio-Gene SPA
Payment terms	The Purchaser shall settle the consideration by way of cheque on completion.	
Conditions precedent	Completion of each of the Agreements is conditional upon certain conditions precedent being satisfied (or waived by the Purchaser), including:	

(1) completion of due diligence review on the Pangenia Group and the relevant Target Company to the satisfaction of the Purchaser;

(2) all necessary consents and approvals in connection with the relevant Agreement having been duly obtained and the Company's compliance of the relevant requirements under the Listing Rules;

(3) the Pangenia Group (or certain principal entities of the Pangenia Group) having maintained an aggregate cash balance of not less than a pre-agreed amount;

(4) no breach of the warranties given by the relevant seller(s) under the relevant Agreement;

(5) no material adverse change to the Pangenia Group; and

(6) no breach by the relevant seller(s) of any of its/his obligations under the relevant Agreement.

The Success Synergy SPA and the Bio-Gene SPA are not inter-conditional with each other.

As at the Latest Practicable Date,

(a) condition precedent (1) under each of the Agreements has been satisfied;

(b) condition precedent (2) under each of the Agreements has yet to be satisfied, pending despatch of this circular; and

(c) nothing has come to the attention of the Company that would lead it to take the view that any of the conditions precedent (3)–(6) under any of the Agreements is not capable of being satisfied.

	The Success Synergy SPA	The Bio-Gene SPA
Completion	Subject to the fulfilment (or where applicable, waiver) of the relevant conditions precedent to the satisfaction of the Purchaser, completion of each of the Agreements shall take place on a date to be specified by the Purchaser. If completion does not take place by the long stop date for any reason, the Purchaser shall have the right to terminate the relevant Agreement or grant an extension of the long stop date by specifying a new date. The Purchaser may grant further extensions of the long stop date by specifying new dates at any time before the expiry of the then current long stop date. The long stop date specified by the Purchaser as at the Latest Practicable Date is 15 June 2024. As at the Latest Practicable Date, none of the Agreements has been completed, as condition precedent (2) has yet to be satisfied, pending the despatch of this circular. The Company currently expects that the completion of both of the Agreements will take place within seven business days from the date of despatch of this circular.	

Basis of Determining the Consideration under the Agreements

The consideration under the Agreements will be funded by the internal resources of the Group. The consideration under each of the Agreements was determined based on arm's length negotiations among the relevant parties primarily with reference to lower quartile of P/E ratio of 10x of comparable companies in the market selected by the Company as of 30 September 2023. As the principal negotiations with the relevant parties took place in or around the fourth quarter of 2023, 30 September 2023 was taken as the reference date based on which the Company was able to obtain the then most current market information of the comparable companies.

In particular,

1. the Company adopted a market approach to determine the valuation of the Pangenia Group. The Pangenia Group is principally engaged in the provision of medical laboratory testing and the distribution of medical laboratory equipment and devices (which are "asset-light"). The Pangenia Group was profit-making for the trailing 12 months ended 30 September 2023 and the profitability is widely accepted as the primary value driver of a business. Therefore, the Company adopted a market approach based on the comparable companies in the market, which can better reflect the industry situation and objectively reflect the value of the Pangenia Group. The Company considers that the market approach is appropriate as it generally involves fewer assumptions, can reflect the current market's investment preferences and provide a mark-to-market value comparison. In addition, the Company was able to identify sufficient comparable companies with similar scope of business in the market to facilitate a meaningful comparison. The Company has identified a list of comparable companies based on the following screening criteria:

- the comparable company should be listed on a stock exchange (such that relatively accurate and reliable financial information would be readily available from the relevant regulatory filings);

- the comparable company should be principally engaged in the medical equipment and reagent business, with the majority of revenue (over 80% of revenue) generated from the sale of medical equipment and reagent. These businesses are benchmarked because the Pangenia Group derives a majority of its revenue from the distribution of medical laboratory equipment and devices, primarily reagents;

- the comparable company's primary operations should be based in Hong Kong and/or Mainland China. These geographical locations are chosen because the Pangenia Group derives a majority of its revenue from Hong Kong and Mainland China. Factors such as local market conditions, competitive dynamics and regional regulations can significantly impact a company's financial performance. It is therefore more reliable to select comparable companies with primary operations in the same geographical locations; and

- the comparable company should have recorded profit in the latest published financial period.

The above screening criteria was devised with a view to identifying a sufficiently representative number of comparable companies that have a business profile similar to that of Pangenia (in terms of line of principal business and geographical locations) to yield an acceptable indication of value for the purpose of the market approach. With the assistance of the Valuer, the Company has identified 17 comparable companies (which are consistent with the comparable companies in the Valuation Report, details of which are set out on pages V-21 to V-24) based on the criteria and the list of Guideline Public Companies (which is generally accepted to be an exhaustive list). The Company did not exclude any companies that meet the criteria; a principal advantage of having a relatively large number of comparable companies is to remove selection bias and the need to make adjustments due to the characteristics of each of the comparable companies (which involves management judgment that may introduce more uncertainties and assumptions). Accordingly, the Company considers that the selection criteria is fair and reasonable;

2. the Company considered the P/E ratio as an appropriate multiple for the determination of the consideration under each of the Agreements. Generally, P/E ratio is a common valuation method for the assessment of a profitable company, especially when such company does not rely on a significant amount of fixed assets for its operations. The Pangenia Group is operating at a profit and is considered an "asset light" company, the principal operations of which does not rely on a significant amount of fixed assets. The Company primarily

relied on the financial information published in the financial reports of the comparable companies and their share price as quoted on the relevant stock exchange as the basis of calculating their respective P/E ratio;

3. the principal assumptions involved in the market approach included:

   - the business profiles of the comparable companies (even though they may not be identical to that of the Pangenia Group) provided a reasonable benchmark of valuation that could be applied to the Pangenia Group;

   - the performance of the Pangenia Group would not significantly deviate from the performance of the comparable companies;

   - no material difference between the management accounts and the audited financial statements of Pangenia (as the relevant audited financial statements of Pangenia were not available at the material time and the Company relied on its management accounts); and

   - the valuation multiples reflected a fair and objective market expectation on the industry, notwithstanding that Hong Kong and Mainland China equities had been generally trading at a lower valuation due to softer investors' sentiment in the capital markets, particularly in Hong Kong and Mainland China; and

4. the Company would also highlight that the principal drawback of market approach is that the comparable companies (which are all publicly-traded companies) are generally larger in size and may have different risk and growth profiles than a private business like Pangenia; thus the valuation multiple of the comparable companies may not always be directly comparable to that of a private company. Such approach also does not take into account "non-operating assets", such as cash and investments, which are not required for business operations but are factored in for valuation. On balance, the Company considered that the market approach is preferable to the other two commonly adopted valuation methodologies, namely (i) cost approach, since such approach may not be able to reflect the expected economic benefits of an income-generating business like Pangenia; and (ii) income approach, since such approach involves significantly more assumptions and estimates, such as revenue, cost of revenue, and risk-adjusted discount rate, that cannot be reliably quantified and measured, particularly when the Group currently expects to integrate the operations of the Pangenia Group into the Group's own laboratory testing business (please refer to the paragraph headed "F. Reasons for and Benefits of the Acquisition" in this Letter from the Board), which may significantly alter the revenue profile of the Pangenia Group as a whole.

In determining the consideration under each of the Agreements, the Company has made reference to the following key inputs:

(i) the average, median and lower quartile of P/E ratio of the list of comparable companies of approximately 30.78x, 23.05x and 15.41x respectively. After applying a marketability discount of 35% in view of Pangenia's non-listed position, the average, median and lower quartile of the P/E ratio of such comparable companies were 20.01x, 14.98x and 10.2x respectively. The lower quartile of 10x was used as the consideration basis. The Company considers that it is fair and reasonable to take a more conservative approach in using the lower quartile to determine the consideration with a view to mitigating the principal limitation of the market approach, given that the comparable companies are all publicly-listed with larger scale of operations than Pangenia, and thus may, in general, command a higher valuation multiple than Pangenia as a private company. Using the lower quartile to determine the consideration is more favourable to the Company; and

(ii) the net profit of Pangenia for the trailing 12 months of approximately HK$27 million before 30 September 2023 and taking into account of the 12.38% equity interest in Pangenia subject to the Acquisition.

Further, the average and median price-to-book ratios of the list of comparable companies (after applying a marketability discount of 35% in view of Pangenia's non-listed position) are 1.05x and 0.98x respectively. The consideration under each of the Agreements represents a price-to-book ratio of 1.05x of Pangenia's net asset value as at 30 September 2023.

In the interest of providing further information about the fair value of the Pangenia Group, the Company has engaged the Valuer to prepare the Valuation Report as set out in Appendix V to this circular. The Valuer has adopted the market approach using EV/EBITDA as the valuation multiple. A summary of the comparison between the valuation results and the consideration determined by the Company under the relevant sale and purchase agreement is set out below:

Subject	**Valuation result of the Valuer as at 30 September 2023** *(HK$)*	**The relevant sale and purchase agreement**	**Consideration determined by the Company** *(HK$)*	**Comparison**
16,059,997 series A preferred shares in Pangenia and 2,288,000 ordinary shares in Pangenia	138,933,000 in aggregate	The sale and purchase agreement dated 30 November 2023	115,000,000 in aggregate	Valuer's valuation is approximately 20.8% higher than the consideration determined by the Company as the Valuer has taken into account the special rights of series A preferred shares, including liquidation preferences, conversion rights and participation rights and adopted the "option pricing model" to assess the theoretical value of such rights in the liquidation scenario. Please refer to pages V-29 and V-30. The Company determined the consideration based on economic substance at the time of negotiation with the relevant sellers and treated series A preferred shares as equivalent to ordinary shares.
2,775,330 ordinary shares in Pangenia	16,546,000	The Success Synergy SPA	17,400,000	Generally in line
2,520,765 ordinary shares in Pangenia	15,028,000	The Bio-Gene SPA	15,800,000	Generally in line

In terms of financial performance, the Board particularly noted that:

(i) *Revenue*. The Pangenia Group recorded revenue of approximately HK$221.0 million for the nine months ended 31 December 2023, representing a decrease of approximately 12.1% from the corresponding period in 2022. The Board was given to understand that this was primarily due to a significant reduction of

COVID-19 related testing under the laboratory services segment as a result of the lifting of COVID-19 related prevention and control measures in Hong Kong in 2023.

(ii) *Gross Profit*. Primarily as a result of (i) above, and as the laboratory business was still optimizing its cost structure to account for the reduction in COVID-19 related testing business in 2023, the Pangenia Group recorded a gross profit of approximately HK$82.0 million, representing a decrease of approximately 10.6% from the corresponding period in 2022.

(iii) *Net Profit*. As a result of the foregoing, and as most of the COVID-19 related government grants had ceased in 2023 (which in turn led to the Pangenia Group recording significantly less ''other income''), the Pangenia Group recorded a net profit of approximately HK$14.8 million, representing a decrease of approximately 48.7% from the corresponding period in 2022.

(iv) *Trade Payables*. The Pangenia Group recorded trade payables of approximately HK$35.1 million as at 31 December 2023, representing an increase of approximately 160.4% from approximately HK$13.5 million as at 31 March 2023. The Board was given to understand that this was primarily due to a general increase in the trading business segment and purchases made to fulfill large orders from certain customers.

(v) *Current Liabilities*. The Pangenia Group recorded total current liabilities of approximately HK$84.4 million as at 31 December 2023, representing an increase of approximately 34.2% from approximately HK$62.9 million as at 31 March 2023. The Board was given to understand that this was primarily due to profit tax accrued as payable and increase in trade payables as noted in (iv) above.

The Board is satisfied that, after considering the underlying reasons for the financial performance of the Pangenia Group as a whole, there is nothing indicative of a material deterioration in the overall fundamentals of the Pangenia Group that would lead it to alter its views in assessing the Acquisition. The laboratory services (which was particularly affected due to reduction in COVID-19 related testing in 2023) only represent a relatively small segment of the Pangenia Group (most of its revenue is generated from the trading segment), and its strategic value lies in the potential synergies with the existing laboratory testing business of the Group, which will in turn enable the Group to consolidate market share and offer full-range laboratory testing services. As disclosed above, the Group has plans to integrate the laboratory testing businesses of the Group and the Pangenia Group to achieve economies of scale and optimize the consolidated offerings to improve overall profitability. The trading business of the Pangenia Group has generally remained on a growth trajectory and is expected to generate new business opportunities for the Group as a whole.

Based on the forgoing as a whole, the Board considers that the consideration under each of the Agreements is fair and reasonable from the perspective of the Company and in the interests of the Company and the Shareholders as a whole.

C. INFORMATION OF THE PANGENIA GROUP

Pangenia is incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, the Pangenia Group is principally engaged in the business of, among others, (a) the provision of medical laboratory testing to doctors and medical related institutions; and (b) the distribution of medical laboratory equipment and devices. The Pangenia Group commenced business in 1993.

The following table sets out the shareholding structure of Pangenia as at the Latest Practicable Date to the best of the Directors' knowledge, information and belief:

Shareholders of Pangenia	**Percentage of shareholding in Pangenia** *(%)*
Series A Preferred Shares Note (a)	
Victor Mind International Limited (an indirect wholly-owned subsidiary of the Company)	37.53
Ordinary Shares	
True Wonder Holdings Limited Note (b)	11.26
Comford Resources Limited Note (c)	9.61
Success Synergy Limited (one of the Target Companies, which is the subject of acquisition under the Success Synergy SPA)	6.49
The Lucinda Hsu Irrevocable Family Protection Trust Note (d)	6.42
Bio-Gene Limited (one of the Target Companies, which is the subject of acquisition under the Bio-Gene SPA)	5.89
Leung Survivor's Trust Note (e)	5.70
D&P Consultant Limited Note (f)	5.66
Active Compass Limited (an indirect wholly-owned subsidiary of the Company)	5.35
Sunshine Capital Limited Note (g)	2.60
Leungs Investments Note (e)	1.82
Hau Kwok Po	0.759
Lo Yuk Lam	0.563
Tam See-Ying	0.187
Leung James Shui Man	0.175
Total:	100%

Notes:

(a) Victor Mind International Limited holds series A preferred shares of Pangenia, which entitle it to specific special rights in Pangenia. These include the rights to appoint directors, receive liquidation preference, and approve certain transactions and corporate actions of Pangenia. Victor Mind

International Limited also has the option to convert its series A preferred shares into ordinary shares on a 1:1 basis at no additional cost, subject to adjustment for share-split, share dividend, recapitalisation, or other similar events.

(b) True Wonder Holdings Limited is owned by Hau Kwok Po, Wong Hon Wah, Lau Lai Yee Cherry, Fung Pui Yee and Cheng Wai Man as to 36.52%, 18.26%, 9.43%, 17.53% and 18.26% respectively.

(c) Comford Resources Limited is wholly-owned by Wong Shun Yan.

(d) The beneficiaries of the Lucinda Hsu Irrevocable Family Protection Trust comprise the family members of Lucinda Hsu.

(e) The beneficiaries of Leung Survivor's Trust comprise the family members of Leung James Shui Man. These trusts and entities are ultimately owned by Leung James Shui Man.

(f) D&P Consultant Limited is owned by Hau Kwok Po, Sharp Point Consultant Limited and Chow Kwok Fai Joseph as to 13.79%, 40.44% and 17.40% respectively. The remaining shareholding in D&P Consultant Limited are owned by other 14 minority shareholders. Sharp Point Consultant Limited is owned by Yu Kwai Ying and Tam Tze Tung, Francis as to 80% and 20% respectively.

(g) Sunshine Capital Limited is owned by Sharp Point Consultant Limited, which is in turn owned by Yu Kwai Ying and Tam Tze Tung, Francis as to 80% and 20% respectively.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for the relevant relationship with the Pangenia Group, each of the shareholders of Pangenia (other than (i) Victor Mind and Active Compass, which are the indirect wholly-owned subsidiaries of the Company as at the Latest Practicable Date; and (ii) Success Synergy and Bio-Gene which will be acquired by the Company under the Agreements) and their respective ultimate beneficial owners is a third party independent of the Company and its connected persons.

The consolidated financial information of the Pangenia Group prepared for the two years ended 31 March 2023 in accordance with the Hong Kong Financial Reporting Standards issued by the HKICPA is set out as follows:

	For the year ended 31 March 2022 (audited) *HK$'000*	**For the year ended 31 March 2023** (audited) *HK$'000*
Profit before tax	13,156	44,223
Profit after tax	5,907	37,822

The audited net asset value and the total assets of the Pangenia Group as at 31 December 2023 were approximately HK$227,786,000 and HK$321,135,000, respectively.

D. INFORMATION OF THE COMPANY AND THE PURCHASER

The Company was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of medical services, aesthetic medical and beauty and wellness services, and veterinary and other services.

The Purchaser, an indirect wholly-owned subsidiary of the Company, is a company incorporated in the British Virgin Islands. The Purchaser is an investment holding company.

E. INFORMATION OF THE COUNTERPARTIES UNDER THE AGREEMENTS

Parties relevant to the Success Synergy SPA

The seller

Sharp Point Consultant Limited is incorporated in the British Virgin Islands with limited liability. It is principally engaged in investment holding. It is held as to 20% by Tam Tze Tung, Francis and 80% by Yu Kwai Ying. Tam Tze Tung, Francis is a management personnel of the Pangenia Group and is expected to remain with the Pangenia Group after the completion of the Success Synergy SPA. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for the relevant relationship with the Pangenia Group, each of Sharp Point Consultant Limited and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

The Target Company

Success Synergy is incorporated in Samoa with limited liability and is an investment holding company. Immediately before completion of the Success Synergy SPA, Success Synergy was wholly owned by the seller, namely Sharp Point Consultant Limited. Success Synergy is an investment holding company whose only asset is 2,775,330 ordinary shares in Pangenia, representing 6.49% of the issued share capital of Pangenia. No financial statements have been prepared for Success Synergy as it is only an investment holding company for the 6.49% of the issued share capital of Pangenia.

Parties relevant to the Bio-Gene SPA

The sellers

Hau Kwok Po, Wong Hon Wah and Cheng Wai Man hold 50%, 25% and 25% equity interest in Bio-Gene, respectively. Each of Hau Kwok Po and Cheng Wai Man is a management personnel of the Pangenia Group and is currently expected to remain with the Pangenia Group after completion of the Bio-Gene SPA. Wong Hon Wah is a consultant to the Pangenia Group and is currently expected to remain with the Pangenia Group after the completion of the Bio-Gene SPA. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for the relevant relationship with the Pangenia Group, each of Hau Kwok Po, Wong Hon Wah and Cheng Wai Man is a third party independent of the Company and its connected persons. The Bio-Gene SPA does not contain any terms for the appointment of any of Hau Kwok Po, Wong Hon Wah and Cheng Wai Man as a Director, and the Board currently does not have any intention to do so.

After completion of the Bio-Gene SPA,

(i) Hau Kwok Po will remain interested in Pangenia through (a) his shareholding of 0.759% in Pangenia; (b) his 36.52% shareholding in True Wonder Holdings Limited, which in turn holds 11.26% shareholding in Pangenia; and (c) his 13.79% shareholding in D&P Consultant Limited, which in turn holds 5.66% shareholding in Pangenia;

(ii) Wong Hon Wah will remain interested in Pangenia through his shareholding of 18.26% in True Wonder Holdings Limited, which in turn holds 11.26% shareholding in Pangenia; and

(iii) Cheng Wai Man will remain interested in Pangenia through his 18.26% shareholding in True Wonder Holdings Limited, which in turn holds 11.26% shareholding in Pangenia.

The Target Company

Bio-Gene is incorporated in Hong Kong with limited liability and is an investment holding company. Immediately before completion of the Bio-Gene SPA, Bio-Gene was wholly owned by the sellers, namely Hau Kwok Po, Wong Hon Wah and Cheng Wai Man. Bio-Gene is an investment holding company whose only asset is 2,520,765 ordinary shares in Pangenia, representing 5.89% of the issued share capital of Pangenia. No financial statements have been prepared for Bio-Gene as it is only an investment holding company for the 5.89% of the issued share capital of Pangenia.

F. REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal activities of the Company is the provision of medical and healthcare services in Hong Kong, Macau and the Mainland China. In order to achieve the Group's strategic objective of sustainable development, it has been actively looking for new business opportunities and will gradually invest resources to develop new businesses with a view to creating new sources of income and diversifying its revenue streams.

The Pangenia Group is principally engaged in the business of, among others, (a) the provision of medical laboratory testing to doctors and medical related institutions in Hong Kong; and (b) the distribution of medical laboratory equipment and devices in Hong Kong and Mainland China (Beijing, Shanghai, Guangzhou and Chengdu). The Pangenia Group commenced business in 1993. The laboratory of the Pangenia Group was accredited through the Hong Kong Laboratory Accreditation Scheme in 2022. The Group does not have any existing material business relationships with the Pangenia Group. Occasionally the Group's medical professionals may refer certain laboratory testing services (generally specialized testing services that are not currently offered by the Group) to the Pangenia Group. Upon completion of the Acquisition, the Company will acquire a significant stake in Pangenia. The Company believes the Acquisition will enable the Company to leverage the Pangenia Group's expertise and network in life sciences and premium medical service industry, which is a growing and diversified market segment in Hong Kong. In particular, the Company is of the view that the highly fragmented medical laboratory testing market in Hong Kong has great potential and room for development and the Acquisition would facilitate the Group's expansion into the medical laboratory testing market.

In January 2021, the Company acquired Pathlab Medical Laboratories Limited ("**Pathlab**"), which is engaged in the provision of laboratory testing business similar to the principal business of Pangenia. Each of Mr. Lu Lyn Wade Leslie and Mr. Lee Heung Wing, an executive Director, has been a director of Pathlab since the acquisition and has acquired relevant experience in leading a management team to operate a laboratory testing business. Such experience will prove valuable in the integration of Pangenia's operations into the Group. The laboratory businesses of Pathlab and Pangenia complement with each other, in the sense that each of them operates certain segment of specialized laboratory testing services that the other does not. The consolidation of the laboratory businesses of Pathlab and Pangenia will therefore enable the Group to offer full range laboratory testing services and achieve economies of scale, and in conjunction with strategic optimization and centralization of overlapping processes, functions and resources, the Group will be able to drive enhanced operational efficiencies, cost savings and improved profitability.

With the established customer base and extensive market reach of the Pangenia Group, the Acquisition is expected to enable the Company to expand its presence in the laboratories equipment and medical distribution market and broaden its customer network. Vertical integration of a well-established laboratories equipment and medical distributor such as Pangenia into the Group's existing operations is expected to generate synergistic opportunities. The Group will be able to leverage the distributor's expertise in distribution channels, logistics, and customer relationships with a view to optimizing the Group's overall business operations. Such integration is expected to drive enhanced operational efficiencies, cost savings, and improved profitability to the Group. By combining the strengths of stakeholders in the upstream and downstream businesses, the Group can leverage these resources and expertise to expand its geographical footprint and further enhance its leading position. In particular, the Pangenia Group currently has medical laboratory equipment and devices trading operations in Beijing, Shanghai, Guangzhou and Chengdu. The Group does not currently operate any trading business in Mainland China and is desirous of establishing a trading presence and expanding its geographical footprint to strategic locations in Mainland China by leveraging on the network of the Pangenia Group.

The Acquisition will enable the Company to acquire a controlling stake in Pangenia of 55.26% taking into account the existing 42.88% interest held by the Company thereof, to direct the management and business affairs of the Pangenia Group, which will in turn enable the Group to more comprehensively integrate the Pangenia Group's operations and realise the strategic objectives of expanding the Group's revenue stream and tapping into the medical laboratory testing market in Hong Kong, which has significant room for growth. In view of the profitability of the Pangenia Group, the Company also expects that the Acquisition will improve the profitability of the Group and return to Shareholders.

Having considered the above, the Directors (including the independent non-executive Directors) consider that the terms of the Agreements and the Acquisition are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

No Director has any material interest in the Acquisition and was required to abstain from voting on the Directors' resolutions approving the Acquisition and the entering into of the Agreements by the Purchaser.

G. FINANCIAL EFFECTS OF THE ACQUISITION

Upon completion of the Acquisition, each of Success Synergy and Bio-Gene will become an indirect wholly-owned subsidiary of the Company, and Pangenia will become an indirect majority-owned subsidiary of the Company. Each of their financial results will be consolidated into that of the Company.

The Unaudited Pro Forma Financial Information is set out in Appendix IV to this circular for illustrative purposes. The Unaudited Pro Forma Financial Information was prepared based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group as if the Acquisition had been completed on 30 September 2023.

Assets and Liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, the Group's total assets would increase from approximately HK$5,562 million to approximately HK$5,752 million and total liabilities would increase from approximately HK$3,164 million to approximately HK$3,259 million, resulting in an overall increase in total consolidated net assets from approximately HK$2,398 million as at 30 September 2023 to approximately HK$2,622 million upon completion of the Acquisition.

Earnings

For the year ended 31 March 2023, the consolidated net profit of the Group was approximately HK$107 million. Upon completion of the Acquisition, the results of the Pangenia Group would be consolidated with the Company. As set out in the accountants' report of the Pangenia Group for the nine months ended 31 December 2023 in Appendix II to this circular, the Pangenia Group recorded a net profit after tax of approximately HK$15 million. The Directors are of the opinion that the Acquisition will have a positive impact on the Enlarged Group's long-term financial performance.

Gearing and liquidity

As set out in this Letter from the Board, the aggregate consideration for the Acquisition is HK$33.2 million, which will be settled by the internal resources of the Group. According to the Company's 2023 Interim Report, the Group's cash and cash equivalent was approximately HK$630.1 million as at 30 September 2023.

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, the cash and cash equivalent of the Enlarged Group will be increased from HK$631 million to HK$641 million. Accordingly, the Enlarged Group's net current liabilities would decrease from approximately HK$200 million to approximately HK$150 million. The current ratio (being current assets divided by current liabilities) would also increase from approximately 0.88 times to approximately 0.90 times.

Before the Acquisition, as at 30 September 2023, the Group had outstanding interest-bearing bank borrowings in the amount of HK$576.3 million and convertible bonds of HK$230.1 million. Upon completion of the Acquisition, after consolidating the financial position of the Pangenia Group, there will be no change in the Enlarged Group's total debt. The gearing ratio (being total debt divided by total equity) would decrease from 33.6% to 30.7%.

Overall, the Enlarged Group's overall liquidity and gearing ratio are expected to remain healthy.

H. LISTING RULES IMPLICATIONS

Upon completion of the Acquisition, Pangenia will become a subsidiary of the Company. Therefore, 100% of the revenue, profit and total assets of Pangenia have been used for the purpose of the relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules exceed 25% and all applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction for the Company which is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

So far as the Company is aware, having made all reasonable enquiries, no Shareholder has a material interest in, and would be required to abstain from voting on, the resolution to approve the Acquisition if the Company were to convene a general meeting to approve the same.

As at the Latest Practicable Date, Union Medical Care Holding Limited holds 712,620,610 Shares, representing approximately 60.12% of the issued share capital of the Company. The Company has already obtained the written approval of the Acquisition from such shareholder pursuant to Rule 14.44 of the Listing Rules. Accordingly, no general meeting will be convened to consider the Acquisition.

I. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board of
EC Healthcare
Raymond Siu
Company Secretary

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Company for each of the financial years ended 31 March 2021, 31 March 2022 and 31 March 2023 respectively, and the unaudited consolidated financial information of the Company for the six months ended 30 September 2023, together with the relevant notes thereto are disclosed in the following documents, which were published on both the websites of the Stock Exchange (www.hkexnews.hk) and the Company (https://www.echealthcare.com/) as follows:

— the Company's annual report for the year ended 31 March 2021 published on 23 July 2021 (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0723/2021072300977.pdf) (pages 99 to 246);

— the Company's annual report for the year ended 31 March 2022 published on 25 July 2022 (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0725/2022072501208.pdf) (pages 112 to 273);

— the Company's annual report for the year ended 31 March 2023 published on 25 July 2023 (https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0725/2023072500896.pdf) (pages 109 to 265); and

— the Company's interim report for the six months ended 30 September 2023 published on 20 December 2023 (https://www1.hkexnews.hk/listedco/listconews/sehk/2023/1220/2023122000177.pdf) (pages 36 to 65).

2. INDEBTEDNESS STATEMENT

Interest-bearing bank and other borrowings

As at the close of business on 27 April 2024, being the latest practicable date for the purpose of preparing this indebtedness statement, the Enlarged Group had outstanding interest-bearing bank borrowings in the amount of HK$765 million and convertible bonds of HK$242 million. The Enlarged Group's gearing ratio (which equals total debt divided by total equity) is 40%. The Enlarged Group also had other borrowings of HK$7 million and lease liabilities of HK$590 million.

Contingent liabilities and guarantees

As at the close of business on 27 April 2024, being the latest practicable date for the purpose of preparing this indebtedness statement, the Enlarged Group had no other material contingent liabilities and guarantees.

Charges over assets

As at the close of business on 27 April 2024, being the latest practicable date for the purpose of preparing this indebtedness statement, there was no charge over investment properties, ownership interests in land and building held for own use.

Disclaimers

Save as the aforesaid or otherwise as disclosed herein, and apart from intra-group liabilities within the Enlarged Group, the Enlarged Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade and other payables and contract liabilities) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities at the close of business on 27 April 2024.

3. SIGNIFICANT INVESTMENTS OF THE GROUP

Save for the Acquisition as disclosed in this circular, there were no significant investments held by the Company for the year ended 31 March 2024, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures for the year ended 31 March 2024.

4. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Enlarged Group, including the internally generated funds, cash flows from operation and currently available facilities, the Enlarged Group has sufficient working capital to satisfy its requirements for its normal business for at least 12 months from the date of publication of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Company's core operations revolve around the provision of medical and healthcare services in Hong Kong, Macau, and Mainland China. With the aim of achieving sustainable development, the Company actively seeks new business opportunities and allocates resources to cultivate diverse revenue streams.

Upon completion of the Acquisition, the Company will acquire a substantial stake in Pangenia. The Acquisition is expected to enable the Company to leverage the Pangenia Group's expertise and network in the life sciences and premium medical service industry, which represents a growing and varied market segment in Hong Kong. Notably, the Company perceives significant potential for growth in the highly fragmented medical laboratory testing market in Hong Kong. Consequently, the Acquisition will facilitate the Company's expansion into this market segment.

By capitalizing on the established customer base and extensive market reach of the Pangenia Group, the Acquisition is poised to enhance the Company's presence in the laboratories equipment and medical distribution market, while also expanding its customer network. The integration of Pangenia, a renowned distributor of laboratories equipment and medical supplies, into the Company's existing operations is expected to generate synergistic opportunities. This integration will enable the Company to leverage Pangenia's expertise in distribution channels, logistics, and customer relationships, thereby optimizing overall business operations. The resulting benefits include enhanced operational efficiencies, cost savings, and improved profitability. By combining the strengths of stakeholders in both upstream and downstream businesses, the Company aims to leverage these resources and expertise to expand its geographical footprint and strengthen its market-leading position.

Through the Acquisition, the Company will secure a controlling stake of 55.26% in Pangenia, granting it the ability to direct the management and business affairs of the Pangenia Group. This comprehensive integration will facilitate the realization of strategic objectives, including the expansion of the Company's revenue stream and penetration into the medical laboratory testing market in Hong Kong, which offers substantial growth prospects. Furthermore, considering the profitability of the Pangenia Group, the Company anticipates that the Acquisition will enhance the profitability of the Group, ultimately benefiting its shareholders.

6. MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material change in the financial or trading position of the Group since 31 March 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

The following is the text of a report set out on pages II-1 to II-65, received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF PANGENIA INC AND ITS SUBSIDIARIES (THE "TARGET GROUP") TO THE DIRECTORS OF EC HEALTHCARE

Introduction

We report on the historical financial information of Pangenia Inc (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages II-1 to II-65, which comprises the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Target Group for each of the years ended 31 March 2021, 2022 and 2023 and the nine months ended 31 December 2023 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Target Group as at 31 March 2021, 2022 and 2023 and 31 December 2023 and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-1 to II-65 forms an integral part of this report, which has been prepared for inclusion in the circular of EC Healthcare (the "**Company**") dated 11 June 2024 (the "**Circular**") in connection with the acquisition of the additional 12.36% equity interest of the Target Company (the "**Acquisition**").

Target Company Directors' responsibility for the Historical Financial Information

The directors of the Target Company (the "**Target Company Directors**") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information and for such internal control as the Target Company Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group as at 31 March 2021, 2022 and 2023 and 31 December 2023 and of the consolidated financial performance and consolidated cash flows of the Target Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the nine months ended 31 December 2023 and other explanatory information (the "**Interim Comparative Financial Information**"). The Target Company Directors are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

Ernst & Young
Certified Public Accountants

Hong Kong

11 June 2024

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March			Nine months ended 31 December	
	Notes	**2021**	**2022**	**2023**	**2022**	**2023**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Revenue	*5*	269,374	287,318	319,906	251,529	221,004
Cost of sales		(168,174)	(167,736)	(164,692)	(131,365)	(110,097)
Cost of services		(25,395)	(27,829)	(36,406)	(28,486)	(28,915)
Gross profit		75,805	91,753	118,808	91,678	81,992
Other income and gains, net	*6*	15,297	1,935	4,428	3,490	466
Research and development expenses		(6,010)	(5,448)	(3,647)	(3,232)	(2,175)
Selling and distribution expenses		(14,514)	(13,438)	(15,081)	(10,939)	(14,971)
Administrative expenses		(73,869)	(61,459)	(60,122)	(44,638)	(46,421)
Finance cost	*7*	(228)	(187)	(163)	(123)	(109)
PROFIT/(LOSS) BEFORE TAX	*8*	(3,519)	13,156	44,223	36,236	18,782
Income tax	*9*	(1,499)	(7,249)	(6,401)	(7,358)	(3,961)
PROFIT/(LOSS) FOR THE YEAR/ PERIOD		(5,018)	5,907	37,822	28,878	14,821
Attributable to:						
Owners of the parent		(5,205)	5,708	37,552	28,646	14,636
Non-controlling interests		187	199	270	232	185
		(5,018)	5,907	37,822	28,878	14,821
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						
Basic and diluted	*10*	HK$(0.19)	HK$0.21	HK$1.40	HK$1.07	HK$0.55

	Notes	Year ended 31 March 2021 HK$'000	Year ended 31 March 2022 HK$'000	Year ended 31 March 2023 HK$'000	Nine months ended 31 December 2022 HK$'000 (Unaudited)	Nine months ended 31 December 2023 HK$'000
PROFIT/(LOSS) FOR THE YEAR/ PERIOD		(5,018)	5,907	37,822	28,878	14,821
OTHER COMPREHENSIVE INCOME/(LOSS)						
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of foreign operations		433	108	(375)	67	1,112
Release of exchange fluctuation reserve		(153)	—	—	—	—
Other comprehensive income/(loss) for the year/period		280	108	(375)	67	1,112
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		(4,738)	6,015	37,447	28,945	15,933
Total comprehensive income/(loss) for the year/period attributable to:						
Owners of the parent		(4,925)	5,816	37,177	28,713	15,748
Non-controlling interests		187	199	270	232	185
		(4,738)	6,015	37,447	28,945	15,933

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at 31 December
	Notes	**2021**	**2022**	**2023**	**2023**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*11*	22,464	17,119	16,796	20,996
Intangible assets	*12*	51,620	49,279	46,999	45,293
Deposits	*13*	2,706	3,431	3,078	3,056
Deferred tax assets	*21*	3,103	2,842	2,838	2,862
Total non-current assets		79,893	72,671	69,711	72,207
CURRENT ASSETS					
Inventories	*14*	31,803	26,994	20,622	27,119
Trade receivables	*15*	48,917	34,319	33,291	51,060
Prepayments, deposits and other receivables	*13*	9,015	12,183	12,125	10,374
Due from related companies	*26(c)*	3,952	1,427	—	—
Due from directors	*26(c)*	3,375	2,459	1,817	1,716
Cash and cash equivalents	*16*	83,423	84,524	143,016	158,659
Total current assets		180,485	161,906	210,871	248,928
CURRENT LIABILITIES					
Trade payables	*17*	(16,435)	(9,825)	(13,490)	(35,132)
Other payables and accruals	*18*	(17,024)	(16,592)	(14,343)	(15,980)
Due to related companies	*26(c)*	(3)	(614)	(1,656)	(2,243)
Tax payable		(1,888)	(2,236)	(1,229)	(5,201)
Contract liabilities	*20*	(30,760)	(23,046)	(29,305)	(20,630)
Lease liabilities	*22*	(4,654)	(4,381)	(2,877)	(5,208)
Total current liabilities		(70,764)	(56,694)	(62,900)	(84,394)
NET CURRENT ASSETS		109,721	105,212	147,971	164,534
TOTAL ASSETS LESS CURRENT LIABILITIES		189,614	177,883	217,682	236,741

	Notes	As at 31 March 2021	As at 31 March 2022	As at 31 March 2023	As at 31 December 2023
		HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT LIABILITIES					
Lease liabilities	22	(3,465)	(608)	(2,747)	(6,187)
Deferred tax liabilities	21	(2,558)	(2,669)	(3,082)	(2,768)
Total non-current liabilities		(6,023)	(3,277)	(5,829)	(8,955)
Net assets		183,591	174,606	211,853	227,786
EQUITY					
Equity attributable to owners of the parent					
Share capital	23	271,564	271,564	271,564	271,564
Reserves	24	(87,742)	(96,926)	(59,749)	(44,001)
		183,822	174,638	211,815	227,563
Non-controlling interests		(231)	(32)	38	223
Total equity		183,591	174,606	211,853	227,786

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital HK$'000	Merger reserve* HK$'000 (note 24)	Fair value reserve of financial assets at fair value through other comprehensive income* HK$'000	Other reserve* HK$'000 (note 24)	Deemed contribution reserve* HK$'000 (note 24)	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Year ended 31 March 2021										
At 1 April 2020	271,564	(76,632)	(2,948)	2,338	(68,745)	(1,345)	64,515	188,747	3,797	192,544
Loss for the year	—	—	—	—	—	—	(5,205)	(5,205)	187	(5,018)
Other comprehensive income/(loss) for the year:										
Exchange differences on translation of foreign operations	—	—	—	—	—	433	—	433	—	433
Release of exchange fluctuation reserve *(note 25(d))*	—	—	—	—	—	(153)	—	(153)	—	(153)
Total comprehensive income/(loss) for the year	—	—	—	—	—	280	(5,205)	(4,925)	187	(4,738)
Disposal of a subsidiary *(note 25(d))*	—	—	—	(3,236)	—	—	3,236	—	(4,215)	(4,215)
At 31 March 2021	271,564	(76,632)	(2,948)	(898)	(68,745)	(1,065)	62,546	183,822	(231)	183,591
Year ended 31 March 2022										
At 1 April 2021	271,564	(76,632)	(2,948)	(898)	(68,745)	(1,065)	62,546	183,822	(231)	183,591
Profit for the year	—	—	—	—	—	—	5,708	5,708	199	5,907
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	—	—	—	—	—	108	—	108	—	108
Total comprehensive income for the year	—	—	—	—	—	108	5,708	5,816	199	6,015
Interim 2021 dividend *(note 26(d))*	—	—	—	—	—	—	(15,000)	(15,000)	—	(15,000)
At 31 March 2022	271,564	(76,632)	(2,948)	(898)	(68,745)	(957)	53,254	174,638	(32)	174,606

	Issued capital HK$'000	Merger reserve* HK$'000 (note 24)	Fair value reserve of financial assets at fair value through other comprehensive income* HK$'000	Other reserve* HK$'000 (note 24)	Deemed contribution reserve* HK$'000 (note 24)	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Year ended 31 March 2023										
At 1 April 2022	271,564	(76,632)	(2,948)	(898)	(68,745)	(957)	53,254	174,638	(32)	174,606
Profit for the year	—	—	—	—	—	—	37,552	37,552	270	37,822
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations	—	—	—	—	—	(375)	—	(375)	—	(375)
Total comprehensive income/(loss) for the year	—	—	—	—	—	(375)	37,552	37,177	270	37,447
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	(200)	(200)
At 31 March 2023	271,564	(76,632)	(2,948)	(898)	(68,745)	(1,332)	90,806	211,815	38	211,853
Nine months ended 31 December 2022 (unaudited)										
At 1 April 2022	271,564	(76,632)	(2,948)	(898)	(68,745)	(957)	53,254	174,638	(32)	174,606
Profit for the period	—	—	—	—	—	—	28,646	28,646	232	28,878
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	—	67	—	67	—	67
Total comprehensive income for the period	—	—	—	—	—	67	28,646	28,713	232	28,945
At 31 December 2022	271,564	(76,632)	(2,948)	(898)	(68,745)	(890)	81,900	203,351	200	203,551

	Issued capital HK$'000	Merger reserve* HK$'000 (note 24)	Fair value reserve of financial assets at fair value through other comprehensive income* HK$'000	Other reserve* HK$'000 (note 24)	Deemed contribution reserve* HK$'000 (note 24)	Exchange fluctuation reserve* HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Nine months ended 31 December 2023										
At 1 April 2023	271,564	(76,632)	(2,948)	(898)	(68,745)	(1,332)	90,806	211,815	38	211,853
Profit for the period	—	—	—	—	—	—	14,636	14,636	185	14,821
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	—	1,112	—	1,112	—	1,112
Total comprehensive income for the period	—	—	—	—	—	1,112	14,636	15,748	185	15,933
At 31 December 2023	271,564	(76,632)	(2,948)	(898)	(68,745)	(220)	105,442	227,563	223	227,786

* *These reserve accounts comprise the consolidated reserves with a debit of HK$87,742,000, HK$96,926,000, HK$59,749,000 and HK$44,001,000 as at 31 March 2021, 2022 and 2023 and 31 December 2023, respectively, in the consolidated statements of financial position.*

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 March			Nine months ended 31 December	
	Notes	2021	2022	2023	2022	2023
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		(3,519)	13,156	44,223	36,236	18,782
Adjustments for:						
Gain on disposal of a subsidiary	*6*	(3,868)	—	—	—	—
Interest income	*6*	(20)	(13)	(31)	(13)	(190)
Finance cost	*7*	228	187	163	123	109
Depreciation of property, plant and equipment	*8*	5,601	3,815	3,687	2,765	2,829
Depreciation of right-of-use assets	*8*	5,696	5,479	5,802	4,344	3,058
Amortisation of intangible assets	*8*	2,632	2,341	2,280	1,710	1,706
Impairment of trade receivables, net	*8*	2,787	(955)	(28)	(28)	145
Loss on deregistration of a subsidiary		—	—	—	—	1,032
Fair value loss of convertible loan	*8*	7,995	1,131	377	—	—
Write-off of items of property, plant and equipment	*8*	2,224	930	23	—	—
		19,756	26,071	56,496	45,137	27,471
Decrease/(increase) in inventories		(6,757)	4,809	6,372	6,694	(6,497)
Decrease/(increase) in trade receivables		(14,946)	15,553	1,056	(17,700)	(17,914)
Decrease/(increase) in prepayments, deposits and other receivables		28,178	(5,024)	34	74	1,773
Increase/(decrease) in trade payables		(6,814)	(6,610)	3,665	2,156	21,642
Increase/(decrease) in other payables and accruals		14,301	(432)	(2,249)	2,354	1,637
Increase/(decrease) in contract liabilities		431	(7,714)	6,259	(129)	(8,675)
Increase in amounts due from related companies		557	3,242	2,469	3,501	587
Increase/(decrease) in amounts due from directors		(3,341)	916	642	2,447	101
Cash generated from operations		31,365	30,811	74,744	44,534	20,125
Hong Kong profits tax paid		(1,610)	(6,530)	(8,433)	(914)	(798)
Net cash flows from operating activities		29,755	24,281	66,311	43,620	19,327

	Notes	Year ended 31 March 2021 HK$'000	Year ended 31 March 2022 HK$'000	Year ended 31 March 2023 HK$'000	Nine months ended 31 December 2022 HK$'000 (Unaudited)	Nine months ended 31 December 2023 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		20	13	31	13	190
Purchases of items of property, plant and equipment		(7,450)	(2,270)	(2,724)	(2,099)	(1,503)
Addition to other intangible assets		(80)	—	—	—	—
Disposal of a subsidiary	*25(c)*	4,611	—	—	—	—
Payment of convertible loan		(7,995)	(1,131)	(377)	—	—
Net cash flows used in investing activities		(10,894)	(3,388)	(3,070)	(2,086)	(1,313)
CASH FLOWS FROM FINANCING ACTIVITIES						
Principal portion of lease payments		(5,549)	(5,717)	(5,856)	(4,320)	(2,829)
Dividends paid		—	(15,000)	—	—	—
Dividends paid to non-controlling shareholders		—	—	(200)	(200)	—
Cash flows used in financing activities		(5,549)	(20,717)	(6,056)	(4,520)	(2,829)
NET INCREASE IN CASH AND CASH EQUIVALENTS		13,312	176	57,185	37,014	15,185
Cash and cash equivalents at beginning of year/period		69,081	83,423	84,524	84,524	143,016
Effect of foreign exchange rate changes, net		1,030	925	1,307	(241)	458
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		83,423	84,524	143,016	121,297	158,659

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company is a limited liability company incorporated in the British Virgin Islands (the "**BVI**"). The address of the registered office of the Target Company is Vistra Corporation Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

The Target Company is an investment holding company. During the Relevant Periods, the Target Company and its subsidiaries (collectively the "**Target Group**") are principally engaged in the provision of laboratory testing services, the distribution of medical laboratory equipment and consumables and the provision of maintenance services. There has been no significant change in the Target Group's principal activities during the Relevant Periods.

As at the date of this report, the Target Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ share capital	Percentage of equity attributable to the Target Company Direct	Indirect	Principal activities
Diagcor Bioscience Incorporation Limited *(note e)*	Hong Kong	HK$28,717,166	100	—	Investment holding and provision of laboratory testing services
Pangenia Lifesciences Limited *(note a)*	Hong Kong	HK$1	—	100	Provision of laboratory testing services
22 Plus Genomic Information Technology Limited *(note a)*	Hong Kong	HK$10,000	—	100	Provision of clinical tests
Pangenia Genomics Limited *(note b)*	Hong Kong	HK$10,000	—	100	Dormant
Prestige Season Limited *(note g)*	Samoa	US$1	—	100	Investment holding
Bio-gene Technology Limited *(note c)*	Hong Kong	HK$10,000	—	100	Trading of laboratory products
Grandtech Scientific Hong Kong Limited *(note c)*	Hong Kong	HK$10,000	—	100	Trading of laboratory products
Grandtech Scientific China Limited *(note c)*	Hong Kong	HK$10,000	—	100	Trading of laboratory products
廣州伯齊生物科技有限公司 Guangzhou Boqi Biotechnology Ltd.* *(note h)*	People's Republic of China ("**PRC**")/ Mainland China	RMB1,500,000	—	100	Trading of laboratory products
廣州雅康醫療科技有限公司 Guangzhou Yakang Medical Technology Ltd.* *(note d)*	PRC/Mainland China	RMB1,500,000	—	100	Trading of laboratory products

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ share capital	Percentage of equity attributable to the Target Company Direct	Indirect	Principal activities
廣州進科馳安科技有限公司 Guangzhou Jinkechian Technology Ltd.* *(note d)*	PRC/Mainland China	RMB1,500,000	—	100	Trading of laboratory products
北京進科馳安科技有限公司 Beijing Jinkechian Technology Ltd.* *(note d)*	PRC/Mainland China	RMB1,500,000	—	100	Trading of laboratory products
Bio-Technology Limited *(note f)*	Hong Kong	HK$50,000	—	80	Provision of laboratory testing service
Simply Bliss Limited *(note g)*	Samoa	US$1	100	—	Investment holding
Total Bliss Limited *(note g)*	Samoa	US$1	100	—	Investment holding
Perfect Sunshine Limited *(note g)*	Samoa	US$1	100	—	Investment holding
廣州達雅高桐樹醫學檢驗實驗室有限公司 Guangzhou DiagCor Tongshu Medical Laboratory Company Ltd.* *(note i)*	PRC/Mainland China	RMB48,000,000	—	66	Provision of laboratory testing service

* *The English names of these subsidiaries represent the directors' best efforts at translating the Chinese names of these companies as no English names have been registered.*

Notes:

(a) The statutory financial statements of these companies for the years ended 31 March 2021 and 2022 prepared under Hong Kong Small and Medium-Sized Entity Financial Reporting Standards ("**SME-FRS**") were audited by Shinewing (HK) CPA Limited, certified public accountants registered in Hong Kong.

(b) The statutory financial statements of this company for the years ended 31 March 2021 and 2022 prepared under SME-FRS were audited by Sinno International CPA Limited, certified public accountants registered in Hong Kong.

(c) The statutory financial statements of these companies for the years ended 31 March 2021, 2022 and 2023 prepared under SME-FRS were audited by Li, Tang, Chen & Co, certified public accountants registered in Hong Kong.

(d) The statutory financial statements of these companies for the years ended 31 December 2021 and 2022 prepared under PRC Generally Accepted Accounting Principles were audited by Guangzhou Ruixing Certified Public Accountants, certified public accountants registered in the PRC.

(e) No statutory audited financial statements have been prepared for this company since 31 March 2020.

(f) No statutory audited financial statements have been prepared for this company since its incorporation. The non-controlling shareholders are two individuals Ms. Chan Chiu Wah and Mr. Kwan Ping Chiu, each being an independent third party to the Target Group.

(g) No audited financial statements have been prepared for these companies since their incorporation as these companies are incorporated in jurisdictions which do not have any statutory audit requirements for these companies.

(h) The statutory financial statements of this company for the years ended 31 December 2021, 2022 and 2023 prepared under PRC Generally Accepted Accounting Principles were audited by Guangzhou Ruixing Certified Public Accountants, certified public accountants registered in the PRC.

(i) On 24 December 2021, the Target Group disposed of its 66% equity interest in 廣州達雅高桐樹醫學檢驗實驗室有限公司 (Guangzhou DiagCor Tongshu Medical Laboratory Company Ltd.). Further details of this disposal are included in note 25(c) to the Historical Financial Information.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 April 2023 together with the relevant transitional provisions, have been early adopted on a consistent basis by the Target Group in the preparation of the Historical Financial Information throughout the Relevant Periods and the period covered by the Interim Comparative Financial Information.

Basis of consolidation

The Historical Financial Information include the financial statements of the Target Group for each of the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Target Company has less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss/other comprehensive income which have been measured at fair value.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Target Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information. The Target Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Target Group is described below.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Target Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Target Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Target Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Target Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Target Group's financial statements.

2.3 MATERIAL ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Target Group, liabilities assumed by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. For each business combination, the Target Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Target Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Target Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Target Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Target Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Target Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Target Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and fixtures	10–20%
Leasehold improvements	Over the shorter of the terms of the lease or 5 to 6 years
Laboratory equipment	20–33%
Computer equipment	20–33%
Office equipment	20–33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

The principal annual rates used for this purpose are as follows:

Trademark	$33^1/_3$%
Customer relationships	$12^1/_2$%–$16^2/_3$%
Others	10%–$33^1/_3$%

Leases

The Target Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Target Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Target Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Properties leased for own use	1 to 3 years

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Target Group and payments of penalties for termination of a lease, if the lease term reflects the Target Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Target Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Target Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through other comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Group's business model for managing them with the exception of trade receivables. The Target Group initially measures a financial asset at its fair value, plus transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Target Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with objective of both holding to collect contractual flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is the date that the Target Group commits to purchase or sell the asset.

Subsequent measurement of financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Subsequent measurement of financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Target Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Target Group and the amount of the dividend can be measured reliably, except when the Target Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income.

Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Subsequent measurement of financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments which the Target Group had not irrevocably elected to classify at fair value through other comprehensive income.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

Impairment of financial assets

The Target Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Target Group considers that there has been a significant increase in credit risk when contractual payments are more than three months past due.

The Target Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Group may also consider a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Target Group applies the practical expedient of not adjusting the effect of a significant financing component, the Target Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Target Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement of financial liabilities at amortised cost (trade and other payables)

After initial recognition, trade and other payables are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is recognised in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries/jurisdictions in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to be that which the Target Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Group and the customer at contract inception. When the contract contains a financing component which provides the Target Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of medical laboratory equipment and consumables

Revenue from the sale of medical laboratory equipment and consumables is recognised at the point in time when control of the asset is transferred to the customer, generally upon completion of installation or delivery of the medical laboratory equipment and delivery of consumables.

(b) Provision of maintenance services

The Target Group provides maintenance services that are either sold separately or bundled together with the sale of medical laboratory equipment to a customer. The maintenance services can be obtained from other providers and do not significantly customise or modify the medical laboratory equipment.

Contracts for bundled sales of the medical laboratory equipment and maintenance services are comprised of two performance obligations because the promises to transfer the medical laboratory equipment and provide maintenance services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated based on the relative standalone selling prices of the medical laboratory equipment products and maintenance services.

Revenue from the provision of maintenance services is recognised over the scheduled period on a straight line basis because the customer simultaneously receives and consumes the benefits provided by the Target Group.

(c) Provision of laboratory testing services

Revenue from the provision of laboratory testing services is recognised at point in time upon the completion of laboratory testing services.

Revenue from other sources

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Target Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Target Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

The Target Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Target Group in an independently administered fund. The Target Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The employees of the Target Group's subsidiaries which operate in Chinese Mainland are required to participate in central pension schemes operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

Dividends

Interim dividends are simultaneously proposed and declared, because the Target Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

Foreign currency transactions

The Historical Financial Information is presented in Hong Kong dollars, which is the Target Company's functional currency. Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Target Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Target Group determines the transaction date for each payment or receipt of the advance consideration.

Foreign operations

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Target Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets

The Target Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on trade receivables

The Target Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Target Group's historical observed default rates.

The Target Group will calibrate the provision matrix with forward-looking information to adjust the credit loss rates. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the health and life science sector, the historical default rates, probability of default and loss given default are adjusted. At each reporting date, the historical observed default rates, probability of default and loss given default are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Target Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Target Group's trade receivables is disclosed in note 15 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Target Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the trading of laboratory equipment and consumables segment trades medical laboratory equipment and consumables and provides maintenance services;

(b) the laboratory services segment provides medical and laboratory tests;

Management monitors the results of the Target Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Target Group's profit/(loss) before tax from continuing operations except that interest income, non-lease-related finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 March 2021	Trading of laboratory equipment and consumables *HK$'000*	Laboratory services *HK$'000*	Total *HK$'000*
Segment revenue *(note 5)*			
Sales to external customers	240,977	28,397	269,374
Intersegment sales	—	3,625	3,625
Total segment revenue	240,977	32,022	272,999
Reconciliation:			
Elimination of intersegment sales			(3,625)
Revenue			269,374
Segment results	26,192	(22,008)	4,184
Reconciliation:			
Interest income			20
Corporate and other unallocated expenses			(7,723)
Loss before tax			(3,519)
Segment assets	142,394	230,130	372,524
Reconciliation:			
Elimination of intersegment receivables			(198,672)
Corporate and other unallocated assets			86,526
Total assets			260,378
Segment liabilities	62,428	208,585	271,013
Reconciliation:			
Elimination of intersegment payables			(198,672)
Corporate and other unallocated liabilities			4,446
Total liabilities			76,787
Other segment information			
Depreciation of property, plant and equipment	2,117	3,484	5,601
Depreciation of right-of-use assets	2,080	3,616	5,696
Amortisation	2,050	312	2,362
Impairment of trade receivables, net	(54)	2,841	2,787
Write-off of property, plant and equipment	—	2,224	2,224

Year ended 31 March 2022	Trading of laboratory equipment and consumables *HK$'000*	Laboratory services *HK$'000*	Total *HK$'000*
Segment revenue *(note 5)*			
Sales to external customers	253,826	33,492	287,318
Intersegment sales	—	3,255	3,255
Total segment revenue	253,826	36,747	290,573
Reconciliation:			
Elimination of intersegment sales			(3,255)
Revenue			287,318
Segment results	36,928	(22,892)	14,036
Reconciliation:			
Interest income			13
Corporate and other unallocated expenses			(893)
Profit before tax			13,156
Segment assets	125,838	224,873	350,711
Reconciliation:			
Elimination of intersegment receivables			(203,500)
Corporate and other unallocated assets			87,366
Total assets			234,577
Segment liabilities	42,486	216,080	258,566
Reconciliation:			
Elimination of intersegment payables			(203,500)
Corporate and other unallocated liabilities			4,905
Total liabilities			59,971
Other segment information			
Depreciation of property, plant and equipment	648	3,167	3,815
Depreciation of right-of-use assets	2,846	2,633	5,479
Amortisation	2,050	291	2,341
Impairment of trade receivables, net	40	(995)	(955)
Write-off of property, plant and equipment	—	930	930

Year ended 31 March 2023	Trading of laboratory equipment and consumables *HK$'000*	Laboratory services *HK$'000*	Total *HK$'000*
Segment revenue *(note 5)*			
Sales to external customers	252,298	67,608	319,906
Intersegment sales	—	3,420	3,420
Total segment revenue	252,298	71,028	323,326
Reconciliation:			
Elimination of intersegment sales			(3,420)
Revenue			319,906
Segment results	30,803	13,713	44,516
Reconciliation:			
Interest income			31
Corporate and other unallocated expenses			(324)
Profit before tax			44,223
Segment assets	118,831	222,088	340,919
Reconciliation:			
Elimination of intersegment receivables			(206,191)
Corporate and other unallocated assets			145,854
Total assets			280,582
Segment liabilities	55,442	215,167	270,609
Reconciliation:			
Elimination of intersegment payables			(206,191)
Corporate and other unallocated liabilities			4,311
Total liabilities			68,729
Other segment information			
Depreciation of property, plant and equipment	831	2,856	3,687
Depreciation of right-of-use assets	3,118	2,684	5,802
Amortisation	2,050	230	2,280
Impairment of trade receivables, net	(2)	(26)	(28)
Write-off of property, plant and equipment	—	23	23

Nine months ended 31 December 2022 (Unaudited)	**Trading of laboratory equipment and consumables** *HK$'000*	**Laboratory services** *HK$'000*	**Total** *HK$'000*
Segment revenue *(note 5)*			
Sales to external customers	201,624	49,905	251,529
Intersegment sales	525	2,208	2,733
Total segment revenue	202,149	52,113	254,262
Reconciliation:			
Elimination of intersegment sales			(2,733)
Revenue			251,529
Segment results	29,784	6,463	36,247
Reconciliation:			
Interest income			13
Corporate and other unallocated expenses			(24)
Profit before tax			36,236
Other segment information			
Depreciation of property, plant and equipment	581	2,184	2,765
Depreciation of right-of-use assets	2,332	2,012	4,344
Amortisation	1,616	94	1,710
impairment of trade receivables, net	2	26	28

Nine months ended 31 December 2023	Trading of laboratory equipment and consumables *HK$'000*	Laboratory services *HK$'000*	Total *HK$'000*
Segment revenue *(note 5)*			
Sales to external customers	188,381	32,623	221,004
Intersegment sales	—	1,933	1,933
Total segment revenue	188,381	34,556	222,937
Reconciliation:			
Elimination of intersegment sales			(1,933)
Revenue			221,004
Segment results	21,896	(3,072)	18,824
Reconciliation:			
Interest income			190
Corporate and other unallocated expenses			(232)
Profit before tax			18,782
Segment assets	129,216	231,187	360,403
Reconciliation:			
Elimination of intersegment receivables			(200,789)
Corporate and other unallocated assets			161,521
Total assets			321,135
Segment liabilities	69,657	216,512	286,169
Reconciliation:			
Elimination of intersegment payables			(200,789)
Corporate and other unallocated liabilities			7,969
Total liabilities			93,349
Other segment information			
Depreciation of property, plant and equipment	704	2,125	2,829
Depreciation of right-of-use assets	776	2,282	3,058
Amortisation	1,538	168	1,706
Impairment of trade receivables, net	143	2	145
Loss on deregistration of a subsidiary	1,032	—	1,032

Geographical information

(a) Revenue from external customers

	Year ended 31 March			Nine months ended 31 December	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Hong Kong	260,653	276,836	292,430	232,791	194,655
China Mainland	8,721	10,482	27,476	18,738	26,349
Total revenue	269,374	287,318	319,906	251,529	221,004

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	As at 31 March			As at 31 December
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	76,157	69,139	65,220	68,299
China Mainland	633	690	1,653	1,046
Total non-current assets	76,790	69,829	66,873	69,345

The non-current assets information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

No further information about major customers is presented as no more than 10% of the Target Group's revenue was derived from sales to any single customers.

5. REVENUE

	Year ended 31 March			Nine months ended 31 December	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue from contracts with customers	269,374	287,318	319,906	251,529	221,004

Revenue from contracts with customers

(a) Disaggregated revenue information for revenue from contracts with customers

	Year ended 31 March			Nine months ended 31 December	
	2021	**2022**	**2023**	**2022**	**2023**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000* (Unaudited)	*HK\$'000*
Types of goods or services					
Sales of laboratory equipment and consumables	231,810	243,684	240,323	173,670	173,950
Maintenance service income	9,167	10,142	11,975	27,954	14,431
Laboratory service income	28,397	33,492	67,608	49,905	32,623
Total revenue from contracts with customers	269,374	287,318	319,906	251,529	221,004
Timing of revenue recognition					
Goods and services transferred at a point in time	260,207	277,176	307,931	223,575	206,573
Services transferred over time	9,167	10,142	11,975	27,954	14,431
Total revenue from contracts with customers	269,374	287,318	319,906	251,529	221,004

The following table shows the amounts of revenue recognised in the current reporting period that was included in contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	Year ended 31 March			Nine months ended 31 December	
	2021	**2022**	**2023**	**2022**	**2023**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000* (Unaudited)	*HK\$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:					
Trading of laboratory equipment	10,987	21,245	14,652	13,038	19,143
Maintenance service income	628	431	238	178	897
	11,615	21,676	14,890	13,216	20,040

(b) Performance obligations

Information about the Target Company's performance obligations is summarised below:

Sales of laboratory equipment and consumables

The performance obligation is satisfied upon completion of installation or delivery of the laboratory equipment and delivery of consumables and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

Maintenance services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon completion of maintenance services and customers' acceptance, except for new customers, where payment in advance is normally required.

Laboratory testing services

The performance obligation is satisfied upon completion of the laboratory testing services.

6. OTHER INCOME AND GAINS

	Year ended 31 March			Nine months ended 31 December	
	2021	2022	2023	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Bank interest income	20	13	31	13	190
Government grants*	7,709	—	2,576	2,546	—
Administrative expenses recharge to a related company	2,102	923	931	757	259
Foreign exchange difference, net	1,012	544	263	—	—
Gain on disposal of a subsidiary	3,868	—	—	—	—
Others	586	455	627	174	17
	15,297	1,935	4,428	3,490	466

* The Government subsidies were granted under the Anti-epidemic Fund during the year/period. There were no unfulfilled conditions relating to these grants.

7. FINANCE COST

	Year ended 31 March			Nine months ended 31 December	
	2021	2022	2023	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest on lease liabilities	228	187	163	123	109

8. PROFIT/(LOSS) BEFORE TAX

The Target Group's profit/(loss) before tax is arrived at after charging/(crediting):

		Year ended 31 March			Nine months ended 31 December	
	Notes	2021	2022	2023	2022	2023
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Cost of inventories sold		168,174	167,736	164,692	131,365	110,097
Cost of services provided		25,395	27,829	36,406	28,486	28,915
Depreciation of property, plant and equipment	*11*	5,601	3,815	3,687	2,765	2,829
Depreciation of right-of-use assets	*11*	5,696	5,479	5,802	4,344	3,058
Amortisation	*12*	2,362	2,341	2,280	1,710	1,706
Research and development costs:						
Current year expenditure		4,865	6,568	4,450	3,669	2,535
Less: Government grants#		(371)	(1,120)	(670)	(437)	(420)
Net current year expenditure		4,494	5,448	3,780	3,232	2,115

	Notes	Year ended 31 March 2021 HK$'000	2022 HK$'000	2023 HK$'000	Nine months ended 31 December 2022 HK$'000 (Unaudited)	2023 HK$'000
Lease payments not included in the measurement of lease liabilities	*22(c)*	289	93	168	58	714
Employee benefit expense (excluding directors' remuneration):						
Wages, salaries, allowances and benefits in kind		60,846	67,059	65,897	49,794	52,988
Pension scheme contributions (defined contribution schemes)		1,909	1,954	1,876	1,391	1,579
		62,755	69,013	67,773	51,185	54,567
Less: Government grants#		(371)	(1,120)	(670)	(437)	(420)
		62,384	67,893	67,103	50,748	54,147
Audit remuneration		418	357	381	266	290
Foreign exchange difference, net		(1,012)	(544)	(263)	54	376
Impairment of trade receivables, net	*15*	2,787	(955)	(28)	(28)	145
Loss on deregistration of a subsidiary		—	—	—	—	1,032
Fair value loss of convertible loan		7,995	1,131	377	—	—
Write-off of items of property, plant and equipment		2,224	930	23	—	—

\# The subsidies were granted by Innovation and Technology Commission for research talents and were deducted in the line of "research and development expenses" in profit or loss. There were no unfulfilled conditions relating to the subsidies.

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 March 2021, 2022, 2023 and nine months ended 31 December 2022 and 2023, except for a subsidiary of the Target Company which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on the profits of subsidiaries operating overseas are calculated at the rates prevailing in the respective jurisdictions in which they operate.

	Year ended 31 March 2021 HK$'000	2022 HK$'000	2023 HK$'000	Nine months ended 31 December 2022 HK$'000 (Unaudited)	2023 HK$'000
Current — Hong Kong charge for the year/period	3,775	7,287	7,143	7,578	4,638
Underprovision/(overprovision) in previous years/periods	(138)	334	(325)	(220)	(339)
Deferred *(note 21)*	(2,138)	(372)	(417)	—	(338)
Total tax expenses for the year/period	1,499	7,249	6,401	7,358	3,961

A reconciliation of the tax credit/(expense) applicable to profit/(loss) before tax at the statutory tax rate for the jurisdictions in which the Target Group is domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 March			Nine months ended 31 December	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit/(loss) before tax	(3,519)	13,156	44,223	36,236	18,783
Tax at the Hong Kong statutory tax rate of 16.5%	(581)	2,171	7,297	5,979	3,099
Differences in tax rates for other jurisdictions	150	119	(176)	(136)	(265)
Adjustments in respect of current tax of previous periods	(138)	334	(325)	(220)	(339)
Income not subject to tax	(2,792)	(972)	(1,249)	(927)	(486)
Expenses not deductible for tax	694	1,555	635	2,530	850
Tax losses not recognised	4,401	4,297	284	40	625
Tax losses utilised from previous periods	(296)	(257)	(182)	(40)	(119)
Temporary differences not recognised	51	—	224	177	625
Others	10	2	(107)	(45)	(29)
Tax expense at the Target Group's effective tax rate	1,499	7,249	6,401	7,358	3,961

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year/period attributable to equity holders of the parent and the weighted average number of ordinary shares of 26,734,744 in issue during the Relevant Periods and for the nine months ended 31 December 2022. No adjustment has been made to the basic earnings per share amount presented as the Target Company has no potential dilutive ordinary shares.

Profit/(loss) attributable to equity holders of the parent, used in the basic earnings/(loss) per share calculation is as follows:

	Year ended 31 March			Nine months ended 31 December	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit/(loss) attributable to ordinary equity holders of the parent	(5,205)	5,708	37,552	28,646	14,636

11. PROPERTY, PLANT AND EQUIPMENT

	Properties leased for own use *HK$'000* *(note 22(a))*	Furniture and fixtures *HK$'000*	Leasehold improvements *HK$'000*	Laboratory equipment *HK$'000*	Computer equipment *HK$'000*	Office equipment *HK$'000*	Total *HK$'000*
31 March 2021							
At 1 April 2020:							
Cost	17,855	3,088	14,470	35,155	7,846	1,778	80,192
Accumulated depreciation	(11,305)	(2,568)	(13,218)	(19,657)	(6,347)	(993)	(54,088)
Net carrying amount	6,550	520	1,252	15,498	1,499	785	26,104
At 1 April 2020, net of accumulated depreciation	6,550	520	1,252	15,498	1,499	785	26,104
Additions	7,003	1,782	1,689	1,074	206	2,699	14,453
Depreciation provided during the year	(5,696)	(338)	(405)	(3,738)	(520)	(600)	(11,297)
Write-off	—	—	(600)	(1,588)	(19)	(17)	(2,224)
Disposal of a subsidiary *(note 25(d))*	—	(19)	(67)	(4,270)	(304)	—	(4,660)
Exchange realignment	12	—	1	—	54	21	88
At 31 March 2021, net of accumulated depreciation	7,869	1,945	1,870	6,976	916	2,888	22,464
At 31 March 2021:							
Cost	24,881	4,494	2,941	19,969	6,980	4,464	63,729
Accumulated depreciation	(17,012)	(2,549)	(1,071)	(12,993)	(6,064)	(1,576)	(41,265)
Net carrying amount	7,869	1,945	1,870	6,976	916	2,888	22,464
31 March 2022							
At 31 March 2021:							
Cost	24,881	4,494	2,941	19,969	6,980	4,464	63,729
Accumulated depreciation	(17,012)	(2,549)	(1,071)	(12,993)	(6,064)	(1,576)	(41,265)
Net carrying amount	7,869	1,945	1,870	6,976	916	2,888	22,464
At 1 April 2021, net of accumulated depreciation	7,869	1,945	1,870	6,976	916	2,888	22,464
Additions	2,575	29	240	1,369	570	62	4,845
Depreciation provided during the year	(5,479)	(458)	(535)	(1,510)	(531)	(781)	(9,294)
Write-off	—	—	—	(913)	—	(17)	(930)
Exchange realignment	12	—	1	—	1	20	34
At 31 March 2022, net of accumulated depreciation	4,977	1,516	1,576	5,922	956	2,172	17,119
At 31 March 2022:							
Cost	27,483	4,523	3,184	20,090	7,287	4,470	67,037
Accumulated depreciation	(22,506)	(3,007)	(1,608)	(14,168)	(6,331)	(2,298)	(49,918)
Net carrying amount	4,977	1,516	1,576	5,922	956	2,172	17,119

	Properties leased for own use HK$'000 (note 22(a))	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Laboratory equipment HK$'000	Computer equipment HK$'000	Office equipment HK$'000	Total HK$'000
31 March 2023							
At 31 March 2022:							
Cost	27,483	4,523	3,184	20,090	7,287	4,470	67,037
Accumulated depreciation	(22,506)	(3,007)	(1,608)	(14,168)	(6,331)	(2,298)	(49,918)
Net carrying amount	4,977	1,516	1,576	5,922	956	2,172	17,119
At 1 April 2022, net of accumulated depreciation	4,977	1,516	1,576	5,922	956	2,172	17,119
Additions	6,515	90	558	1,651	372	53	9,239
Depreciation provided during the year	(5,802)	(477)	(548)	(1,393)	(505)	(764)	(9,489)
Write-off	—	—	—	—	—	(23)	(23)
Exchange realignment	(25)	—	—	(1)	(2)	(22)	(50)
At 31 March 2023, net of accumulated depreciation	5,665	1,129	1,586	6,179	821	1,416	16,796
At 31 March 2023:							
Cost	33,938	4,588	3,609	21,740	7,305	4,287	75,467
Accumulated depreciation	(28,273)	(3,459)	(2,023)	(15,561)	(6,484)	(2,871)	(58,671)
Net carrying amount	5,665	1,129	1,586	6,179	821	1,416	16,796
31 December 2023							
At 31 March 2023:							
Cost	33,938	4,588	3,609	21,740	7,305	4,287	75,467
Accumulated depreciation	(28,273)	(3,459)	(2,023)	(15,561)	(6,484)	(2,871)	(58,671)
Net carrying amount	5,665	1,129	1,586	6,179	821	1,416	16,796
At 1 April 2023, net of accumulated depreciation	5,665	1,129	1,586	6,179	821	1,416	16,796
Additions	8,615	7	8	1,292	80	116	10,118
Depreciation provided during the period	(3,058)	(370)	(403)	(1,251)	(317)	(488)	(5,887)
Exchange realignment	(15)	—	—	(36)	(1)	21	(31)
At 31 December 2023, net of accumulated depreciation	11,207	766	1,191	6,184	583	1,065	20,996
At 31 December 2023:							
Cost	42,507	4,595	3,614	22,991	7,368	4,137	85,212
Accumulated depreciation	(31,300)	(3,829)	(2,423)	(16,807)	(6,785)	(3,072)	(64,216)
Net carrying amount	11,207	766	1,191	6,184	583	1,065	20,996

12. INTANGIBLE ASSETS

	Goodwill	Trademark	Customer relationship	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2021					
Cost at 1 April 2020, net of accumulated amortisation	42,627	2	10,917	356	53,902
Addition	—	—	—	80	80
Amortisation provided during the year	—	(2)	(2,217)	(143)	(2,362)
At 31 March 2021	42,627	—	8,700	293	51,620
At 31 March 2021					
Cost	42,627	14	17,400	734	60,775
Accumulated amortisation	—	(14)	(8,700)	(441)	(9,155)
Net carrying amount	42,627	—	8,700	293	51,620
At 31 March 2022					
Cost at 1 April 2021, net of accumulated amortisation	42,627	—	8,700	293	51,620
Amortisation provided during the year	—	—	(2,217)	(124)	(2,341)
At 31 March 2022	42,627	—	6,483	169	49,279
At 31 March 2022					
Cost	42,627	14	17,400	734	60,775
Accumulated amortisation	—	(14)	(10,917)	(565)	(11,496)
Net carrying amount	42,627	—	6,483	169	49,279

	Goodwill *HK$'000*	Trademark *HK$'000*	Customer relationship *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 31 March 2023					
Cost at 1 April 2022, net of accumulated amortisation	42,627	—	6,483	169	49,279
Amortisation provided during the year	—	—	(2,217)	(63)	(2,280)
At 31 March 2023	—	—	4,266	106	46,999
At 31 March 2023					
Cost	42,627	14	17,400	734	60,775
Accumulated amortisation	—	(14)	(13,134)	(628)	(13,776)
Net carrying amount	42,627	—	4,266	106	46,999
At 31 December 2023					
Cost at 1 April 2023, net of accumulated amortisation	42,627	—	4,266	106	46,999
Amortisation provided during the period	—	—	(1,662)	(44)	(1,706)
At 31 December 2023	42,627	—	2,604	62	45,293
At 31 December 2023					
Cost	42,627	14	17,400	734	60,775
Accumulated amortisation	—	(14)	(14,796)	(672)	(15,482)
Net carrying amount	42,627	—	2,604	62	45,293

Impairment testing of goodwill and customer relationship

Goodwill and customer relationship acquired through business combination were allocated to trading of laboratory equipment and consumables cash-generating unit for impairment testing:

As at 31 March 2021, 2022 and 2023 and 31 December 2023, the recoverable amount of the trading of laboratory equipment and consumables cash-generating unit had been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections and long term growth rate applied to cash flows beyond the five-year period are as follows:

	31 March			31 December	
	2021	**2022**	**2023**	**2022**	**2023**
	%	*%*	*%*	*%*	*%*
Discount rate	15.5	15.5	15.5	15.5	15.5
Long term growth rate	3.0	3.0	3.0	3.0	3.0

Assumptions were used in the value in use calculation of the trading of laboratory equipment and consumables cash-generating unit for 31 March 2021, 2022 and 2023 and 31 December 2023. The following describes each key assumption on which management had based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue growth — The value assigned to the budgeted revenue growth rate was the average revenue growth achieved in the year immediately before the budget year, taking into account the expected growth rate.

Discount rate — The discount rate used was before tax and reflected specific risks relating to the relevant unit.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March			As at 31 December
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	1,422	3,200	3,277	2,149
Deposits	9,460	11,562	11,207	10,461
Other receivables	839	852	719	820
	11,721	15,614	15,203	13,430
Less: Non-current portion	(2,706)	(3,431)	(3,078)	(3,056)
Current portion	9,015	12,183	12,125	10,374

The financial assets included in the above balances relate to deposits and other receivables for which there was no recent history of default and past due amounts. As at 31 March 2021, 2022 and 2023 and 31 December 2023, the loss allowance was assessed to be minimal.

14. INVENTORIES

	As at 31 March			As at 31 December
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Finished goods	31,803	26,994	20,622	27,119

15. TRADE RECEIVABLES

	As at 31 March			As at 31 December
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	67,099	51,546	50,490	68,404
Impairment	(18,182)	(17,227)	(17,199)	(17,344)
Total	48,917	34,319	33,291	51,060

The Target Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Target Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Target Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Target Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the relevant period, based on the invoice date and before loss allowance, is as follows:

	As at 31 March			As at 31 December
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	26,905	14,053	15,708	24,854
1 to 2 months	3,510	6,260	6,166	6,667
2 to 3 months	1,189	3,070	1,900	3,646
Over 3 months	35,495	28,163	26,716	33,237
Total	67,099	51,546	50,490	68,404

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 March			As at 31 December
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year/period	15,395	18,182	17,227	17,199
Impairment losses	2,787	—	—	145
Reversal of impairment losses	—	(955)	(28)	—
At end of year/period	18,182	17,227	17,199	17,344

Set out below is the information about the credit risk exposure on the Target Group's trade receivables using a provision matrix:

As at 31 March 2021

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	0.1%	0.1%	0.1%	62.5%	27.1%
Gross carrying amount *(HK$'000)*	27,202	3,325	7,512	29,060	67,099
Expected credit losses *(HK$'000)*	7	2	5	18,168	18,182

As at 31 March 2022

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	0.1%	0.2%	0.4%	66.9%	33.4%
Gross carrying amount *(HK$'000)*	14,534	4,187	7,140	25,685	51,546
Expected credit losses *(HK$'000)*	17	8	27	17,175	17,227

As at 31 March 2023

	Current	Past due Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.1%	0.2%	0.1%	79.5%	34.1%
Gross carrying amount *(HK$'000)*	17,761	4,718	6,423	21,588	50,490
Expected credit losses *(HK$'000)*	15	9	9	17,166	17,199

As at 31 December 2023

	Current	Past due Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.2%	0.5%	0.3%	72.1%	25.4%
Gross carrying amount *(HK$'000)*	27,253	4,660	12,608	23,883	68,404
Expected credit losses *(HK$'000)*	62	24	40	17,218	17,344

16. CASH AND CASH EQUIVALENTS

	As at 31 March			As at 31 December
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	83,423	84,524	143,016	158,659

As at 31 March 2021, 2022 and 2023 and 31 December 2023, the cash and cash equivalents of the Target Group denominated in RMB amounted to HK$5,542,000, HK$2,741,000, HK$2,990,000 and HK$3,625,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Certain cash at banks earns interest at floating rates based on respective short-term deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

17. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 March			As at 31 December
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	9,631	8,380	11,336	19,137
1 to 2 months	47	52	10	2
2 to 3 months	598	832	1,086	7,511
Over 3 months	6,159	561	1,058	8,482
Total	16,435	9,825	13,490	35,132

Trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 60 days.

18. OTHER PAYABLES AND ACCRUALS

	As at 31 March			As at 31 December
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	3,276	3,410	3,410	3,363
Accruals	13,748	13,182	10,933	12,617
	17,024	16,592	14,343	15,980

Other payables are non-interest-bearing and have an average term of three months.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER COMPREHENSIVE INCOME

(i) Financial asset at fair value through profit or loss

On 10 July 2019, the Target Company entered into a loan agreement ("**Convertible Loan**") with an independent third party (the "**Borrower**") whereby the Target Company agreed to make a loan of US$2,000,000 to the Borrower. The Borrower is also an independent third party to EC Healthcare. The Convertible Loan entitles the Target Company to convert the principal amount of US$2,000,000 to 70% of the Borrower's total number of shares in the event that a liquidity event (defined in the loan agreement as consummation of an initial public offering of the Borrower or its subsidiary or sale or disposal of all or part the Borrower's effective interests in the subsidiary or the Borrower's assets) is expected to occur. As at 31 March 2021, 2022 and 2023 and 31 December 2023, the gross convertible loan receivable amounted to approximately HK$13,749,000, HK$14,879,000, HK$15,256,000 and HK$15,256,000, respectively. The loan is repayable in full either before the 10th year from the agreement date or before the occurrence of liquidity event. In the opinion of the directors, the probability of the liquidity event to occur was remote and the fair value of the Convertible Loan was assessed with reference to management's estimation on the future return which approximated to zero as at 31 March 2021, 2022 and 2023 and 31 December 2023.

(ii) Financial assets at fair value through other comprehensive income

In the prior years, the Target Group invested in certain unlisted equity investments with initial investment costs in aggregate of HK$3,135,000. The Target Group considered the equity investments to be strategic in nature and thus these investments were irrevocably designated at fair value through other comprehensive income. During the years ended 31 March 2021, 2022 and 2023 and the nine months ended 31 December 2022 and 2023, the Target Group did not receive any dividend from these investments. In the opinion of the directors, the investees continued to suffer operating losses and the fair values of these investments were assessed to be zero as at 31 March 2021, 2022 and 2023 and 31 December 2023.

20. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	As at 31 March			As at 31 December
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Short-term advances received from customers				
Trading of laboratory equipment	30,329	22,808	28,379	19,548
Maintenance services	431	238	926	1,082
	30,760	23,046	29,305	20,630

Contract liabilities include short-term advances received to sell laboratory equipment and render maintenance services. The increase in overall contract liabilities at 31 March 2023 was mainly due to the increase in short-term advances received from customers in relation to the trading of laboratory equipment at the end of the year/period. The decrease in contract liabilities at 31 March 2022 and 31 December 2023 was mainly due to the decrease in short-term advances received from customers in relation to the trading of laboratory equipment at the end of the year.

21. DEFERRED TAX

The movements in deferred tax liabilities and assets during the years/periods are as follows:

31 March 2021

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries *HK$'000*	**Temporary differences between depreciation and the related depreciation** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
At 1 April 2020	(1,801)	(1,250)	—	(3,051)
Deferred tax debited/(credited) to the statement of profit or loss during the year *(note 9)*	366	(834)	(73)	(541)
Gross deferred tax liabilities at 31 March 2021	(1,435)	(2,084)	(73)	(3,592)

Deferred tax assets

	Losses available for offsetting against future taxable profits *HK$'000*	**Impairment of trade receivables** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
At 1 April 2020	1,084	2,540	2,110	5,734
Deferred tax debited/(credited) to the statement of profit or loss during the year *(note 9)*	(50)	460	(2,007)	(1,597)
Gross deferred tax assets at 31 March 2021	1,034	3,000	103	4,137

31 March 2022

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries *HK$'000*	**Temporary differences between depreciation and the related depreciation** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
At 1 April 2021	(1,435)	(2,084)	(73)	(3,592)
Deferred tax debited/(credited) to the statement of profit or loss during the year *(note 9)*	366	(312)	37	91
Gross deferred tax liabilities at 31 March 2022	(1,069)	(2,396)	(36)	(3,501)

Deferred tax assets

	Losses available for offsetting against future taxable profits *HK$'000*	**Impairment of trade receivables** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
At 1 April 2021	1,034	3,000	103	4,137
Deferred tax credited to the statement of profit or loss during the year *(note 9)*	(47)	(158)	(258)	(463)
Gross deferred tax assets/ (liabilities) at 31 March 2022	987	2,842	(155)	3,674

31 March 2023

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries	Temporary differences between depreciation and the related depreciation	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2022	(1,069)	(2,396)	(191)	(3,656)
Deferred tax debited/(credited) to the statement of profit or loss during the year *(note 9)*	366	(296)	(431)	(361)
Gross deferred tax liabilities at 31 March 2023	(703)	(2,692)	(622)	(4,017)

Deferred tax assets

	Losses available for offsetting against future taxable profits	Impairment of trade receivables	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2022	987	2,842	3,829
Deferred tax credited to the statement of profit or loss during the year *(note 9)*	(52)	(4)	(56)
Gross deferred tax assets at 31 March 2023	935	2,838	3,773

31 December 2023

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries	Temporary differences between depreciation and the related depreciation	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2023	(703)	(2,692)	(622)	(4,017)
Deferred tax debited/(credited) to the statement of profit or loss during the period *(note 9)*	275	(274)	346	347
Gross deferred tax liabilities at 31 December 2023	(428)	(2,966)	(276)	(3,670)

Deferred tax assets

	Losses available for offsetting against future taxable profits *HK$'000*	**Impairment of trade receivables** *HK$'000*	**Total** *HK$'000*
At 1 April 2023	935	2,838	3,773
Deferred tax debited/(credited) to the statement of profit or loss during the period *(note 9)*	(33)	24	(9)
Gross deferred tax assets at 31 December 2023	902	2,862	3,764

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Target Group for financial reporting purposes:

		As at 31 March		**As at 31 December**
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	3,103	2,842	2,838	2,862
Net deferred liabilities recognised in the consolidated statement of financial position	2,558	2,669	3,082	2,768

As at 31 March 2021, 2022, 2023 and 31 December 2023, the Target Group had available tax losses arising in Hong Kong of HK$44,543,000, HK$68,739,000, HK$69,046,000 and HK$71,913,000 that are available indefinitely for offsetting against future taxable profits in which the losses arose. As at 31 March 2021, 2022, 2023 and 31 December 2023, deferred tax assets of HK$6,316,000, HK$10,355,000, HK$10,456,000 and HK$10,964,000 have not been recognised in respect of these losses they have arisen in subsidiaries that have been loss making and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

22. LEASE

(a) Right-of-use assets

The Target Group as a lessee

The Target Group has lease contracts for various properties including office premises and warehouse used in its operations in Hong Kong and in the PRC. Leases of properties generally have lease terms between 1 and 3 years. Generally, the Target Group is restricted from assigning and subleasing the leased assets outside the Target Group.

The carrying amounts of the Target Group's right-of-use assets (i.e. properties leased for own use) and the movements during the Relevant Periods are disclosed in note 11.

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 March			As at 31 December
	2021	2022	2023	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year/period	6,646	8,119	4,989	5,624
New leases	7,003	2,575	6,515	8,615
Accretion of interest recognised during the year/period	228	187	163	109
Payments	(5,777)	(5,904)	(6,019)	(2,938)
Exchange realignment	19	12	(24)	(15)
At end of year/period	8,119	4,989	5,624	11,395
Analysed into:				
Current	4,654	4,381	2,877	5,208
Non-current	3,465	608	2,747	6,187
	8,119	4,989	5,624	11,395

The maturity analysis of lease liabilities is disclosed in note 29 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 March			Nine months ended 31 December	
	2021	2022	2023	2022	2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest on lease liabilities	228	187	163	123	109
Depreciation of right-of-use assets	5,696	5,479	5,802	4,344	3,058
Expense relating to short-term leases	289	93	168	58	714
Total amount recognised in profit or loss	6,213	5,759	6,133	4,525	3,881

The total cash outflow for leases is disclosed in note 25(c) to the Historical Financial Information.

23. SHARE CAPITAL

	Number of shares	As at 31 March 2021	2022	2023	As at 31 December 2023
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Issued and fully paid					
Ordinary shares	26,734,744	121,564	121,564	121,564	121,564
Preferred shares *(note)*	16,057,997	150,000	150,000	150,000	150,000
	42,792,741	271,564	271,564	271,564	271,564

Note: The holder of the Target Company's series A preferred share is entitled to specific special rights in the Target Company, including the rights to appoint directors, receive liquidation preference, and approve certain transactions and corporate actions of the Target Company. It is at the holder's discretion to convert series A preferred shares into ordinary shares on a 1:1 basis at no additional cost, subject to adjustment for share-split, share dividend, recapitalisation, or other similar events.

24. RESERVES

The amounts of the Target Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages II-9 to II-11 of the accountants' report.

Merger reserve

Merger reserve represents the excess of the net asset value over the nominal value of the shares of a subsidiary acquired by the Target Company pursuant to the reorganisation of the Target Company in the prior years.

Other reserve

Other reserve relates to the share repurchase from non-controlling interests of a subsidiary of the Target Company, of which the consideration paid exceeded the carrying amount of non-controlling interests as at the date of repurchase of non-controlling interests.

Deemed contribution reserve

Deemed contribution reserve represents the difference between the fair value and the principal amounts of redeemable convertible preference shares and convertible loan notes in a subsidiary of the Target Company at initial recognition.

25. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years/periods, the Target Group had non-cash additions to right-of-use assets and lease liabilities of HK$7,003,000, HK$2,575,000, HK$6,515,000, HK$6,511,000 and HK$8,615,000 for the years ended 31 March 2021, 2022, and 2023 and nine months ended 31 December 2022 and 2023, respectively, in respect of lease arrangements for leased properties.

(b) Changes in liabilities arising from financing activities

	Year ended 31 March			Nine months ended 31 December	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
At beginning of year/period	6,646	8,119	4,989	4,989	5,624
Changes from financing activities	(5,549)	(5,717)	(5,856)	(4,320)	(2,829)
Interest paid classified as operating cash flows	(228)	(187)	(163)	(123)	(109)
New leases	7,003	2,575	6,515	6,511	8,615
Interest expense	228	187	163	123	109
Foreign exchange movement	19	12	(24)	(27)	(15)
At end of year/period	8,119	4,989	5,624	7,153	11,395

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 March			Nine months ended 31 December	
	2020	**2021**	**2022**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within operating activities	517	280	331	181	1,423
Within financing activities	5,549	5,717	5,856	4,320	2,829
	6,066	5,997	6,187	4,501	4,252

(d) Disposal of a subsidiary

During the year ended 31 March 2021, the Target Group disposed of its 66% equity interest in 廣州達雅高桐樹醫學檢驗實驗室有限公司 (Guangzhou DiagCor Tongshu Medical Laboratory Company Ltd.) (the "**Guangzhou DiagCor Tongshu**") for a consideration of RMB4,356,000 (equivalent to HK$5,138,000). The transaction was completed on 24 December 2020. The assets and liabilities of Guangzhou DiagCor Tongshu as at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	4,660
Trade receivables	458
Cash and cash equivalent	14
Trade payables	(405)
Other assets, net	91
Non-controlling interests	(4,215)
Net assets disposed of	603
Exchange fluctuation reserve	153
	756
Gain on disposal of a subsidiary, net of tax	3,868
Satisfied by cash	4,624

An analysis of the net cash inflow of cash and cash equivalent in respect of Guangzhou DiagCor Tongshu is as follows:

	HK$'000
Cash consideration	5,138
Tax paid	(513)
Cash and cash equivalent disposed of	(14)
Satisfied by cash, net of tax	4,611

26. RELATED PARTY TRANSACTIONS

(a) The Target Group had the following transactions with related parties during the year/period:

	Year ended 31 March			Nine months ended 31 December	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
A company controlled by directors of the Target Company					
Administrative expenses recharge	2,102	923	931	757	259

(b) Directors' remuneration

	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	2,807	3,056	3,008	2,256	2,607
Performance related bonuses	390	413	641	481	398
Pension scheme contributions	42	26	18	14	14
Total	3,239	3,495	3,667	2,751	3,019

(c) Balances with fellow subsidiaries, related companies and directors

The balances with related companies and directors are unsecured, interest-free and repayable on demand. Since the amounts due from related companies and directors are not past due, the expected credit loss is assessed to be minimal.

(d) Dividend

	Year ended 31 March			Nine months ended 31 December	
	2021	**2022**	**2023**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interim dividend — approximately HK$0.35 per share	—	15,000	—	—	—

27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

		As at 31 March		As at 31 December
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at amortised cost:				
Due from related companies	3,952	1,427	—	—
Due from directors	3,375	2,459	1,817	1,716
Trade receivables	48,917	34,319	33,291	51,060
Financial assets included in prepayments, deposits and other receivables	6,877	7,478	7,325	8,944
Cash and cash equivalents	83,423	84,524	143,016	158,659
	146,544	130,207	185,449	220,379

Financial liabilities

		As at 31 March		As at 31 December
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities at amortised cost:				
Trade payables	16,435	9,825	13,490	35,132
Due to related companies	3	614	1,656	2,243
Financial liabilities included in other payables and accruals	7,434	4,567	4,786	4,551
Lease liabilities	8,119	4,989	5,624	11,395
	31,991	19,995	25,556	53,321

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, the current portion of financial assets included in prepayments, deposits and other receivables, trade payables, and the current portions of lease liabilities and financial liabilities included in other payables and accruals, and balances with related companies and directors approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values: The fair values of the non-current portion of financial assets included in deposits and non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. In the opinion of the directors, the fair values of the non-current portion of financial assets included in deposits and non-current portion of lease liabilities approximate to their carrying amounts. The fair values of the financial assets at fair value through profit or loss/other comprehensive income was based on management estimation on the future returns.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to finance the Target Group's operations. The Target Group has various other financial assets and liabilities such as financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, balances with related companies and directors and lease liabilities, which mainly arise directly from its operations.

The main risks arising from the Target Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Target Group mainly transacts with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Target Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

As at 31 March 2021

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables*	—	—	—	67,099	67,099
Financial assets included in prepayments, other receivables and other assets — Normal**	6,877	—	—	—	6,877
Due from related companies — Normal**	3,952	—	—	—	3,952
Due from directors — Normal**	3,375	—	—	—	3,375
Cash and cash equivalents — Not yet past due	83,423	—	—	—	83,423
Total	97,627	—	—	67,099	164,726

As at 31 March 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables*	—	—	—	51,546	51,546
Financial assets included in prepayments, other receivables and other assets — Normal**	7,478	—	—	—	7,478
Due from related companies — Normal**	1,427	—	—	—	1,427
Due from directors — Normal**	2,459	—	—	—	2,459
Cash and cash equivalents — Not yet past due	84,524	—	—	—	84,524
Total	95,888	—	—	51,546	147,434

As at 31 March 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables*	—	—	—	50,490	50,490
Financial assets included in prepayments, other receivables and other assets — Normal**	7,325	—	—	—	7,325
Due from directors — Normal**	1,817	—	—	—	1,817
Cash and cash equivalents — Not yet past due	143,016	—	—	—	143,016
Total	152,158	—	—	50,490	202,648

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables*	—	—	—	68,404	68,404
Financial assets included in prepayments and other receivables — Normal**	8,944	—	—	—	8,944
Due from directors — Normal**	1,716	—	—	—	1,716
Cash and cash equivalents — Not yet past due	158,659	—	—	—	158,659
Total	169,319	—	—	68,404	237,723

* For trade receivables to which the Target Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 15 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Target Group's exposure to credit risk arising from trade receivables are disclosed in note 15 to the financial statements.

Liquidity risk

The Target Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Target Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

As at 31 March 2021

	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Lease liabilities	—	5,448	4,206	—	9,654
Trade payables	—	16,435	—	—	16,435
Other financial liabilities included in other payables and accruals	—	7,434	—	—	7,434
Due to related companies	3	—	—	—	3
Total	3	29,317	4,206	—	33,526

As at 31 March 2022

	On demand *HK$'000*	Within 1 year *HK$'000*	1 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Lease liabilities	—	4,581	767	—	5,348
Trade payables	—	9,825	—	—	9,825
Other financial liabilities included in other payables and accruals	—	4,567	—	—	4,567
Due to related companies	614	—	—	—	614
Total	614	18,973	767	—	20,354

As at 31 March 2023

	On demand *HK$'000*	Within 1 year *HK$'000*	1 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Lease liabilities	—	3,698	3,684	—	7,382
Trade payables	—	13,490	—	—	13,490
Other financial liabilities included in other payables and accruals	—	4,786	—	—	4,786
Due to related companies	1,656	—	—	—	1,656
Total	1,656	21,974	3,684	—	27,314

As at 31 December 2023

	On demand *HK$'000*	Within 1 year *HK$'000*	1 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Lease liabilities	—	5,604	6,448	—	12,052
Trade payables	—	35,132	—	—	35,132
Other financial liabilities included in other payables and accruals	—	4,551	—	—	4,551
Due to related companies	2,243	—	—	—	2,243
Total	2,243	45,287	6,448	—	53,978

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

Capital of the Target Group comprises all components of shareholders' equity.

30. STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

Information about the statement of financial position of the Target Company at the end of the reporting period is as follows:

	As at 31 March			As at 31 December
	2021	**2022**	**2023**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Investments in subsidiaries	114,798	114,798	114,798	114,798
CURRENT ASSETS				
Other receivables	13,849	14,980	15,357	15,357
Amounts due from subsidiaries	78,014	82,864	82,483	82,483
Cash and cash equivalents	6,040	55	58	57
Total current assets	97,903	97,899	97,898	97,897
CURRENT LIABILITIES				
Other payables and accruals	(349)	(349)	(349)	(349)
NET CURRENT ASSETS	97,554	97,550	97,549	97,548
Net assets	212,352	212,348	212,347	212,346
EQUITY				
Share capital	271,564	271,564	271,564	271,564
Accumulated losses	(59,212)	(59,216)	(59,217)	(59,218)
Total equity	212,352	212,348	212,347	212,346

Note:

A summary of the Target Company's reserves is as follows:

	Accumulated losses *HK$'000*
Balance at 1 April 2020	59,132
Total comprehensive loss for the year	80
At 31 March 2021 and 1 April 2021	59,212
Total comprehensive loss for the year	4
At 31 March 2022 and 1 April 2022	59,216
Total comprehensive loss for the year	1
At 31 March 2023 and 1 April 2023	59,217
Total comprehensive loss for the period	1
At 31 December 2023	59,218

31. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company, the Target Group or any of the companies now comprising the Target Group in respect of any period subsequent to 31 December 2023.

Set out below is the management discussion and analysis on the Pangenia Group for the years ended 31 March 2021, 2022 and 2023 and the nine months ended 31 December 2023, which is prepared based on the financial information of the Pangenia Group as set out in Appendix II to this circular.

OPERATING RESULTS

Revenue

For the years ended 31 March 2021, 2022 and 2023 and the nine months ended 31 December 2023, the revenue of the Pangenia Group was approximately HK$269 million, HK$287 million, HK$320 million and HK$221 million, respectively. The above growing trend in the revenue was mainly due to general increase in demand for the COVID tests and steady growth in sale of medical laboratory equipment and consumables.

Cost of sales and services

For the years ended 31 March 2021, 2022 and 2023 and the nine months ended 31 December 2023, the cost of sales of the Pangenia Group was relatively stable at approximately HK$193 million, HK$196 million, HK$201 million and HK$139 million, respectively.

Administrative expenses

For the years ended 31 March 2021, 2022 and 2023 and the nine months ended 31 December 2023, the Pangenia Group had incurred administrative expenses of approximately HK$74 million, HK$61 million, HK$60 million and HK$45 million, respectively. The administrative expenses had remained relatively stable during the period.

Other income and gains

For the years ended 31 March 2021, 2022 and 2023 and the nine months ended 31 December 2023, other income of the Pangenia Group was approximately HK$15 million, HK$2 million, HK$4 million and HK$466,000, respectively. The relatively high level of other income and gains recorded in 2021 was mainly attributed to the government subsidies under the Anti-epidemic Fund and the gain on disposal of a subsidiary.

Finance costs

Finance costs mainly comprised of interest expenses. For the years ended 31 March 2021, 2022 and 2023 and the nine months ended 31 December 2023, the finance costs of the Pangenia Group were approximately HK$228,000, HK$187,000, HK$163,000 and HK$109,000, respectively.

Profit/(loss) for the year/period

As the result of the aforesaid reasons, for the years ended 31 March 2021, 2022 and 2023 and the nine months ended 31 December 2023, the Pangenia Group had recorded loss of approximately HK$5 million, profit of HK$6 million, HK$38 million and HK$15 million, respectively.

Working capital and financial resources

As at 31 March 2021, 2022 and 2023 and 31 December 2023, the net asset value of the Pangenia Group were approximately HK$184 million, HK$175 million, HK$212 million and HK$227 million, respectively. As at 31 March 2021, 2022 and 2023 and 31 December 2023, the cash and cash equivalents of the Pangenia Group were approximately HK$83 million, HK$84 million, HK$143 million and HK$158 million, respectively.

As at 31 March 2021, 2022 and 2023 and 31 December 2023, the Pangenia Group did not have any borrowings.

Foreign exchange and other exposures

During the reporting period, as the majority of business transactions, assets and liabilities of the Pangenia Group are denominated in HK$ or US$, it has no significant exposure to foreign currency risk. Accordingly, during the reporting period, the Pangenia Group did not have any formal hedging policies and no financial instrument was used for hedging purposes.

Contingent liabilities

As at 31 March 2021, 2022 and 2023 and 31 December 2023, the Pangenia Group did not have any material contingent liabilities.

Capital commitments

As at 31 March 2021, 2022 and 2023 and 31 December 2023, the Pangenia Group had no significant capital commitment.

Pledged assets

As at 31 March 2021, 2022 and 2023 and 31 December 2023, the Pangenia Group had no assets that were subject to a pledge.

Significant investments, material acquisitions and disposals

For the years ended 31 March 2021, 2022 and 2023 and the nine months ended 31 December 2023, the Pangenia Group had not conducted any material acquisition or disposal of subsidiaries, associates and joint ventures.

Employees and remuneration policies

As at 31 March 2021, 2022 and 2023 and 31 December 2023, the Pangenia Group had a total of 160, 145, 148 and 149 employees, respectively. For each of the years ended 31 March 2021, 2022 and 2023 and the nine months ended 31 December 2023, respectively, the staff costs of the Pangenia Group were approximately HK$62 million, HK$68 million, HK$67 million and HK$54 million, respectively. The Pangenia Group remunerates its employees based on salaries, wages and other benefits.

The information set forth in this appendix does not form part of the accountants' report received from Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix II to this circular, and is included herein for illustrative purposes only.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group set forth in Appendix I and the accountants' report set forth in Appendix II to this circular.

A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

This unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") of EC Healthcare (the "**Company**") and its subsidiaries (hereafter collectively referred to as the "**Group**"), and Pangenia Inc and its subsidiaries (the "**Target Group**") (the Group and the Target Group are hereafter collectively referred to as the "**Enlarged Group**"), comprising the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 September 2023, has been prepared by the directors of the Company (the "**Directors**") in accordance with Rule 4.29 of the Listing Rules and is solely prepared for the purpose to illustrate the effect of the proposed acquisition of an additional 12.38% equity interest in the Target Company (the "**Acquisition**") by the Group from 42.88% to 55.26% as if the Acquisition has been completed on 30 September 2023.

The Unaudited Pro Forma Financial Information is prepared based on (i) the unaudited consolidated statement of financial position of the Group as at 30 September 2023, which has been extracted from the interim report of the Group for the six months ended 30 September 2023; and (ii) the audited statement of financial position of the Target Group as at 31 December 2023, which has been extracted from the financial information of the Target Group thereon set out in Appendix II to the circular dated 11 June 2024 ("**Circular**"), after making certain pro forma adjustments that are (i) directly attributable to the Acquisition; and (ii) factually supportable, as further described in the accompanying notes.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. As a result of the hypothetical nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition been completed on 30 September 2023. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group's future financial position. The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group, as incorporated by reference in Appendix I to this Circular, and that of the Target Group, as set out in Appendix II to this Circular, and other financial information included elsewhere in this Circular.

A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP (CONTINUED)

The Unaudited Pro Forma Financial Information

	The Group as at 30 September 2023	Pro forma adjustments	Pro forma Enlarged Group before the Acquisition	The Target Group as at 31 December 2023	Pro forma adjustments	Pro forma adjustments	Pro forma Enlarged Group
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
	Note (1)	*Note (2)*		*Note (3)*	*Note (4)*	*Note (5)*	
NON-CURRENT ASSETS							
Property, plant and equipment	1,517,423		1,517,423	20,996			1,538,419
Investment properties	199,300		199,300	—			199,300
Goodwill	849,386		849,386	—		68,974	918,360
Intangible assets	666,195		666,195	45,293		(42,627)	668,861
Interest in joint ventures	40,357		40,357	—			40,357
Interest in associates	266,074	115,000	381,074	—		(115,000)	266,074
Rental and other deposits	119,242		119,242	3,056			122,298
Prepayments and other receivables	204,781		204,781	—			204,781
Financial assets at fair value through other comprehensive income	10,419		10,419	—			10,419
Financial assets at fair value through profit or loss	122,963		122,963	—			122,963
Deferred tax assets	70,991		70,991	2,862			73,853
Total non-current assets	4,067,131		4,182,131	72,207			4,165,685
CURRENT ASSETS							
Inventories	114,735		114,735	27,119			141,854
Trade receivables	275,323		275,323	51,060			326,383
Prepayments, deposits and other receivables	275,935		275,935	10,374	1,716		288,025
Due from directors	—		—	1,716	(1,716)		—
Deferred costs	116,720		116,720	—			116,720
Financial assets at fair value through profit or loss	15,895		15,895	—			15,895
Tax recoverable	33,820		33,820	—			33,820
Time deposits with original maturity over 3 months	31,630		31,630	—			31,630
Cash and cash equivalents	630,574	(115,000)	515,574	158,659		(33,200)	641,033
Total current assets	1,494,632		1,379,632	248,928			1,595,360

	The Group as at 30 September 2023	Pro forma adjustments	Pro forma Enlarged Group before the Acquisition	The Target Group as at 31 December 2023	Pro forma adjustments	Pro forma adjustments	Pro forma Enlarged Group
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
	Note (1)	*Note (2)*		*Note (3)*	*Note (4)*	*Note (5)*	
CURRENT LIABILITIES							
Trade payables	72,123		72,123	35,132			107,255
Other payables and accruals	521,696		521,696	15,980	2,243		539,919
Due to related companies	—		—	2,243	(2,243)		—
Bank borrowings	130,599		130,599	—			130,599
Lease liabilities	270,173		270,173	5,208			275,381
Deferred revenue/contract liabilities	607,867		607,867	20,630			628,497
Current tax payable	91,866		91,866	5,201			97,067
Total current liabilities	1,694,324		1,694,324	84,394			1,778,718
NET CURRENT LIABILITIES	(199,692)		(314,692)	164,534			(183,358)
TOTAL ASSETS LESS CURRENT LIABILITIES	3,867,439		3,867,439	236,741			3,982,327
NON-CURRENT LIABILITIES							
Deferred tax liabilities	103,292		103,292	2,768			106,060
Lease liabilities	452,053		452,053	6,187			458,240
Other payables	217,755		217,755	—			217,755
Bank borrowings	445,728		445,728	—			445,728
Provision for reinstatement costs	20,306		20,306	—			20,306
Convertible bonds	230,132		230,132	—			230,132
Total non-current liabilities	1,469,266		1,469,266	8,955			1,478,221
NET ASSETS	2,398,173		2,398,173	227,786			2,504,106

Notes:

(1) The figures are extracted from the unaudited consolidated statement of financial position of the Group as at 30 September 2023 as set out in the published interim report of the Company for the six months ended 30 September 2023.

(2) As disclosed in the announcement of the Company dated 30 November 2023, the Company acquired 42.88% of the issued share capital of the Target Group at cash consideration of HK$115,000,000. After the acquisition, the Target Group is accounted for as an associate in the consolidated financial statements of the Group.

(3) The figures are extracted from the audited statement of financial position of the Target Group as at 31 December 2023 as set out in Appendix II to this Circular.

(4) For the purpose of the unaudited pro forma financial information of the Enlarged Group, the adjustments represent the reclassification of the Target Group's balances to conform with the grouping of the Group's balances.

(5) Upon Completion, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values as required by the acquisition method in accordance with HKFRS 3 (Revised) "*Business Combinations*".

For the purpose of the unaudited pro forma financial information of the Enlarged Group and for illustrative purpose only, the Group has carried out a provisional purchase price allocation exercise in accordance with HKFRS 3 (Revised).

Goodwill of approximately HK$68,974,000 is attributable to the Target Group's management expertise and workforce. Details of the identifiable assets and liabilities of the Target Group used in the preparation of the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group and the calculation of goodwill are as follows:

	Fair value
	(Note (iii))
	HKD'000
Fixed assets and other non-current assets	29,580
Inventories	27,119
Trade and other receivables and other current assets	63,150
Cash and bank balances	158,659
Trade and other payables and other current liabilities	(84,394)
Non-current liabilities	(8,955)
Non-controlling interests of the Target Group	(223)
Identifiable net assets of the Target Company	184,936

	HKD'000
Fair value of identifiable net assets *(note (i))*	184,936
Less: consideration *(note (ii))*	(148,200)
Less: Non-controlling interests	(105,710)
Goodwill	(68,974)

Note (i): The goodwill of the Target Group amounting to HK$42,627,000 is excluded from the above carrying value as it is not considered as identifiable assets acquired in accordance with HKFRS 3.

Note (ii): The total cash consideration for aggregate controlling stake of 55.26% of the issued share capital of the Target Group is HK$148,200,000.

Note (iii): The identifiable assets and liabilities of the Target group acquired by the Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value by acquisition method in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business combinations" issued by the Hong Kong Institute of Certified Public Accountants. For the purpose of the Unaudited Pro Forma Financial Information, the fair values of the identifiable tangible assets and liabilities of the Target Group as of 30 September 2023 were determined on the assumption that the fair values of the identifiable tangible assets and liabilities of the Target Group approximated to their carrying amounts as at 30 September 2023.

Since the fair values and the carrying amounts of the identifiable assets and liabilities of the Target Group at the Completion Date may be materially different from the values used in the preparation of the unaudited pro forma financial information of the Enlarged Group, the actual amounts of the assets, liabilities and goodwill to be recorded in the consolidated financial statements of the Enlarged Group upon the Completion may be materially different from the estimated amounts shown in this Appendix.

For the purpose of the unaudited pro forma financial information of the Enlarged Group, the Group's management has performed an impairment assessment on the goodwill arising from the Acquisition in accordance with Hong Kong Accounting Standard 36 ("**HKAS 36**") "*Impairment of Assets*" and considers that there would have been no impairment of the goodwill if the Acquisition had been completed on 30 September 2023 for the purpose of the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group. The recoverable amount of the goodwill under impairment assessment was derived based on the higher of its fair value less cost of disposal and its value in use according to HKAS 36, and this approach will be adopted by the Group in the preparation of consolidated financial statements in the subsequent accounting periods.

(6) In the preparation of the Unaudited Pro Forma Financial Information, the Directors have assessed the current overall market environment, industrial policies and the operating situation of the Enlarged Group, and believes that there is no impairment indication of the service concession arrangement arising from the Acquisition of the Target Company as set out in the Unaudited Pro Forma Financial Information.

(7) No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition-related costs (including fees to legal advisers, reporting accountants, valuer, and other expenses) and the directors determined that such costs are insignificant.

(8) No other adjustments have been made to reflect any trading results or other transactions of the Group or the Target Group entered into subsequent to 30 September 2023 or 31 December 2023 respectively.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of EC Healthcare

We have completed our assurance engagement to report on the compilation of pro forma financial information of EC Healthcare (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated assets and liabilities as at 30 September 2023 and related notes as set out on pages IV-1 to IV-5 of the circular dated 11 June 2024 issued by the Company (the "**Circular**") (the "**Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on pages IV-6 to IV-8 of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of an additional 12.38% equity interest in the Target Company (the "**Acquisition**") from 42.88% to 55.26% by the Group as if the Acquisition has been completed on 30 September 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's interim financial information for the six months ended 30 September 2023, on which no audit or review report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transactions, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transactions in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Certified Public Accountants
Hong Kong

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Valtech Valuation Advisory Limited, an independent valuer, in connection with the valuation of the Pangenia Group.

Valtech =∑ w * factors
Valuation Advisory

11 June 2024

EC Healthcare
20/F, Devon House,
Taikoo Place, 979 King's Road,
Quarry Bay, Hong Kong

Dear Sir/Madam,

Valuation of Fair Value of 16,059,997 preference shares, 2,288,000 ordinary shares, 2,520,765 ordinary shares and 2,775,330 ordinary shares (55.26% Equity Interest as if diluted basis) in Pangenia and its subsidiaries

In accordance with the instructions from EC Healthcare (the "**Company**"), we have been engaged by the Company to assist to determine the fair value ("**Fair Value**") of following subject of valuation (the "**Subject of Valuation**") as at 30 September 2023 (the "**Valuation Date**") for transaction reference purpose.

- 16,059,997 preference shares (37.53% Equity Interest as if diluted basis) in Pangenia and its subsidiaries (the "**Target Group**");
- 2,288,000 ordinary shares (5.35% Equity Interest as if diluted basis) in the Target Group;
- 2,520,765 ordinary shares (5.89% Equity Interest as if diluted basis) in the Target Group; and
- 2,775,330 ordinary shares (6.49% Equity Interest as if diluted basis) in the Target Group.

Our analyses are substantially based on the information provided to us by the existing management of the Company (the "**Management**"). It is our understanding that our analyses, and the subsequent appraised estimation of Fair Value (as defined in the section Standard and Basis of Value), will be used by the Management solely for their purpose of transaction reference. Our analyses were conducted for the above stated purpose. As such, this report should not be used by the Company for any other purpose other than those that are expressly stated herein without our expressed prior written consent.

The approaches and methodologies used in our work did not comprise an examination to ascertain whether the Target Group's presented financial information were constructed in accordance with generally accepted accounting principles. The objective of the aforesaid examination is of course to determine whether existing current financial statements or other financial information, historical or prospective, which are provided to us by the Management, are being expressed as a fair presentation of the Target Group's financial position. As such, we express no opinion and accept no responsibility on the accuracy and/or completeness of the historical and projected financial information of the Target Group, and of the marketing materials or other data provided to us by the Management.

Our conclusion on Fair Value do not constitute nor shall they be construed to be an investment advice or an offer to invest. Prior to making any decisions on any investments, a prospective investor should independently consult with their own investment, accounting, legal and tax advisers to critically evaluate the risks, consequences, and suitability of such investment.

SCOPE AND PURPOSE OF ENGAGEMENT

We were engaged by the Management to assist to determine the Fair Value of the preference shares and ordinary shares in the Target Group as at the Valuation Date. It is our understanding that our analysis will be used by the Management solely for their transaction reference purpose.

STANDARD AND BASIS OF VALUE

This valuation was prepared on the basis of Fair Value. In accordance with HKFRS 13/IFRS 13 — Fair Value Measurement, Fair Value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When appropriate, we might also make cross reference to the International Valuation Standards ("**IVS**") published by the International Valuation Standards Council. The IVS details the general guideline on the basis and valuation approaches used in valuation.

PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject, i.e., a business, in a manner which would generate the greatest return to the owner, taking account what is physically tangible, financially feasible, and legally permissible. Premise of value includes the following scenarios:

Highest and Best Use: is the use that would produce the highest and best use for an asset, and it must be financially feasible, legally allowed and result in the highest value;

Current Use/Existing Use: is the current way an asset, liability, or group of assets and/or liabilities is used, maybe yet not necessarily the highest and best use;

Orderly Liquidation: describes the value of a group of assets that could be realized in a liquidation sale, given a reasonable period of time to find a purchaser/(s), with the seller being compelled to sell on an as-is, where-is basis; and

Forced Sale: is in circumstances where a seller is under compulsion to sell and that, as a consequence, a proper marketing period is not possible and buyers may not be able to undertake adequate due diligence.

After having reviewed all background and financial information and taken into consideration all relevant facts, valuation of the Subject of Valuation should be prepared on a ''Highest and Best Use'' basis.

LEVEL OF VALUE

Current valuation theories suggest that there are at least four basic ''levels'' of value applicable to a business or business interest. The four most common levels of value are as follows:

Controlling Interest: Value of the controlling interest, always evaluate an enterprise as a whole;

Non-controlling Interest: Value of the non-controlling interest of a business;

As if Freely Tradable Interest: Value of a business that or business interest enjoys the benefit of market liquidity; and

Non-marketable Interest: Value of a business that or business interest lacking market liquidity.

After having reviewed all background and financial information and take into consideration all relevant and objective facts, we reasonably believe Subject of Valuation should be valued and reported in this valuation as a Non-Controlling Interest and Non-marketable Interest.

SOURCE OF INFORMATION

Our analysis and conclusion of opinion on value were based on continued discussions with, and having obtained pertinent key documents and records provided by the Management, and conducted certain procedures including but not limited to:

- The group chart of the Target Group;
- The consolidated unaudited financial statements of the Target Group for the six months ended 30 September 2023, consolidated audited financial statements for the year ended 31 March 2021, 2022 and 2023;

- The consolidated revenue breakdown of the Target Group for the six months ended 30 September 2023, for the year ended 31 March 2021, 2022 and 2023;
- The consolidated property, plant and equipment breakdown as of 30 September 2022, 31 March 2023 and 30 September 2023;
- The Shareholders' Agreement;
- The unaudited financial statements of Bio-Technology Limited for the six months ended 30 September 2023.

We have also relied upon publicly available information from sources in capital markets, including industry reports, news and various databases of publicly traded companies.

ECONOMIC OVERVIEW

To substantiate the economic background of the country where the Target Group with principal place of business is located, we have reviewed the economic condition of the People's Republic of China ("**PRC**") and Hong Kong ("**HK**") where the Target Group will derive its future income from.

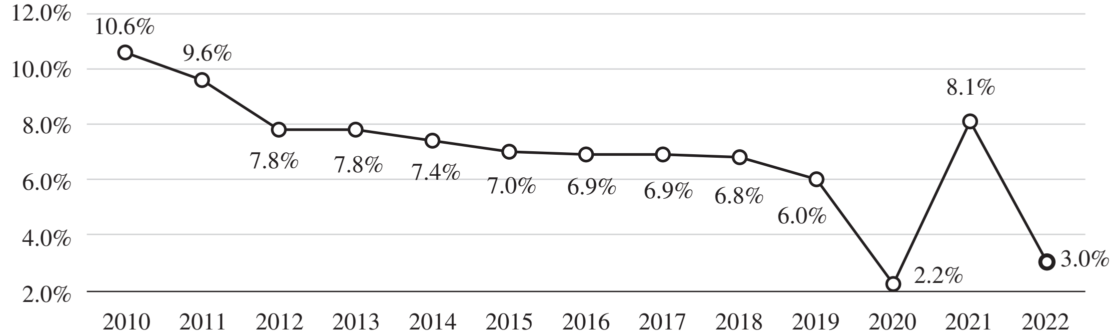
Economic Overview of the PRC

GDP Growth in the PRC

According to the draft proposal of the 14th Five-Year Plan (2021–2025) and Vision 2035 (2021–2035), China aims on building a moderately prosperous society in all respects. Therefore, the economy growth is expected to be kept from high-speed growth to high-quality growth and rebalanced with supply-side structural reform.

The coronavirus outbreak is having a severe impact on economic activity in 2020, and the GDP growth was recorded by 2.2%. With the pandemic fading and containment efforts gradually unwound, the economy accelerated sharply to grow to 8.1% in 2021. However, the appearance of more contagious variants in 2022 has led to more frequent and longer lockdowns under the zero-COVID policy, with the restrictions and related uncertainty weighing on domestic demand. After a series of announcements, the zero-COVID strategy was relaxed in November and December 2022. According to World Economic Outlook Database published by International Monetary Fund ("**IMF**") published in October 2023, the GDP recorded a 3.0% growth in 2022.

Real GDP Annual Growth Rate in the PRC, 2010–2022



Source: World Economic Outlook Database (October 2023), International Monetary Fund & National Bureau of Statistics of China

Real GDP Annual Growth Rate and Inflation Forecast of the PRC

	2023F	2024F	2025F	2026F	2027F
Real GDP Annual Growth Rate (%)	5.0	4.2	4.1	4.1	3.7
Inflation (%)	0.7	1.7	2.2	2.2	2.2

Source: World Economic Outlook Database (October 2023), International Monetary Fund

Growth in China will remain strong but is projected to decline gradually as the Chinese government's intention to ''de-lever'' the economy through controlling credit growth in order to maintain a healthy growth of the economy in long run. Nevertheless, supply-side structural reforms as well as regulatory tightening to mitigate environmental and financial remain definite drags on growth. External uncertainty risks including trade frictions with the U.S. persist and real estate activity continues to show significant variations nationwide, although property market prudential measures have so far tamed volatility.

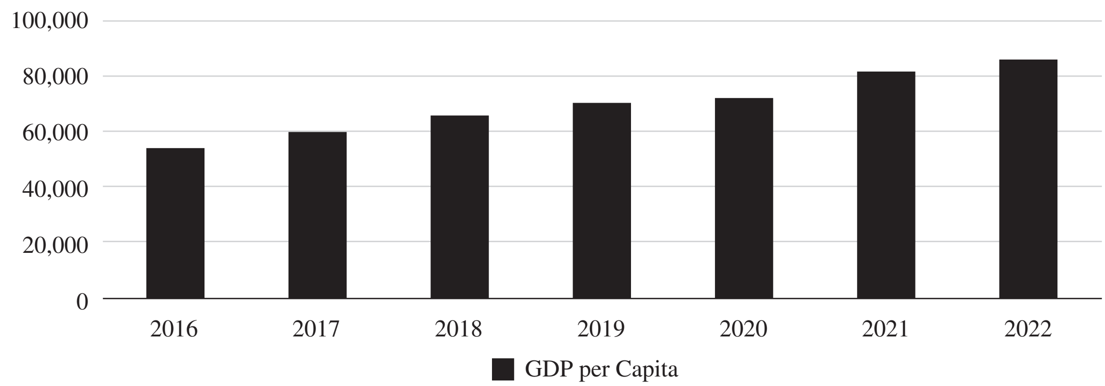
In the near term, the deep contraction in the real estate sector, and weaker global growth are the main drags, while a secular decline in productivity growth and demographic headwinds, amid geoeconomic fragmentation pressures, are weighing on medium-term growth prospects.

GDP per Capita in the PRC

The 13th Five-Year Plan adopted in 2016 mandated that China becomes a ''moderately prosperous society'' and doubles its real GDP between 2010 and 2020. The disposable income level, one of the good measures, has grown significantly over the past few years. According to the latest data from National Bureau of Statistics of China, annual disposable income per capita of urban households in China has increased from RMB36,396 in 2017 to RMB49,283 in 2022, representing a CAGR of approximately 6.25%; annual disposable income per capita of rural households has increased from RMB13,432 in 2017 to RMB20,133 in 2022, representing a CAGR approximate to 8.43%. In comparison to the inflationary figures, the annual inflation rate is between 0.9% and 2.2% during the period from 2017 to 2022. Hence, the living standard of Chinese people saw an overall improvement.

The following diagram shows the GDP per capita of the PRC from 2016 to 2022.

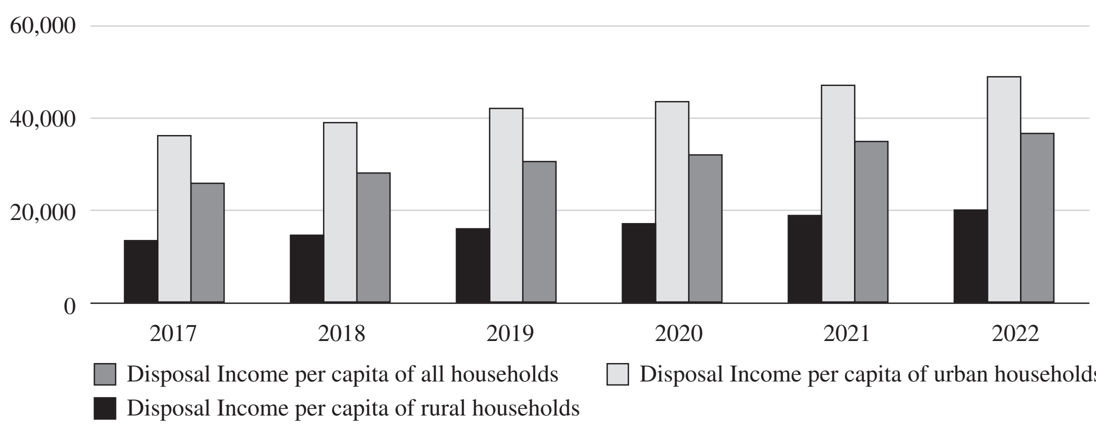
GDP per capita (RMB) of the PRC from 2016 to 2022



Source: National Bureau of Statistics of China

The following diagram shows the annual resident disposal income per capita from 2017 to 2022.

Disposal income per capita of the PRC from 2017 to 2022



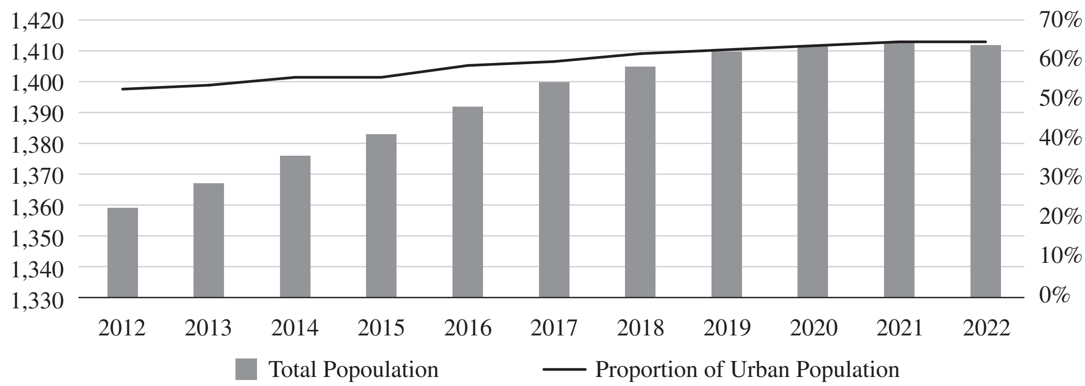
Source: National Bureau of Statistics of China

Population Growth

The population growth of the PRC has been slowing in recent years. According to the National Bureau of Statistics of China, the population has increased from 1.36 billion in 2012 to 1.41 billion in 2022, representing a CAGR of approximately 0.4%. Concurrently, the proportion of the urban population in the PRC has risen from 53% in 2012 to 65% in 2022.

The following diagram illustrates the population growth and corresponding urban population growth in the PRC from 2012 to 2022.

Population and Portion of Urban Population in the PRC



Source: National Bureau of Statistics of China

For the next ten years, population growth is expected to remain steady. The future growth of domestic demand is anticipated to depend on population growth, as well as increasing urbanization and the expansion of the middle class. Meanwhile, the unemployment rate has been recorded at around 4.0% for the past few years, and it is expected to gradually moderate to 3.6% during the period from 2023 to 2027.

The PRC's one-child policy, starting in 1979, has slowed down the birth rate, but the side effects of the policy are starting to take effect in the current decade. The number of elderly people is rising, and this age group is forecasted to grow in the next few decades. The government has recognized this trend and introduced the two-child policy since October 2015. As a result, the number of 0-to-14-year-olds has experienced a slight increase in the past 10 years.

Inflation

The inflation rate in the PRC has slightly decreased since 2011 and picked up in 2017. According to the IMF, the inflation rate was recorded at 1.9% in 2022 in the PRC and is estimated to decrease to 0.7% in 2023. Regarding 2023, inflation is expected to remain below the authorities' target of 3.0%. Near-term price pressures are expected to remain muted. With the modest growth pickup, the output gap will gradually close and still be large through much of 2023. Demand-supply imbalances are expected to remain small despite reopening, as the full lifting of COVID restrictions is anticipated to be gradual and result in a slow shift in demand toward contact-intensive sectors. However, the outlook for inflation in the PRC lags behind the inflation of the world's average and that of emerging and developing economies.

Annual Inflation Forecasts of the PRC versus World Economies

	Inflation rate, average consumer prices (Annual percent change)				
	2023F	**2024F**	**2025F**	**2026F**	**2027F**
World	6.88	5.79	4.62	4.23	3.94
Emerging market and developing economies	8.48	7.78	6.24	5.68	5.22
The PRC	0.66	1.69	2.16	2.22	2.22

Source: World Economic Outlook Database (October 2023), International Monetary Fund

The RMB yuan has depreciated by around 10% against the U.S. dollar since March 2022, following the strongest U.S. dollar in decades. The authorities have taken steps to stabilize exchange rate expectations, including lowering the FX reserve requirement ratios in May and September to provide more onshore FX liquidity, tightening the reserve requirement on FX forwards in September, and raising the cross-border financing macro-prudential adjustment parameter for financial institutions and enterprises in October.

US Dollar Versus RMB Yuan, 2017–2022

Source: Bloomberg

Government Policy

In the annual Central Economic Work Conference held in Beijing in December 2023, the authorities emphasized that China's economy achieved a recovery, with solid progress made in high-quality development in 2023. To further revive the economy, China still faces several difficulties and challenges, including a lack of effective demand, overcapacity in some sectors, lackluster social expectations, certain risks and hidden problems, bottlenecks in domestic circulation, as well as the rising complexity, severity, and uncertainty of the external environment.

The meeting listed priorities in nine aspects for the economic work in 2024 as follows:

- Sci-tech innovation should lead the development of a modern industrial system;

- Expanding more to domestic demand;
- Deepen Reforms in key areas;
- Expanding high-standard opening up;
- Prevented and defused Risks in key areas in a continuous and effective manner;
- Making sustained efforts to do a good job in the work related to agriculture, rural areas and farmers;
- Making efforts to facilitate integrated urban-rural development and coordinated regional development;
- Advance ecological conservation and promote green and low-carbon development; and
- Making efforts to secure and improve people's livelihoods.

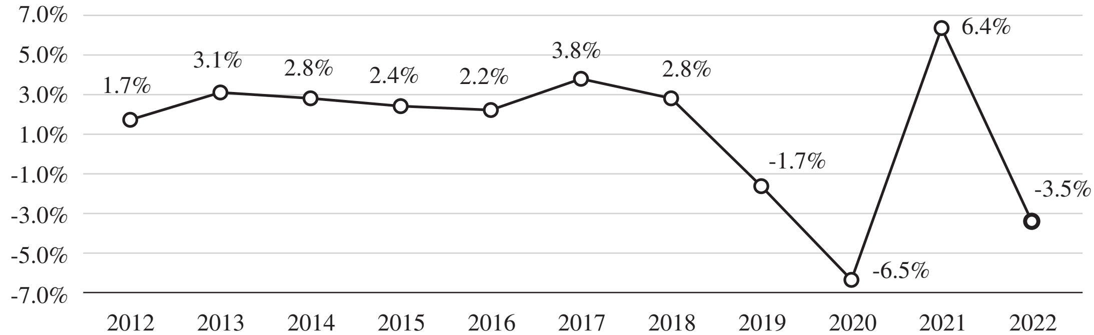
Economic Overview of Hong Kong

Hong Kong is widely recognized as the world's freest economy and the most services-oriented economy, with the services sector accounting for more than 90% of Gross Domestic Product ("**GDP**"). It is also an important financial center in the Asia Pacific region and ranks as the 6th leading global financial center, according to the Global Financial Centre Index. Additionally, Hong Kong serves as a global offshore RMB business hub and the largest offshore RMB clearing center, processing approximately 74% of the world's RMB payments.

GDP Growth of Hong Kong

Hong Kong's economy contracted visibly by over 4% year-on-year in the second half of 2022. This economic contraction primarily reflected sizable declines in merchandise exports and aggregate investment, alongside a weaker global economy and tightened financial conditions. However, private consumption remained supportive to growth, and exports of services improved slightly following the relaxation of compulsory quarantine requirements for overseas visitors since late September 2022. For 2022 as a whole, real GDP fell by 3.5%, contrasting with the 6.4% growth in 2021, according to the World Economic Outlook Database published by the IMF. Riding on the reopening of PRC and Hong Kong, economic growth for 2023 is expected to recover from a low base. The IMF forecasts that the economy will grow by 4.4% and 2.9% in 2023 and 2024, respectively.

Real GDP Growth in Hong Kong, 2012–2022



Source: World Economic Outlook Database (October 2023), International Monetary Fund

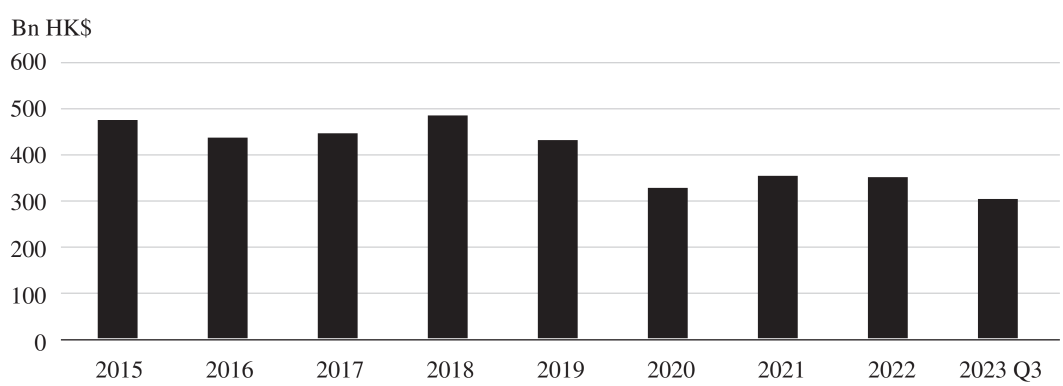
Real GDP Annual Growth Rate and Inflation Forecast of Hong Kong

	2023F	2024F	2025F	2026F	2027F
Real GDP Annual Growth Rate (%)	4.4	2.9	2.9	2.7	2.6
Inflation (%)	2.2	2.3	2.4	2.5	2.5

Source: World Economic Outlook Database (October 2023), International Monetary Fund

Visitor arrivals have picked up especially after Mainland China's reopening since January 2023, and inbound tourism is still likely to take time to recover. The value of retail sales, in nominal terms, contracted by 0.9% year-on-year in 2022 over a year earlier.

Retail Sales in Hong Kong, 2015–2023 Q3

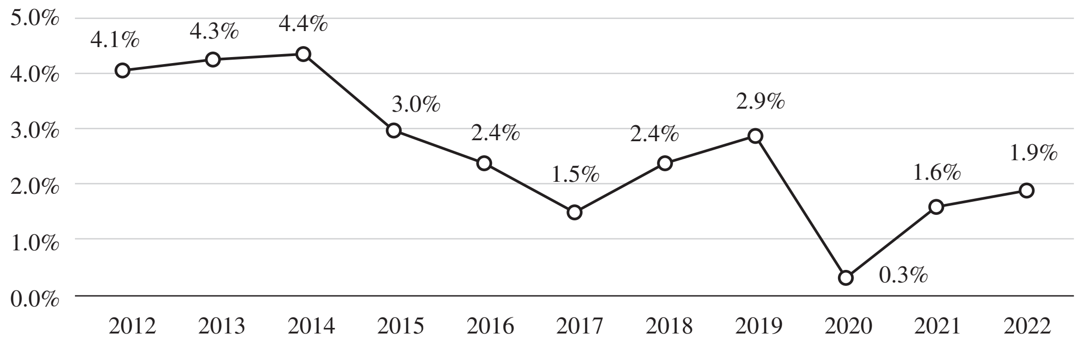


Source: Census and Statistics Department of Hong Kong

Inflation

Local inflationary pressures remained moderate in 2022. The year-on-year underlying composite consumer price index ("**CCPI**") increased by 1.8% in both the third and fourth quarters of 2022, mainly driven by prices of energy-related items, food, clothing and footwear. Inflation momentum, as measured by the annualised three-month-on-three-month underlying inflation rate, also stayed mild recently. In conjunction with the soft housing market, the housing rental component of the CCPI has exerted downward pressure on overall inflation. In the near term, local inflation is expected to edge up, but should stay mild reflecting offsetting forces. For 2023, the Government projects the underlying inflation rate to be 2.0% and the estimates by IMF analysts was around 2.2%.

Year-over-Year CPI Inflation in Hong Kong, 2012–2022

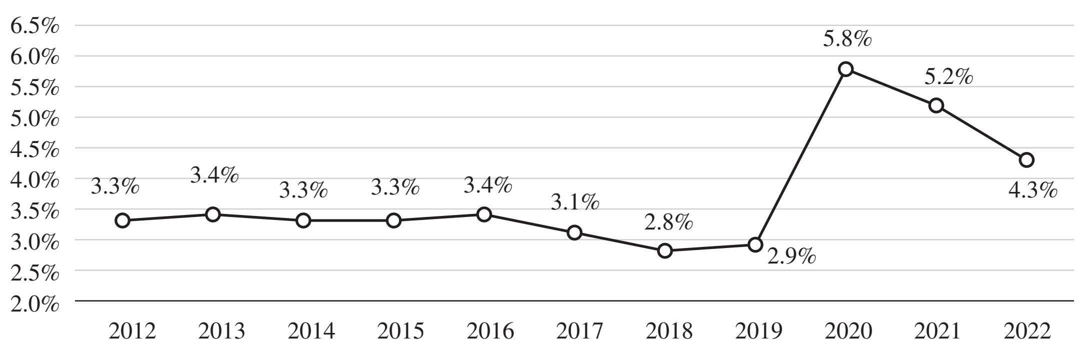


Source: World Economic Outlook Database (October 2023), International Monetary Fund

Labour Market Conditions

Alongside the further relaxation of social distancing measures, local labor market conditions continued to improve in the second half of 2022 and early 2023. The seasonally adjusted unemployment rate declined further to 3.3% in February 2023. Total employment also rebounded from a recent low in May 2022, although it remains below its pre-pandemic level. Looking ahead, the labor market is likely to continue improving as local economic activities return to normal.

Unemployment Rate (Seasonally Adjusted) in Hong Kong, 2012–2022



Source: World Economic Outlook Database (October 2023), International Monetary Fund

Monetary Policy

The Hong Kong dollar softened during the review period amid risk-off sentiment in the local equity market and concerns over US monetary policy normalization. Despite this, with abundant Hong Kong dollar liquidity, the HIBORs continued to stay at low levels. Overall, the

Hong Kong dollar exchange and money markets continued to trade in a smooth and orderly manner. In the near term, while the expectation of a stronger US dollar, along with the Fed's hawkish shift in its monetary policy outlook, and the ongoing pandemic, as well as rising geopolitical tensions, may heighten volatility in fund flows, Hong Kong is well-positioned to withstand such volatility given its ample foreign reserves and robust banking system.

Government Initiatives

The Financial Secretary, Mr. Paul Chan, unveiled his 2023–24 Budget on 22 February 2023. Below are some highlights:

- Issue electronic consumption vouchers with a total value of HK$5,000 by instalment to each eligible Hong Kong residents.

- Provide additional funding of HK$550 million in total to the HKTDC in the five fiscal years starting from 2023–24 to facilitate Hong Kong entrepreneurs in seizing opportunities arising from the B&R Initiative and the GBA development and tapping into emerging markets.

- Further inject HK$500 million into the Branding, Upgrading and Domestic Sales (BUD Fund) and launch "BUD Easy" to expedite the processing of applications.

- $6 billion for universities and research institutes to set up thematic research centres related to life and health technology.

- Establish a Microelectronics Research and Development Institute to enhance collaboration among universities, R&D centres, and the industry, expediting "1 to N" transformation.

- Step up investment in technology start-ups, the HKSTPC will inject HK$400 million into its Corporate Venture Fund.

- Earmark HK$265 million for Cyberport to launch a dedicated incubation programme for smart living startups, under which a maximum grant of HK$500,000.

- Provide $100 million to InvestHK to attract more family offices to Hong Kong.

- Plan to issue no less than HK$50 billion of Silver Bond and HK$15 billion of retail green bonds in the next fiscal year.

- Introduce a listing regime for advanced technology companies in the first quarter of 2023.

- Set up a Green Technology and Finance Development Committee to formulate an action agenda covering green technology, green finance, green standard certification, etc.

- Allocate more than $150 million to support Hong Kong artists in taking part in performances and productions in the GBA, and to organise the GBA Culture and Arts Festival in 2024.

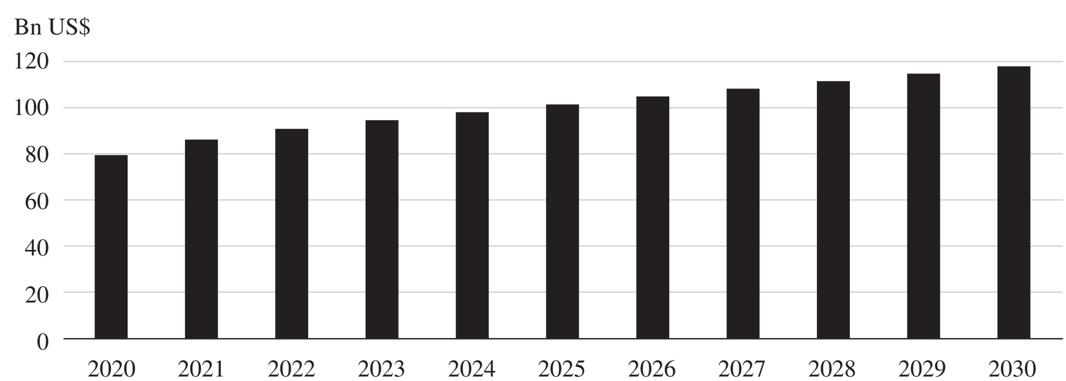
- Inject an additional HK$500 million into the CreateSmart Initiative ("**CSI**") to support the development of creative industries.

INDUSTRY OVERVIEW

In Vitro Diagnostics Market

The In vitro diagnostics ("**IVD**") industry stands at the forefront of revolutionizing healthcare by providing precise and timely diagnostic solutions. Driven by an increasing emphasis on personalized medicine, rising healthcare awareness, and a growing aging population, the IVD market has witnessed exponential growth in recent years, Reagents, the critical components of diagnostic tests, are experiencing heightened demand as they are integral to the accuracy and reliability of diagnostic results. Particularly, the COVID-19 pandemic has brought positive impact to this industry and enhanced the industry development. According to Statista and Grandview Research, the global IVD market was worth approximately 91.2 billion U.S. dollars as at 2022, of which the reagents products segment accounted for the largest revenue share of more than 65.00%. By 2030, the IVD market was forecast to be worth over 118.6 billion U.S. dollars with a CAGR (between 2023 and 2030) of 3.2%.

Market size of the IVD market worldwide



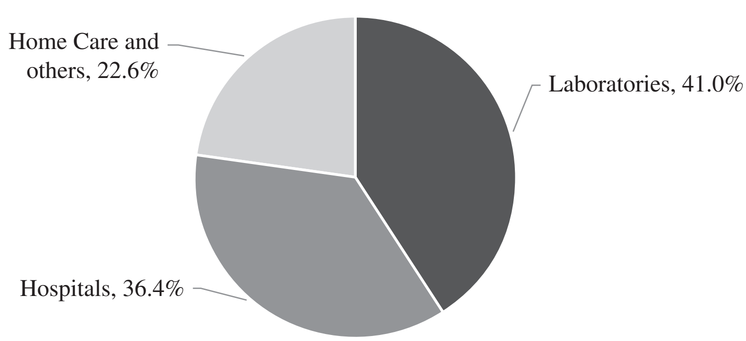
Source: Statista

The IVD market is diversified, with segments ranging from immunoassays and clinical chemistry to molecular diagnostics. Immunoassays, for instance, utilize reagents to detect and quantify biomolecules, such as antibodies or antigens, offering a versatile platform for diagnosing infectious diseases, autoimmune disorders, and cancer. Clinical chemistry reagents are critical for analyzing blood and bodily fluids, providing insights into organ function, metabolic processes, and disease markers. Molecular diagnostics, on the other hand, rely on nucleic acid-based reagents to identify genetic variations, aiding in the diagnosis of genetic disorders and infectious diseases. The COVID-19 outbreak has diverted the focus of major market players toward the development of rapid detection test kits such as molecular diagnostic test kits, anti-body test kits, and antigen test kits.

Based on end-uses, the global market has been further sub-segmented into hospitals, laboratories, home care, and others. The laboratory end-use segment led the global market in 2022 and accounted for the highest revenue share of more than 41%. An increase in awareness about personalized medicine, a rise in demand for affordable services, and technological advancements are some of the key factors expected to boost the growth of the laboratory segment. This is one of the major revenue-generating segments in the market owing to the large volume of testing conducted in the laboratories.

The hospitals segment held a significant market share of 36.4% in 2022, owing to a rise in the rate of hospitalizations that require support from faster diagnostics. Moreover, the ongoing development of healthcare infrastructure is anticipated to enhance the existing hospital facilities. Thus, the demand for hospital-based IVD tests is increasing. Most of the IVD devices are purchased by hospitals and are used in significant volumes.

Market Share of the IVD Market Based on End-uses



Source: Grandview Research

Challenges and Opportunities

While the industry presents lucrative opportunities, there are still existing some challenges such as stringent regulatory requirements, particularly in the context of reagent development and approval, which necessitate substantial investments in research and development. Companies that can navigate these regulatory landscapes effectively, ensuring compliance while expediting product development, stand to gain a competitive edge. In conclusion, the In vitro diagnostics industry, with a specific focus on reagents, is poised for continued growth and innovation. Companies operating in this space are integral to advancing healthcare outcomes by providing accurate, reliable, and efficient diagnostic solutions. As technological advancements continue to reshape the landscape, the strategic development and deployment of high-quality reagents will remain central to the industry's success.

COMPANY OVERVIEW

EC Healthcare

The Company is an investment holding company principally engaged in the provision of aesthetic medical services. The Company operates business through three business segments. The Aesthetic Medical, Beauty and Wellness and Sale of Skincare, Healthcare and Beauty Products segment provide aesthetic medical services including medical aesthetics and dental services; beauty and wellness services including traditional beauty, haircare and ancillary wellness services; as well as sells skincare, healthcare and beauty products. The Medical segment is engaged in the provision of medical services including but not limited to pediatric and cardiology. The Performance Marketing segment is involved in the provision of performance marketing solutions and related services.

Jade Master International Limited

Jade Master International Limited is an indirect wholly-owned subsidiary of the Company, a company incorporated in the British Virgin Islands. It is an investment holding company.

Pangenia Group

Pangenia is incorporated in the British Virgin Islands with limited liability. The Pangenia Group is principally engaged in the business of, among others, (a) the provision of medical laboratory testing to doctors and medical related institutions; and (b) the distribution of medical laboratory equipment and devices. The Pangenia Group commenced business in 1993.

The following table sets out the shareholding structure of Pangenia as at the date of this transaction to the best of the Directors' knowledge, information and belief:

	Shareholders of Pangenia	**Percentage of shareholding in Pangenia (as if diluted basis)**
Series A Preferred Shares *(Note 1)*	Victor Mind International Limited (one of the Target Companies)	37.53%
Ordinary Shares	Active Compass Limited (one of the Target Companies)	5.35%
Ordinary Shares	Bio-Gene Limited (one of the Target Companies)	5.89%
Ordinary Shares	Success Synergy Limited (one of the Target Companies)	6.49%
Ordinary Shares	Other shareholders of Pangenia	44.74%

Note 1: Victor Mind holds series A preferred shares of Pangenia, which entitle it to specific special rights in Pangenia. These include the rights to appoint directors, receive liquidation preference, and approve certain transactions and corporate actions of Pangenia. Victor Mind also has the option to convert its series A preferred shares into ordinary shares on a 1:1 basis at no additional cost, subject to adjustment for share-split, share dividend, recapitalization, or other similar events.

Victor Mind International Limited ("Victor Mind")

Victor Mind is incorporated in the British Virgin Islands with limited liability and is an investment holding company. Immediately before Completion, Victor Mind was wholly owned by Full Joyous International Limited. Victor Mind is an investment holding company whose only asset is 16,057,997 series A preferred shares in Pangenia, representing 37.53% issued share capital of Pangenia as if diluted basis.

Active Compass Limited ("Active Compass")

Active Compass is incorporated in Samoa with limited liability and is an investment holding company. Active Compass is an investment holding company whose only asset is 2,288,000 ordinary shares in Pangenia, representing 5.35% issued share capital of Pangenia as if diluted basis.

Bio-Gene Limited ("Bio-Gene")

Bio-Gene is incorporated in Hong Kong with limited liability and is an investment holding company. Bio-Gene is an investment holding company whose only asset is 2,520,765 ordinary shares in Pangenia, representing 5.89% of the issued share capital of Pangenia.

Success Synergy Limited ("Success Synergy")

Success Synergy is incorporated in Samoa with limited liability and is an investment holding company. Success Synergy is an investment holding company whose only asset is 2,775,330 ordinary shares in Pangenia, representing 6.49% of the issued share capital of Pangenia.

TRANSACTION OVERVIEW

The Company, Jade Master International Limited (the "**Purchaser**"), Mason and Full Joyous International Limited (the "**Seller**") entered into the sale and purchase agreement dated 30 November 2023, pursuant to which, among others, the Purchaser agreed to purchase, and the Seller agreed to sell, the Sale Shares, representing all shares of each of Victor Mind and Active Compass, which in turn hold an aggregate of 42.88% of the issued share capital of the Target Group, for the Consideration of HK$115,000,000 payable in cash, subject to the terms and conditions of the Agreement.

On 4 January 2024, the Company has entered into sale and purchase agreements with certain other beneficial owners of the Target Group to further acquire an aggregate of 12.38% of the issued share capital of the Target Group for an aggregate Consideration of HK$33,200,000 in cash. Upon Completion, The Target Group will be held as to approximately 55.26% by the Company.

After the Acquisition, the Target Group will become a subsidiary of the Company.

VALUATION METHODOLOGY OVERVIEW

The valuation of any asset can be broadly classified into one of the three approaches, namely the cost approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the analysis of that asset.

Cost Approach

The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain a business, business ownership interest, security, or intangible asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

Market Approach

The market approach provides an indication of value by comparing a business, business ownership interest, security, or intangible asset with identical or comparable (that is similar) subjects for which price information is available.

Value is established based on the principle of comparison. This simply means that if one thing is similar to another and could be used for the other, then they must be similar. Furthermore, the price of two alike and similar items should be approximate to one another.

Income Approach

This is a general way of determining the economic value of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

In the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate.

Discount rate factors often include general market rates of return at the Valuation Date, business risks associated with the industry in which the Target Group operates, and other risks specific to the asset being valued.

Valuation of the Equity Interest in the Target Group

Methodology Analysis	**Reasons for Applying or not Applying**
Cost Approach Is Rejected	Participants would not be able to recreate an asset with substantially the same utility as the Target Group, without regulatory or legal restrictions.

Income Approach Is Rejected There is significant uncertainty regarding the amount and timing of future income to the Target Group.

Market Approach Is Accepted The market approach referred to the public information of the market participants, which involve fewer assumptions on the input in the valuation and reflecting the market expectation and view on the industry.

There are sufficient numbers of comparable public companies available in markets which facilitate a meaningful comparison and provide inputs for determining the valuation multiple. Guideline Publicly-traded Comparable ("**GPTC**") Method under the market approach is applied and considered as appropriate and reliable.

Valuation of the Series A Preferred Shares and Ordinary Shares

Option Pricing Model is adopted. The option pricing model is a method for allocating equity value to multiple classes of securities in a company's capital structure. The option pricing model works by treating each class of security as a call option on the total equity value of the Company. To accomplish this, the Black-Scholes model is adopted to value the call options. The Black-Scholes model incorporates the parameters of stock price, exercise price, time, volatility, and risk-free rate to determine the price of a European call option.

Though there are different exit options for the equity classes of the Target Group, it is considered appropriate to evaluate possible scenario with reference to current equity value of the Target Group. The option pricing model will then be performed in the most probable scenario to reflect the most probable value of respective equity classes of the Target Group.

GENERAL ASSUMPTIONS

- There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the existing political, legal, commercial and banking regulations, fiscal policies, foreign trade and economic conditions in countries/regions where the Target Group currently operates in and in new markets that the Target Group may potentially expand into as proposed by Management;

- There are no deviations, the aggregate of which when viewed together, may be construed to be a material adverse change in industry demand and/or market conditions;

- There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the fluctuation of interest rates or currency exchange rates in any country which would be deemed to have a negative impact or the ability to hinder the existing and/or potentially future operations of the Target Group;

- There are no changes, the aggregate of which when viewed together, may be construed to be a material adverse change in the current laws of taxation in those countries in which the Target Group operates in or the Target Group may potentially operate in;

- All relevant legal approvals, business certificates, trade and import permits, and bank credit approval have been procured, in place and in good standing prior to commencement of operations by the Target Group under the normal course of business;

- The Target Group will be able to retain existing and competent management, key personnel, and technical staff to support all facets of the ongoing business and future operations; and

- Trademarks, patents, technology, copyrights and other valuable technical and management knowhow will not be infringed in countries/regions where the Target Group is or will be carrying on business.

MAJOR ASSUMPTIONS

A number of major assumptions were established to sufficiently support our application of the GPTC Method. The major assumptions adopted are:

- The normalized management accounts of the Target Group can better reflect the long term sustainable financial position as at the Valuation Date;

- Performance of the Target Group would not deviate from the performance of its industry peers;

- Median multiple assumed to reflect a fair and objective market expectation on the industry; and

- The Guideline Public Companies with similar business exposure (although not exactly the same) provided a reasonable benchmark of valuation that could be applied to the Target Group.

VALUATION OF THE EQUITY INTEREST IN THE TARGET GROUP

Guideline Publicly-traded Comparable Method

Under the GPTC Method, the value is derived from last trading multiples of a selected set of comparable companies (“**Guideline Public Companies**”). Trading multiples, which are measures of relative value, are computed by dividing the market capitalizations (or sometimes enterprise value) of the Guideline Public Companies by some identified value-driving economic variable(s) observed or calculated from their latest published fundamental data, being typically their financial data (such as revenue, earnings before interests and taxes, net profit, book equity) or other industry-specific value drivers as at the Valuation Date. A typical challenge in applying the GPTC Method is to identify a sufficient pool of relevant and sufficient Guideline Public Companies that are comparable to the target and the subject companies in terms of their business models, underlying business risks and prospects.

Selection of the Guideline Public Companies

The application of the GPTC Method depends on the selection of the Guideline Public Companies that shared sufficient similarities to underlying business of the Target Group so as to provide meaningful comparisons. We exercised due care in the selection of the Guideline Public Companies by using multiple screening criteria in deciding whether or not the business model of a particular Guideline Public Company is relevant.

The Target Group is primarily engaged in two principal activities: (a) the provision of medical laboratory testing to doctors and medical related institutions, and (b) the distribution of medical laboratory equipment and devices, primarily reagents. For the six months ended 30 September 2023, 86% of the revenue was generated from the sale of medical equipment and devices. In terms of geographical analysis, revenue generated from the PRC and Hong Kong accounted for the majority of the Target Group's revenue for the same period.

In selecting the Guideline Public Companies, we considered multiple screening criteria including, but not limited to, descriptions of potential companies in terms of lines of business, operating locations, major revenue by geographical location, financial results, and other criteria. To comprise a representative set of Guideline Public Companies to derive the valuation result, we performed our comparable search based on the following processes in the selection of the Guideline Public Companies.

The selection is mainly based on searching through the Bloomberg terminal and online resources. Criteria had to be set to ensure similarity between the Guideline Public Companies and the Target Group as follows:

1. Principal Activity: Engaged in the medical equipment and reagent business, with the majority (i.e., over 80%) of revenue generated from the sale of medical equipment and reagents;

2. Principal Activity Location: The main business (i.e., over 80% of revenue) is operated in Hong Kong and/or China; and

3. Profit-making in the latest published financial period.

To compute quantitative benchmarks, we referred to the largest revenue percentage of the Target Group by products and geographical location segment. Given that roughly 86% of revenue is generated from the distribution of medical laboratory equipment and devices, primarily reagents, within the Target Group, and that the PRC and Hong Kong are the main geographical locations for the provision of medical equipment and reagent business, we considered adopting two quantitative benchmarks:

1. Comparable companies with over 80% revenue generated from the provision of medical equipment and reagent business shall be accepted;

2. Comparable companies with over 80% revenue generated from the PRC and Hong Kong shall be accepted.

We initiated our comparable search based on the above selection criteria. A pool of 17 related companies that are operating in a similar principal activity, geographic operation segment, and product mix as the Target Group were identified. We consider the list of Guideline Public Companies to be exhaustive based on our research and selection criteria on a best-effort basis. The comparable pool has represented a complete comparable pool sufficient to form a fair and reasonable valuation opinion. The following list shows the Guideline Public Companies that we have identified in connection with this valuation.

Selected Guideline Public Companies

	Company Name	Revenue by Business Segment	Revenue by Geographical Location
1	**Biosino Bio-Technology & Science Inc (8247 HK Equity)** Biosino Bio-Technology & Science, Inc. is a biotechnology company. The Company develops, manufactures, and markets protein-based in-vitro diagnostic reagents and biochemical drugs.	In-vitro Diagnostic Reagent and Instrument: 100%	PRC: 100%
2	**Shanghai Universal Biotech Co Ltd (301166 CH Equity)** Shanghai Universal Biotech Co., Ltd. operates as a medical antibody supplier. The Company develops and markets antibodies, recombinant proteins, cytokines, flow cytometry reagents, and other products. Shanghai Universal Biotech also supplies life science instruments and consumables.	Life Science Reagent, Instruments & Consumables: 97.3% Integrated Technical Services: 2.7%	PRC: 100%
3	**Medicalsystem Biotechnology Co Ltd (300439 CH Equity)** Medicalsystem Biotechnology Co., Ltd operates as a clinical diagnostics instruments development company. The Company develops and sells clinical diagnostics reagents, clinical analyzers, and other products.	IVD Reagents and Instrument, and Medical Diagnostic Services: 99.3% Other Business: 0.7%	PRC: 99.4% Rest of World: 0.6%
4	**Tellgen Corp (300642 CH Equity)** Tellgen Corporation researches, manufactures, and distributes in vitro diagnostic reagents. The Company produces tumor marker testing series, human papillomavirus detection products, gene mutation detection products, and more.	In Vitro Diagnostic Reagents and Instruments: 99.4% Others: 0.6%	PRC: 98.3% Overseas: 1.7%

	Company Name	Revenue by Business Segment	Revenue by Geographical Location
5	**Beijing Strong Biotechnologies Inc (300406 CH Equity)** Beijing Strong Biotechnologies, Inc. operates in the IVD industry, where they specialize in the manufacturing of clinical chemistry liquid reagents.	Reagents and Medical Equipment: 99.0% Others: 1.0%	PRC: 98.1% Rest of World: 1.9%
6	**IVD Medical Holding Ltd (1931 HK Equity)** IVD Medical Holding Limited focuses on distribution of IVD products including analysers, reagents, and other consumables.	IVD Instrument, reagents and consumables: 93.7% Maintenance Services: 6.1% Self-Branded Products Business: 0.2%	PRC: 100%
7	**Beijing Succeeder Technology Inc (688338 CH Equity)** Beijing Succeeder Technology Inc. manufactures medical products. The Company produces antithrombin kits, coagulation reagents, hemorheology reagents, erythrocyte sedimentation reagents, in vitro diagnostic reagents, and other products. Beijing Succeeder Technology also produces medical equipment, medical supplies, and other products.	Reagent, Consumables and Instrument: 99.7% Other Business: 0.3%	PRC: 100%
8	**Shanghai ZJ Bio-Tech Co Ltd (688317 CH Equity)** Shanghai ZJ Bio-Tech Co., Ltd. operates biotechnology businesses. The Company produces genetic diagnostic reagents, nucleic acid detection kits, molecular diagnostic instruments, and others.	Nucleic Acid Detection Kit, Molecular Diagnostic Instruments and other: 97.3% Other Business: 2.7%	PRC: 94.8% Overseas: 5.2%
9	**Shanghai Runda Medical Technology Co Ltd (603108 CH Equity)** Shanghai Runda Medical Technology Co., Ltd. distributes medical instruments. The Company markets In vitro diagnostic equipment, supporting reagents, and other products.	Reagents, Other Consumables & Equipment: 98.8% Others: 1.2%	PRC: 100%

	Company Name	Revenue by Business Segment	Revenue by Geographical Location
10	**Wuhan Easydiagnosis Biomedicine Co Ltd (002932 CH Equity)** Wuhan Easydiagnosis Biomedicine Co., Ltd researches and develops POCT rapid diagnostic reagents and other related equipment.	Rapid Diagnostic Reagents and Rapid Detection Equipment: 94.2% Inspection Services: 4.0% NT-proBNP Detection Kit: 1.3% Other: 0.5%	PRC: 100%
11	**Autobio Diagnostics Co Ltd (603658 CH Equity)** Autobio Diagnostics Co., Ltd. manufactures medical reagents and equipment. The Company designs, produces, and sells clinical diagnostic products, rapid test devices, and other related instruments.	Reagents and Instruments: 95.7% Others: 4.3%	PRC: 95.4% Overseas: 4.6%
12	**Shanghai Kehua Bio-Engineering Co Ltd (002022 CH Equity)** Shanghai Kehua Bio-Engineering Co., Ltd. develops and manufactures bio-chemical reagents, medical equipment, diagnostic reagents, and genetic engineering pharmaceuticals.	Reagents and Instruments: 98.7% Other Business: 1.3%	PRC: 90.5% Overseas: 9.5%
13	**Daan Gene Co Ltd (002030 CH Equity)** Daan Gene Co., Ltd operates as a molecular diagnostic technology company. The Company researches, develops, manufactures, and sells fluorescence polymerase chain reaction diagnostic kits and related medical equipment.	Sales of Reagent and Instrument: 95.91% Provision of Labor Services: 3.36% Financial Service: 0.61% Other Business: 0.12%	PRC: 100%
14	**Maccura Biotechnology Co Ltd (300463 CH Equity)** Maccura Biotechnology Co., Ltd. specializes in the research, development, manufacturing, sales, and service of in-vitro diagnostic products.	Reagent and Instrument: 98.8% Other Business: 1.2%	PRC: 97.0% Rest of World: 3.0%
15	**Sansure Biotech Inc (688289 CH Equity)** Sansure Biotech Inc. operates as an in vitro diagnostic solution provider. The Company develops and sells upstream nucleic acid extraction kits, novel coronavirus nucleic acid detection kits, and other products.	Diagnostic Reagents and Instrument: 94.0% Testing Services: 3.7% Other Business: 2.3%	China: 91% Overseas: 9%

	Company Name	Revenue by Business Segment	Revenue by Geographical Location
16	**Innovita Biological Technology Co Ltd (688253 CH Equity)** Innovita Biological Technology Co., Ltd. develops rapid diagnostic products. The Company develops and produces respiratory pathogen detection products, enzyme-linked immunoassay detection products, and other products.	In Vitro Diagnostic Reagents: 99.96% In Vitro Diagnostic Testing Devices: 0.04%	China: 94.24% Overseas: 5.76%
17	**Jiangsu Bioperfectus Technologies Co Ltd (688399 CH Equity)** Jiangsu Bioperfectus Technologies Company, Ltd operates as a biotech company. The Company develops and sells influenza virus kits, rapid test kits, salmonella and shigella real time kits, and other products.	Reagent, Instrument and Other: 96.26% Testing Service: 3.72% Other: 0.02%	China: 98.09% Overseas: 1.91%

Selection of Valuation Multiple

Selection of the valuation multiple are typically cited on the market capitalizations or enterprise values ("**EV**") of a set of identified Guideline Public Companies. Valuation multiples are computed from dividing the valuations by certain operating or financial results of the Guideline Public Companies. We have naturally selected the valuation multiples cited on the ratio of market capitalizations or enterprise value to either key operating or financial indicator of the Guideline Public Companies. Once a valuation multiple is selected later and is computed based on the Guideline Public Companies, the fair value of the Subject Valuation can be subsequently computed by the following formula:

Fair Value = Valuation multiple X Key operating or financial indicator of the Target Group

EV to EBITDA multiple is a metric that looks at a company's wholistic worth relative to a proxy for cash flow that is available to investors. The Target Group is under normal operation and profitable. Considering that the operations of the selected Guideline Public Companies are located at different countries which under different tax jurisdictions, depreciation and amortization, and the financing structures are not similar as the Target Group, EBITDA excludes the impact of tax, depreciation and amortization, and financing cost on profitability can directly reflect the operating performance of a company. As such, EV to EBITDA is considered as an appropriate valuation multiple in this valuation. We have considered EV to EBITDA multiple as our preferred valuation multiple, and Price to Earnings multiple was applied for cross-checking purposes.

Computation of the Valuation Multiple

After identifying the Guideline Public Companies and determining the valuation multiple, the next step is to compute the EV to EBITDA multiples on a reliable and consistent approach across all Guideline Public Companies. The process of computing the valuation multiple in this valuation consists of the following 2 procedures:

- Determination of the EV of each Guideline Public Companies as at the Valuation Date. EV is multiplying their share prices by the number of shares outstanding as at the Valuation Date in order to obtain the market capitalization of the Guideline Public Companies. Secondly, add back company's interest-bearing debt, minority interest and preferred equity interest. Finally, subtract cash and cash equivalent items to obtain the EV of each of the Guideline Public Companies. The formula for calculating EV is summarised as below:

  EV = market value of common stock + market value of preferred equity + market value of debt + minority interest – cash and cash equivalents

- Determination of the measure of operating results i.e., EBITDA, which represents the denominators of the multiple. The formula for calculating EBITDA is:

  EBITDA = Operating Income or Losses + Depreciation & Amortization

Implied EV to EBITDA multiple for the Guideline Public Companies

	Name	Ticker	EV *(HKD million)*	EBITDA *(HKD million)*	EV/EBITDA *(rounded)*
1	Biosino Bio-Technology & Science Inc	8247 HK Equity	258	49	5.24x
2	Shanghai Universal Biotech Co Ltd	301166 CH Equity	2,290	101	22.77x
3	Medicalsystem Biotechnology Co Ltd	300439 CH Equity	4,129	517	7.99x
4	Tellgen Corp	300642 CH Equity	2,889	183	15.77x
5	Beijing Strong Biotechnologies Inc	300406 CH Equity	13,394	698	19.18x
6	IVD Medical Holding Ltd	1931 HK Equity	1,113	492	2.26x
7	Beijing Succeeder Technology Inc	688338 CH Equity	2,463	119	20.64x
8	Shanghai ZJ Bio-Tech Co Ltd	688317 CH Equity	1,855	365	5.08x
9	Shanghai Runda Medical Technology Co Ltd	603108 CH Equity	17,064	1,568	10.88x
10	Wuhan Easydiagnosis Biomedicine Co Ltd	002932 CH Equity	4,128	2,154	1.92x
11	Autobio Diagnostics Co Ltd	603658 CH Equity	29,662	1,814	16.35x
12	Shanghai Kehua Bio-Engineering Co Ltd	002022 CH Equity	4,661	2,665	1.75x
13	Daan Gene Co Ltd	002030 CH Equity	14,199	3,160	4.49x
14	Maccura Biotechnology Co Ltd	300463 CH Equity	9,809	952	10.30x
15	Sansure Biotech Inc	688289 CH Equity	5,418	1,247	4.35x
16	Innovita Biological Technology Co Ltd	688253 CH Equity	1,460	152	9.59x
17	Jiangsu Bioperfectus Technologies Company	688399 CH Equity	862	880	0.98x
				Mean (rounded):	9.38x
				Median (rounded):	7.99x
				Selected multiple (rounded):	**7.99x**

We have taken the median, being 7.99x of the 17 Guideline Public Companies, as the adopted EV to EBITDA multiple for our valuation analysis. The median serves as a better reflection of the central tendency of the sample if the distribution is not roughly identified as normally distributed. We believe the median rule can better take into consideration of the side effect of the skewed data points than the average rule.

Discount for Lack of Marketability

Discount for lack of marketability ("**DLOM**") reflects the concept that when comparing otherwise identical assets, a readily marketable asset would have a higher value than an asset with a long marketing period or restrictions on the ability to sell the asset. For example, publicly-traded securities can be bought and sold nearly instantaneously while shares in a private company may require a significant amount of time to identify potential buyers and complete a transaction. Many bases of value allow the consideration of restrictions on marketability that are inherent in the subject asset but prohibit consideration of marketability restrictions that are specific to a particular owner. DLOM may be quantified using any reasonable method, but are typically calculated using option pricing models, studies that compare the value of publicly-traded shares and restricted shares in the same company, or studies that compare the value of shares in a company before and after an initial public offering.

In this valuation, EV/EBITDA multiple of the Guideline Public Companies are computed. Guideline Public Companies are listed companies, while the Target Group is a non-marketable interest. As such, DLOM is considered as a downward adjustment on the value of the Target Group, which is a privately owned equity, when comparing with listed companies.

We have made reference to the average of two DLOMs which derived from different databases, i) Pluris DLOM Database, studying DLOM from actual transactions in restricted stock private placements and ii) FactSet Mergerstat Review Database, studying 2023 median P/E offered for both private and public companies and exercised professional judgment to arrive at DLOM of 33.00%.

Summary of Fair Value of the Target Group

As the final step of our valuation, we consolidated our above findings and discussions into the following summary of fair value of the Target Group:

Valuation Summary for the Target Group

Market Approach — GPTC Method		**30 September 2023** *HKD*
Selected Valuation Multiple (rounded)	EV/EBITDA	7.99x
Financial Result of the Target Group: Sustainable EBITDA as at 30 September 2023		36,443,500
Implied Value of 100% Equity Interest in the Target Group, before Adjustment		291,183,565
Add: Cash and Bank *(Note 1)*		143,702,000
Less: Amount Due to Related Parties *(Note 1)*		(1,727,000)
Less: Non-Controlling Interest *(Note 2)*		(2,593,000)
Less Debt *(Note 1)*		(5,284,000)
		425,494,565
Less: DLOM	–33%	(140,413,206)
Implied Equity Value of 100% Equity Interest in the Target Group		285,081,359
Implied Equity Value of 100% Equity Interest in the Target Group (rounded)		**285,081,000**

Note 1: Cash and Bank, Amount Due to Related Parties and Debt are referring to the unaudited consolidated figures of the Target Group as at the Valuation Date.

Note 2: Non-Controlling Interest represents 20% equity interest in Bio-Technology Limited, one of the company in the Target Group. It is stated at fair value by individual valuation under the market approach:

Market Approach — GPTC Method		**30 September 2023**
		HKD
Selected Valuation Multiple (rounded)	EV/EBITDA	7.99x
Sustainable EBITDA as at 30 September 2023		1,605,388
Implied Value of 100% Equity Interest, before Adjustment		12,827,050
Add: Cash and Bank		3,512,814
Add: Amount Due from Related Parties		1,420,390
		17,760,255
Less: DLOM	–33%	(5,860,884)
Implied Equity Value of 100% Equity Interest		11,899,371
Implied Equity Value of 20% Equity Interest (rounded)		**2,380,000**

Cross-Check by Other Valuation Multiple

As aforesaid, we considered EV to EBITDA multiple as the most appropriate valuation multiple and applied in the valuation of the Target Group. As the Target Group is under operation and profitable, price to earnings multiple is also a relevant multiple of valuation. To access the reasonableness of the valuation result, we also performed cross-check of our result by price to earnings multiples of the Guideline Public Companies.

We have calculated the implied Price to Earnings (P/E) multiple of the Target Group based on the valuation result (i.e. Implied Equity Value of the Target Group). Then, we obtained the P/E multiple of the Guideline Public Companies and compared with that of the Target Group.

P/E Multiple of the Guideline Public Companies

	Name	Ticker	P/E Multiple, after DLOM *(rounded)*
1	Biosino Bio-Technology & Science Inc	8247 HK Equity	55.61x
2	Shanghai Universal Biotech Co Ltd	301166 CH Equity	34.02x
3	Medicalsystem Biotechnology Co Ltd	300439 CH Equity	13.08x
4	Tellgen Corp	300642 CH Equity	25.69x
5	Beijing Strong Biotechnologies Inc	300406 CH Equity	15.44x
6	IVD Medical Holding Ltd	1931 HK Equity	5.01x
7	Beijing Succeeder Technology Inc	688338 CH Equity	21.93x
8	Shanghai ZJ Bio-Tech Co Ltd	688317 CH Equity	17.23x
9	Shanghai Runda Medical Technology Co Ltd	603108 CH Equity	14.05x
10	Wuhan Easydiagnosis Biomedicine Co Ltd	002932 CH Equity	6.99x
11	Autobio Diagnostics Co Ltd	603658 CH Equity	14.67x
12	Shanghai Kehua Bio-Engineering Co Ltd	002022 CH Equity	3.28x
13	Daan Gene Co Ltd	002030 CH Equity	10.33x
14	Maccura Biotechnology Co Ltd	300463 CH Equity	15.66x
15	Sansure Biotech Inc	688289 CH Equity	9.82x
16	Innovita Biological Technology Co Ltd	688253 CH Equity	16.69x
17	Jiangsu Bioperfectus Technologies Company	688399 CH Equity	71.06x
		Upper Quartile:	21.93x
		Median (rounded):	15.44x
		Lower Quartile:	10.33x
		Implied P/E Multiple of the Target Group:	11.48x

The above analysis shows the median P/E multiples of the Guideline Public Companies was 15.44x. The implied P/E multiple of the Target Group was 11.48x which is within the range of the lower quartile (i.e., 10.33x) and upper quartile (i.e., 21.93x). Such cross-check result suggests that the valuation result derived from EV to EBITDA multiple is fair and falls within a reasonable range.

VALUATION OF THE SERIES A PREFERRED SHARES AND ORDINARY SHARES

After determining the fair value of the Target Group as at the Valuation Date, we can then determine the fair value of the Subjects of Valuation. We have considered the liquidation scenario based on calculated fair value of the 100% equity interest in the Target Group and the terms of the equity classes.

In the liquidation scenario, we adopted the option pricing model following the below procedures:

1. Identify the critical terms of the series A preferred shares, including the liquidation preferences, the conversion rights, and the participation rights.

2. Determine the breakpoints, the point at which each class of equity reaches in-the-money status.

3. Determine the parameters that would be adopted in the Black-Scholes model, including stock price (equity value of the Target Group), exercise price (the breakpoints determined in step 2), time to settlement, volatility, and risk-free rate.

4. Calculate the breakpoint value by the Black Scholes model.

5. Allocate the incremental option values to respective equity classes.

To facilitate the valuation under Black-Scholes model, the following major assumptions are made:

i. The expected liquidity date is assumed to be 30 September 2033, which is 10 years from the series A preferred share acquisition date as the Company has expected investment horizon in the Target Group for over 10 years;

ii. The short-term interest rates are known and constant through time;

iii. There is no arbitrage opportunity;

iv. The stock price of the Target Group follows a continuous-time random walk;

v. The variance of the rate of return on the stock is constant;

vi. The stock returns resemble a log-normal distribution;

vii. There are no taxes, commissions, or other transaction costs in buying or selling the stock or option.

Black-Scholes Formula

The Black-Scholes formula is shown as follows:

$$C(S_t, t) = N(d_1)S_t - N(d_2)PV(K)$$

The parameters d1, d2 and PV(K) is calculated as follows:

$$d_1 = \frac{1}{\sigma\sqrt{T-t}}[ln\left(\frac{S_t}{K}\right) + \left(r + \frac{\sigma^2}{2}\right)(T-t)]$$

$$d_2 = d_1 - \sigma\sqrt{T-t}$$

$$PV(K) = Ke^{-r(T-t)}$$

Where:

St = Equity Value of the Target Group as at the Valuation Date

K = Exercise price, which are the breakpoints

σ = Volatility

r = Risk-free Rate

T-t = Time to liquidity (in years)

N() = Cumulative distribution function of the standard normal distribution

Major Valuation Parameters

Valuation Date	30 September 2023
Equity Value (HKD)	285,081,000
Exercise Price (HKD)	Breakpoint #1: 150,000,372 Breakpoint #2: 399,702,881
Maturity Date	30 September 2033
Volatility *(Note 1)*	58.87%
Risk-free Rate *(Note 2)*	4.10%
Dividend Yield *(Note 3)*	0.00%

Note 1: It made reference to historical volatilities of Guideline Public Companies adopted in the market approach in determination of fair value of the Target Group that matches with time to maturity.

Note 2: Risk-free rate adopted data of HKD Hong Kong Government BVAL Curve extracted from Bloomberg terminal.

Note 3: There is no historical dividend payout record nor dividend payout policy of the Target Group, no dividend yield is assumed in the valuation.

Summary of fair value of equity classes of the Target Group

Equity Class	Series A Preferred Share	Ordinary Share	Ordinary Share	Ordinary Share
Number of shares acquired by the Company	16,059,997	2,288,000	2,520,765	2,775,330
% as if diluted basis	37.53%	5.35%	5.89%	6.49%
Share price (HKD)	7.81	5.97	5.97	5.97
Fair value of Subject of Valuation (HKD)	125,445,000	13,662,000	15,052,000	16,572,000

STATEMENT OF LIMITING CONDITIONS

- Absent a statement to the contrary, we have assumed that no hazardous conditions or materials exist which could affect the Target Group or its assets. However, we are not qualified to establish the absence of such conditions or materials, nor do we assume the responsibility for discovering the same.

- The business interest and subject business assets have been valued free and clear of any liens or encumbrances unless stated otherwise. No hidden or apparent conditions regarding the subject business assets or their ownership are assumed to exist.

- All information provided by the client and others is thought to be accurate. However, we offer no assurance as to its accuracy.

- Unless stated otherwise in this report, we have assumed compliance with the applicable local laws and regulations.

- We assume no responsibility for the legal matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed good and marketable.

- The report may not fully disclose all the information sources, discussions and business valuation methodologies used to reach the conclusion of value. Supporting information concerning this report is on file with our company.

- The valuation analysis and conclusion of value presented in the report are for the purpose of this engagement only and are not to be used for any other reason, any other context or by any other person except the client to whom the report is addressed.

- The opinion of value expressed in this report does not obligate us to attend court proceedings with regard to the subject business assets, properties or business interests, unless such arrangements have been made previously.

- Possession of this report does not imply a permission to publish the same or any part thereof. No part of this report is to be communicated to the public by means of advertising, news releases, sales and promotions or any other media without a prior written consent and approval by us.

- We have only considered circumstances existing as at the Valuation Date. An event that could affect the value may occur subsequent to the Valuation Date. Such an occurrence is referred to as a subsequent event which is not considered in the valuation.

CONCLUSION OF VALUE

In conclusion, based on the analyses as fully described in this valuation report and the valuing methodologies which we have employed, we are of the opinion that the fair value of 16,059,997 preference shares, 2,288,000 ordinary shares, 2,520,765 ordinary shares and 2,775,330 ordinary shares in Pangenia and its subsidiaries as at 30 September 2023 are as follows.

Subject of Valuation	**Valuation Result** *(HKD)*
Fair value of 16,059,997 preference shares in Pangenia and its subsidiaries	125,445,000
Fair value of 2,288,000 ordinary shares in Pangenia and its subsidiaries	13,662,000
Fair value of 2,520,765 ordinary shares in Pangenia and its subsidiaries	15,052,000
Fair value of 2,775,330 ordinary shares in Pangenia and its subsidiaries	16,572,000

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained. We hereby certify that we have neither present nor any prospective interests in the subject under valuation. Moreover, we have neither personal interests nor any bias with respect to the any of the parties involved.

This valuation report is issued subject to our general service conditions.

Yours faithfully,
For and on behalf of
VALTECH VALUATION ADVISORY LIMITED

INVOLVED STAFF BIOGRAPHY

Marvin Wong, CPA

Mr. Wong has over ten years of experience in the professional service industry, including auditing, internal control advisory, financial due diligence, and with a focus on business valuation services. Mr. Wong is experienced in performing business valuation for State-owned enterprises, private and public companies. He provides valuation services mainly to support the purpose of financial reporting, mergers and acquisitions, tax filing and fund raising. He has performed valuation of projects for State-owned Assets Supervision and Administration Commission of the State Council (SASAC) filing in the PRC, listed companies' circular filing in Hong Kong and Singapore.

He has earned valuation experience in industries including but not limited to food and beverage, education, financial service, hotel, toll road, mining, ship building, pharmacy, agriculture, trading, e- platform, marketing, person-to-person microlending, waste management, intelligent parking, etc. He is also experienced in intangible asset valuation including customer relationship, trademark, franchise agreement, mining right, patent, distribution network and concession right.

Keith Lui, CFA, FRM

Mr. Lui is a Bachelor of Science in quantitative finance and risk management science in university and has been working in the professional valuation field since 2013. Mr. Lui has been joining in business valuation industries for private and listed companies for the purposes of financial reporting, initial public offerings, mergers and acquisitions and financing since graduation. The scope of services includes business valuation, intangible asset valuation and financial instruments valuation.

He is also experienced in valuation of overseas projects for State-owned Assets Supervision and Administration Commission of the State Council (SASAC) filing in the PRC. The valuation reports prepared by Mr. Lui has been referenced by Hong Kong listed companies in their circulars, including companies in agriculture, mining, internet and real estate sectors.

Bobby Zhu

Mr. Zhu has valuation experiences in various industries including but not limited to clean energy, manufacturing, utility and infrastructure, mining, etc. Prior to joining Valtech Valuation, he worked in another valuation firm where he participated in many business valuation projects to support clients for the purpose of financial reporting, mergers and acquisitions. He has also gained experiences in performing valuation of projects for State-owned Assets Supervision and Administration Commission of the State Council (SASAC) filing in the PRC. Earlier to that, he worked as Corporate Financial analyst in Sony and Dell and Corporate Auditor in Natuzzi China. Bobby earned his Financial Management Degree from Shanghai University of Finance& Economics.

Carmen Goh

Ms. Goh completed her Financial Services Degree with various internships and academic experience in Hong Kong, Shanghai, and Germany. Before joining the valuation field, she gained experience in the Corporate Development department, responsible for market research and financial analysis, supporting business development for new ventures. Since joining Valtech Valuation, she gained experience in different industries but not limited to food and beverage, sports, lighting, financial services, etc. She is accumulating and enriching her experience in providing valuation services for public and private companies in China and Hong Kong.

GENERAL SERVICE CONDITIONS

The service(s) we provide will conform to the professional appraisal standard. The proposed service fee is not contingent in any way upon our conclusions of value or result. All the data provided to us are assumed to be accurate without independent verification. As an independent contractor, we have and will reserve the right to use subcontractors. Furthermore, we have the right to retain all files, working papers or documents developed by us during the engagement for as long as we wish, which will also be our property.

The report we prepare is prohibited for any other use but only for the specific purpose stated herein. No reliance may be made by any third party on the report or part thereof without our prior written consent. The report along with this General Services Conditions could be shown to the third parties who need to review the information contained herein.

No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent. You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including all fees of lawyers, including ours and the parties successfully suing us, to which we may become subject in connection with this engagement except in respect of our own negligence. Your obligation for indemnification and reimbursement shall extend to any of our management and employees, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless the nature of the claim, such liability will be limited to the amount of fees we received for this engagement.

We will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. Meanwhile, we reserve the right to include your company/firm name in our client list.

The conditions stated in this section can only be modified by written documents executed by both parties.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or (b) as recorded in the register kept by the Company pursuant to section 352 of the SFO or (c) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Interests and short positions in the Company:

Name of Director	Capacity	Number of shares interested	Number of underlying shares held under equity derivatives	Percentage of shareholding in the Company's issued share capital as at the Latest Practicable Date *(Note 1)*
Tang Chi Fai	Beneficial owner, interest of spouse and interest in a controlled corporation	722,204,610 (L) *(Note 2)*	—	4.75%
Lu Lyn Wade Leslie	Beneficial owner	—	10,000,000 *(Note 3)*	0.84%
Lee Heung Wing	Beneficial owner	680,500 (L)	7,100,000 (L) *(Note 4)*	0.66%
Luk Kun Shing Ben	Beneficial owner	2,822,992 (L)	—	0.24%
Ma Ching Nam	Beneficial owner	300,000 (L)	—	0.03%

Notes:

(L) denotes long position.

(1) Total number of issued shares as at the Latest Practicable Date was 1,185,211,265.

(2) Mr. Tang and Union Medical Care Holding Limited ("**Union Medical Care**") are the controlling shareholders of the Company. Union Medical Care is entirely owned by Mr. Tang. Out of 722,204,610 shares that Mr. Tang was interested in, (i) 5,403,000 shares were held by Mr. Tang personally, (ii) 4,181,000 shares were held by Ms. Yau Ming Li, the spouse of Mr. Tang, and (iii) 712,620,610 shares were held by Union Medical Care and Mr. Tang was therefore deemed to be interested in such 4,181,000 shares and 712,620,610 shares under Part XV of SFO.

(3) Mr. Lu Lyn Wade Leslie does not hold any Shares and was interested in 10,000,000 share options of the Company granted under the 2016 Share Option Scheme.

(4) Mr. Lee Heung Wing held 680,500 Shares and was interested in 7,100,000 share options of the Company granted under the 2016 Share Option Scheme.

Interests in shares and underlying shares of associated corporation(s) of the Company:

Name of Director/Chief Executive	Name of associated corporation	Capacity	Number of shares interested in the associated corporation	Number of underlying shares held under equity derivatives	Approximate percentage of the total issued share capital of the associated corporation
Tang Chi Fai	Union Medical Care Holding Limited	Beneficial owner	2 (L) *(Note 1)*	—	100%

Notes:

(L) denotes long position.

(1) Mr. Tang and Union Medical Care are the controlling shareholders of the Company. Union Medical Care is wholly-owned by Mr. Tang.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, other than interests disclosed above in respect of the Directors and chief executives of the Company, the following persons had or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under the provision of Divisions 2 and 3 of Part XV of the SFO as recorded in the register kept by the Company pursuant to section 336 of the SFO or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

Name of shareholders	Capacity	Number of shares interested	Approximate percentage of the total issued share capital of the Company *(Note 1)*
Union Medical Care *(Note 2)*	Beneficial owner	712,620,610 (L)	60.13%
Yau Ming Li *(Note 3)*	Beneficial owner and interest of spouse	722,204,610 (L)	60.93%

Notes:

(L) denotes long position.

(1) Total number of issued shares as at the Latest Practicable Date was 1,185,211,265.

(2) The 2 shares in which Mr. Tang was interested in were ordinary shares of Union Medical Care.

(3) Out of the 722,204,610 shares, (i) 4,181,000 shares were held by Ms. Yau and (ii) 718,023,610 shares were held/deemed to be held by Mr. Tang, the spouse of Ms. Yau, and Ms. Yau was therefore deemed to be interested in the shares of the Company in which Mr. Tang was interested under Part XV of the SFO.

Save as disclosed herein, as at the Latest Practicable Date, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS OR LETTERS OF APPOINTMENT

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract or a letter of appointment with the Company which is not determinable by the Company within one year without payment (other than statutory compensation).

The Acquisition will not result in any variation in the aggregate remuneration payable to, or benefits in kind receivable by, the Directors.

5. DIRECTORS' INTEREST IN CONTRACTS

Under the co-ownership plan approved by the Board on 21 February 2020 and adopted the Shareholders on 16 April 2020 (the "**2020 Co-Ownership Plan**") and as of the Latest Practicable Date: (i) Mr. Lee Heung Wing, an executive Director, accepted HK$2,024,298, as the amount invested into the relevant plan trust under the 2020 Co-Ownership Plan; (ii) the plan trustees may satisfy the settlement of the grant of award shares to the relevant grantee by means of purchasing such Shares held by Mr. Tang Chi Fai (an executive Director and a controlling shareholder of the Company). Save as disclosed above and in this circular, no Director or his connected entity had a material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group or the Enlarged Group to which the Company or any of its subsidiaries was a party during the Reporting Period and required to be disclosed under the Listing Rules.

Save as disclosed above, as at the Latest Practicable Date:

(i) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2023, being the date to which the latest published audited accounts of the Company were made up; and

(ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Enlarged Group.

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Reporting Period, save as disclosed below, none of the Directors had any interest in a business other than the Group, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, and required to be disclosed pursuant to Rule 8.10 of the Listing Rules. As at the Latest Practicable Date, Mr. Tang was interested in the following company which is not included in the Group.

Name of company	**Nature of Business**	**Board of Directors**	**Size of business**
Healthy Concept (HK) Limited ("**Healthy Concept**") *(note 1)*	Supply of skincare and beauty products/ Operation of call centre *(note 2)*	Mr. Tang	Revenue in 2023: less than HK$5.1 million Net profit in 2023: less than HK$2.6 million *(note 3)*

Notes:

1. Healthy Concept is a company incorporated under the laws of Hong Kong with limited liability on 26 May 2006, and is wholly-owned by Mr. Tang.

2. Healthy Concept operates its business in Hong Kong. Its target customers in respect of the supply of skincare and beauty products are primarily aesthetic medical or traditional beauty service providers. Separately, it also operates a call centre which targets individual customers. The personnel of the call centre contact individual customers and refer them to the providers of body screening services, beauty products and beauty services, respectively, for referral income. However, Healthy Concept does not provide any aesthetic medical or traditional beauty services, nor body screening services.

3. The figures are extracted from the audited financial statements for the year ended 31 March 2022 of Healthy Concept.

7. LITIGATION

As at the Latest Practicable Date, so far as was known to the Directors, none of the members of the Group was engaged in any litigation, arbitration or administration proceedings of material importance and there was no litigation, arbitration or administration proceedings or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

8. QUALIFICATIONS AND CONSENTS OF THE EXPERTS

The following is the qualification of the experts which have given opinion or advice which is contained in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
Valtech Valuation Advisory Limited	Independent professional valuer

As at the Latest Practicable Date, the above experts did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in any member of the Group, nor did they have any interest, direct or indirect, in any assets which had, since the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

The above experts have given and have not withdrawn their written consent to the publication of this circular with inclusion of their reports and all references to their names in the form and context in which they respectively appear. The report or letter from the above experts was given as of the date of this circular for incorporation in this circular.

9. MATERIAL CONTRACTS

The members of the Group and the Pangenia Group had, within the date of two years immediately preceding the Latest Practicable Date, entered into the following contracts which were or might be material, other than contracts in the ordinary course of business of the Group:

(i) the subscription agreement dated 5 June 2022 entered into between Healthy Cameron Property Limited (an indirect wholly-owned subsidiary of the Company), Union (Group) Investment Limited and Creative Profit Development Limited ("**Creative Profit**") in respect of the subscription of 30% of the total enlarged issued share capital of Creative Profit and the consideration to be contributed by the Group to Creative Profit comprises the subscription price of HK$7,200,000 and shareholder's loan to be determined with reference to the total capitalization of Creative Profit, subject to a maximum limit of HK$275,000,000;

(ii) the sale and purchase agreement dated 30 September 2022 entered into between Team Expert Investment Limited (a wholly-owned subsidiary of the Company), the Company, Champion Epoch Ventures Limited, Ms. Chan Ching Yi (the sole shareholder of Champion Epoch Ventures Limited), Dynamic Team Holdings Limited and the various shareholders of Dynamic Team Holdings Limited in respect of the acquisition of an aggregate of 7.5% equity interest in Prime Inspire Limited and the aggregate consideration to be paid by the Group amounted to HK$4,375,515, which was satisfied by allotment and issue of 852,922 Shares at the issue price of HK$5.13 each;

(iii) the sale and purchase agreement dated 7 February 2023 entered into between the Company, Union (Group) Investment Limited (a wholly-owned subsidiary of the Company), Union Medical Technology Holdings Limited, Mr. Chung Wai Ting and Mighty Able Limited in respect of the acquisition of the entire issued share capital of Excellent Connect Limited and the maximum total cash consideration to be paid by the Group shall be HK$125,000,000;

(iv) the facility agreement dated 9 May 2023 entered into between Union (Group) Investment Limited, the Company and a number of commercial banks in respect of HK$1,000,000,000 term and revolving loan facilities, the interest payable by the Group shall be accrued at the rate of HIBOR plus 1.62% per annum (subject to adjustments);

(v) the sale and purchase agreement dated 30 November 2023 entered into between the Company, Jade Master International Limited (an indirect wholly-owned subsidiary of the Company), Mason Group Holdings Limited and Full Joyous International Limited in respect of the acquisition of an aggregate of 42.88% of the issued share capital of Pangenia and the cash consideration to be paid by the Group shall be HK$115,000,000; and

(vi) the Agreements.

10. GENERAL

(i) The company secretary of the Company is Siu Chun Pong Raymond, who is a solicitor qualified to practise the Laws of Hong Kong and a member of The Law Society of Hong Kong.

(ii) The registered office of the Company is situated at Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(iii) The principal place of business of the Company in Hong Kong is at 20/F, Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.

(iv) This circular is prepared in both English and Chinese. In the event of inconsistency, the English version shall prevail.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (https://www.echealthcare.com/) for a period of 14 days from the date of this circular:

(i) the Agreements;

(ii) the Letter from the Board, the text of which is set out in "Letter from the Board" in this circular;

(iii) the accountants' report on the Pangenia Group, the text of which is set out in Appendix II to this circular;

(iv) the report on the unaudited pro forma financial information of the Enlarged Group issued by Ernst & Young, the text of which is set out in Appendix IV to this circular;

(v) the valuation report issued by Valtech Valuation Advisory Limited on the valuation of the Pangenia Group, the text of which is set out in Appendix V to this circular;

(vi) the written consents as referred to in the section headed "8. Qualifications and consents of experts" in this Appendix; and

(vii) this circular.