

## DEFINITIONS

*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 Pangenía 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
“Pangenía”	a company incorporated in the British Virgin Islands
“Pangenía Group”	Pangenía and its subsidiaries

## DEFINITIONS

“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

LETTER FROM THE BOARD



**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:*

MA Ching Nam  
LOOK Andrew  
AU Tsun

*Registered Office:*

Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal Place of Business:*

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

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 Pangenica 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 Pangenica, and hold an aggregate controlling stake of 55.26% of the issued share capital of Pangenica.

## LETTER FROM THE BOARD

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

### B. THE AGREEMENTS

#### Principal Terms of the Agreements

The principal terms of the Agreements are set out below.

	<b>The Success Synergy SPA</b>	<b>The Bio-Gene SPA</b>
<b>Date</b>	4 January 2024 (after trading hours)	
<b>Parties</b>	(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 Pangenía 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.	
<b>Subject matter of the Agreements</b>	The Purchaser has agreed to purchase the entire issued share capital in Success Synergy (a Target Company) from the seller.	The Purchaser has agreed to purchase the entire issued share capital in Bio-Gene (a Target Company) from the sellers.
	Upon completion, Success Synergy will become a wholly-owned subsidiary of the Company. Success Synergy in turn holds 2,775,330 ordinary shares in Pangenía, representing 6.49% of the issued share capital of Pangenía.	Upon completion, Bio-Gene will become a wholly-owned subsidiary of the Company. Bio-Gene in turn holds 2,520,765 ordinary shares in Pangenía, representing 5.89% of the issued share capital of Pangenía.
<b>Consideration</b>	HK\$17,400,000	HK\$15,800,000

## LETTER FROM THE BOARD

### 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 Pangenica 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 Pangenica Group (or certain principal entities of the Pangenica 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 Pangenica 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.

## LETTER FROM THE BOARD

### 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 Pangenja Group. The Pangenja 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 Pangenja 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 Pangenja 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:

## LETTER FROM THE BOARD

- 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

## LETTER FROM THE BOARD

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 Pangenja Group) provided a reasonable benchmark of valuation that could be applied to the Pangenja Group;
  - the performance of the Pangenja 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 Pangenja (as the relevant audited financial statements of Pangenja 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 Pangenja; 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 Pangenja; 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 Pangenja 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 Pangenja Group as a whole.



## LETTER FROM THE BOARD

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 Pangenias 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 Pangenias, and thus may, in general, command a higher valuation multiple than Pangenias as a private company. Using the lower quartile to determine the consideration is more favourable to the Company; and
- (ii) the net profit of Pangenias 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 Pangenias 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 Pangenias 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 Pangenias net asset value as at 30 September 2023.

## LETTER FROM THE BOARD

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.
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

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.

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

## LETTER FROM THE BOARD

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 Pangenja 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 Pangenja Group recording significantly less “other income”), the Pangenja 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 Pangenja 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 Pangenja 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 Pangenja Group as a whole, there is nothing indicative of a material deterioration in the overall fundamentals of the Pangenja 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 Pangenja 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 Pangenja Group to achieve economies of scale and optimize the consolidated offerings to improve overall profitability. The trading business of the Pangenja Group has generally remained on a growth trajectory and is expected to generate new business opportunities for the Group as a whole.

## LETTER FROM THE BOARD

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:

<b>Shareholders of Pangenia</b>	<b>Percentage of shareholding in Pangenia (%)</b>
<i>Series A Preferred Shares</i> <sup>Note (a)</sup>	
Victor Mind International Limited (an indirect wholly-owned subsidiary of the Company)	37.53
<i>Ordinary Shares</i>	
True Wonder Holdings Limited <sup>Note (b)</sup>	11.26
Comford Resources Limited <sup>Note (c)</sup>	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 <sup>Note (d)</sup>	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 <sup>Note (e)</sup>	5.70
D&P Consultant Limited <sup>Note (f)</sup>	5.66
Active Compass Limited (an indirect wholly-owned subsidiary of the Company)	5.35
Sunshine Capital Limited <sup>Note (g)</sup>	2.60
Leungs Investments <sup>Note (e)</sup>	1.82
Hau Kwok Po	0.759
Lo Yuk Lam	0.563
Tam See-Ying	0.187
Leung James Shui Man	0.175
<b>Total:</b>	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

## LETTER FROM THE BOARD

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:

	<b>For the year ended 31 March 2022</b>	<b>For the year ended 31 March 2023</b>
	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
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.

## LETTER FROM THE BOARD

### 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 Pangenja Group and is expected to remain with the Pangenja 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 Pangenja 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 Pangenja, representing 6.49% of the issued share capital of Pangenja. 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 Pangenja.

## LETTER FROM THE BOARD

### 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.

## LETTER FROM THE BOARD

### 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 Pangenía 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 Pangenía Group commenced business in 1993. The laboratory of the Pangenía Group was accredited through the Hong Kong Laboratory Accreditation Scheme in 2022. The Group does not have any existing material business relationships with the Pangenía 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 Pangenía Group. Upon completion of the Acquisition, the Company will acquire a significant stake in Pangenía. The Company believes the Acquisition will enable the Company to leverage the Pangenía 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 Pangenía. 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 Pangenía's operations into the Group. The laboratory businesses of Pathlab and Pangenía 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 Pangenía 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.



## LETTER FROM THE BOARD

With the established customer base and extensive market reach of the Pangenía 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 Pangenía 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 Pangenía 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 Pangenía Group.

The Acquisition will enable the Company to acquire a controlling stake in Pangenía 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 Pangenía Group, which will in turn enable the Group to more comprehensively integrate the Pangenía 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 Pangenía 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 Pangenía 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.