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, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **EC Healthcare**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF 55% OF ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES TO A CONNECTED PERSON UNDER GENERAL MANDATE

Independent Financial Adviser to
the Independent Board Committee and the Shareholders

ALTUS CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 6 to 24 of this circular. A letter from the Independent Board Committee is set out on pages 25 to 26 of this circular. A letter from the Independent Financial Adviser containing its opinion and advice to the Independent Board Committee and the Shareholders is set out on pages 27 to 49 of this circular.

13 January 2022

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the sale of the Sale Shares by the Sellers to the Purchaser pursuant to the Agreement
"Agreement"	the conditional sale and purchase agreement dated 29 November 2021 entered into between the Company, the Purchaser, the Sellers and the Guarantors in respect of the Sale Shares
"Assessment Years"	Year 2, Year 4 and Year 7, and each an "Assessment Year"
"Board"	the board of Directors
"Business Day"	any day (excluding Saturday, Sunday and public holidays and a day on which a tropical cyclone warning no. 8 or above is hoisted or a "black rainstorm warning signal" or "extreme conditions" caused by a super typhoon is in force in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are generally open for ordinary banking business in Hong Kong
"Company"	EC Healthcare (stock code: 2138), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Acquisition pursuant to the Agreement
"Completion Date"	the 5th Business Day immediately following the day on which all the conditions precedent have been satisfied and/or waived or such later date as the Purchaser and the Sellers may mutually agree in writing
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	consideration amount provided under the Agreement
"Consideration Shares"	new Shares of the Company to be allotted and issued by the Company at the Issue Price
"Core Connected Person(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"First Sale Shares"	54 ordinary shares of the Target Company

"First Seller" or "Laker"	Laker Limited, a company incorporated under the laws of Hong Kong with limited liability. As at the date of this circular, 75% and 25% of its entire issued share capital is legally held by Nexus Concept and Gamay Portfolio Inc., a company wholly owned by Mr. Si, respectively; further, to the best knowledge of the Directors, 12%, 10%, 53%, 25% of its entire issued share capital is beneficially held by Dr. Look Guy, Mrs. Lee Look Ngan Kwan Christina, Nexus Concept and Gamay Portfolio Inc., respectively
"Future subsidiary(ies)"	companies that the Group may form or acquire after the Completion, which shall be subsidiary(ies) of the Group at the time of inclusion into the Managed Entity(ies)
"General Mandate"	a general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 23 August 2021, pursuant to which a maximum 234,579,018 new Shares may fall to be allotted and issued
"Group"	the Company and its subsidiaries from time to time
"Guarantors"	Mr. Look and Mr. Si
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	The Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent committee of the Board comprising independent non-executive Directors being formed for the purpose of advising the Shareholders in relation to the Acquisition and issue of Consideration Shares
"Independent Financial Adviser" or "Altus"	Altus Capital Limited, a licensed corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser being appointed for the purpose of advising the Independent Board Committee and Shareholders in relation to the Acquisition and issue of Consideration Shares
"Issue Price"	HK$12.557 per Consideration Share

"Latest Practicable Date"	7 January 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Managed Entity(ies)"	a corporate entity(ies) (which shall only be existing or future subsidiary(ies) of the Group) which carry(ies) on the business of dentist's practice and/or providing other dental services, with the First Seller and the Purchaser having mutually agreed that the business of such Corporate Entity shall be managed by the Target Company
"Mr. Look"	Mr. Look Benedict Boon Eli
"Mr. Si"	Mr. Si Chun Yu, Eddy
"Net Profit"	the summation of each of the net profit of the Target Company, its subsidiaries, Managed Entity(ies) (if any) and the subsidiary(ies) of the Managed Entity(ies) (if any) for the Profit Guaranteed Period from Year 1 to ending that Year, which shall be determined with reference to the audited accounts of each of the Target Company, its subsidiaries, the Managed Entity(ies) (if any) and the subsidiary(ies) of Managed Entity(ies) (if any) issued by the appointed accountants
"Option Shares"	the 45 ordinary shares or the number of ordinary shares of the Target Company held by and registered under the name of the First Seller upon exercise of an option
"Profit Guaranteed Period"	the period commencing from 1 April 2021 and ending Year 7 (both days inclusive and subject to deferral as agreed by the Purchaser and the Sellers), or ending the early termination of the Profit Guarantee, whichever is the earlier
"Profit Guaranteed Year"	any of a year during the Profit Guaranteed Period commencing from the date of 1 April of a year ending the date of 31 March of the next year (both dates inclusive)

"Profit Shortfall"	if the aggregate Net Profit for an Assessment Year is less than the aggregate Guaranteed Net Profit for that Assessment Year, the difference between the aggregate Net Profit and the aggregate Guaranteed Net Profit for that Assessment Year and in the scenario where aggregate net losses of the Target Company are incurred during the Profit Guarantee period, the summation of the net amount of the negative aggregate Net Profit and the aggregate Guaranteed Net Profit for that Assessment Year
"Profit Shortfall Payback"	the Profit Shortfall times 54% or 1% to be deducted by summation of Profit Shortfall Payback paid by the relevant Sellers to the Purchaser for the previous year(s)
"Purchaser" or "Union Dental"	Union Dental Holding Limited, a company incorporated under the laws of British Virgin Islands with limited liability
"Sale Shares"	collectively, First Sale Shares and Second Sale Share
"Second Sale Share"	one ordinary share of the Target Company
"Second Seller" or "Nexus Concept"	Nexus Concept Limited, a company incorporated under the laws of British Virgin Islands with limited liability. As at the date of this circular, 100% of its entire issued share capital is held by Mr. Look
"Sellers"	the First Seller and Second Seller
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Target Company"	Bayley & Jackson Dental Surgeons Limited
"Year 1"	the year ending 31 March 2022 (both days inclusive and subject to deferral as agreed by the Purchaser and the Sellers)

"Year 2"	the year ending 31 March 2023 (both days inclusive and subject to deferral as agreed by the Purchaser and the Sellers)
"Year 3"	the year ending 31 March 2024 (both days inclusive and subject to deferral as agreed by the Purchaser and the Sellers)
"Year 4"	the year ending 31 March 2025 (both days inclusive and subject to deferral as agreed by the Purchaser and the Sellers)
"Year 5"	the year ending 31 March 2026 (both days inclusive and subject to deferral as agreed by the Purchaser and the Sellers)
"Year 6"	the year ending 31 March 2027 (both days inclusive and subject to deferral as agreed by the Purchaser and the Sellers)
"Year 7"	the year ending 31 March 2028 (both days inclusive and subject to deferral as agreed by the Purchaser and the Sellers)
"Years"	collectively, Year 1, Year 2, Year 3, Year 4, Year 5, Year 6 and Year 7 and each as a "Year"

EC Healthcare
醫思健康
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2138)

Executive Directors:
TANG Chi Fai *(Chairman and Chief Executive Officer)*
LU Lyn Wade Leslie *(Co-Chief Executive Officer)*
LEE Heung Wing *(Chief Financial Officer)*
WONG Ka Ki Ada *(Chief Strategy Officer and Chief Investment Officer)*
WONG Chi Cheung *(Chief Digital Officer)*

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

Independent non-executive Directors:
MA Ching Nam
LOOK Andrew
LAM Chi Hang Josekin

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

Principal place of business:
L50, Langham Place Office Tower,
8 Argyle Street,
Mong Kok,
Hong Kong

13 January 2022

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF 55% OF ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES TO A CONNECTED PERSON UNDER GENERAL MANDATE

INTRODUCTION

References are made to the announcement of the Company dated 29 November 2021 in relation to the Acquisition.

The purpose of this circular is to provide you with, among other things, (i) further information on the Acquisition; (ii) a letter from the Independent Board Committee with its recommendation to the Shareholders regarding the Acquisition; and (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Shareholders.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date : 29 November 2021

Sellers : Laker, the First Seller, and Nexus Concept, the Second Seller, which each held 99% and 1% issued share capital in the Target Company respectively.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Look (the direct/indirect controlling shareholder of the Sellers), Dr. Look Guy and Mrs. Lee Look Ngan Kwan Christina (the beneficial shareholders of the First Seller), is respectively a cousin, cousin and aunt of Mr. Look Andrew, the Company's independent non-executive Director, and, thus the Sellers are connected persons of the Company as defined under Chapter 14A of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Mr. Look, Dr. Look Guy and Mrs. Lee Look Ngan Kwan Christina, the Sellers and Guarantors are third parties independent of the Company and connected persons of the Company.

Purchaser : Union Dental Holding Limited, an indirect wholly-owned subsidiary of the Company.

Assets to be acquired : An aggregate of 55% issued share capital in the Target Company, comprising 54% and 1% from the First Seller and the Second Seller, respectively. For details of the Target Company, please refer to the section headed "Information relating to the Sellers and the Target Company".

Consideration and payment terms : The Consideration for the Sale Shares is HK$129,423,950 comprising (i) HK$127,070,787 for the First Sale Shares payable to the First Seller, and (ii) HK$2,353,163 for the Second Sale Share payable to the Second Seller, which are payable in the following manner:

(a) in cash in the amount of HK$117,070,894.48 and HK$2,353,163 to the First Seller and the Second Seller, respectively, and shall be satisfied at Completion; and

(b) by the allotment and issue of 796,360 Consideration Shares at the Issue Price (equivalent to an amount of HK$9,999,892.52) by the Company to the First Seller, free from all liens, charges, security interests, encumbrances and adverse claims on the Completion Date.

The Consideration was determined after arm's length negotiations between the Sellers and the Purchaser and was determined with reference to (i) the historical performance and prospects of the Target Company; (ii) the profitability of the Target Company; (iii) the Profit Guarantee; and (iv) the expertise of the management of the Target Company.

The Consideration will be funded by the internal resources of the Group.

Conditions precedent

Completion of the Agreement is conditional on the fulfilment (or waiver by the Purchaser) of the following conditions:

(a) all requisite consents, license and approvals from any relevant government authorities, regulatory bodies, any persons or corporations with any business relationship with the Target Company or the Sellers or other relevant third parties in Hong Kong or elsewhere having been obtained and have not been revoked;

(b) there being no material breach of the warranties provided by the Sellers under the Agreement;

(c) there being no material breach of the representations and warranties provided by the Purchaser and the Company under the Agreement;

(d) the Stock Exchange granting listing of and permission to deal in the Consideration Shares and not subsequently revoked prior to Completion;

(e) the independent Shareholders of the Company having approved the Agreement and the transactions contemplated therein and having agreed to the allotment and issue of the Consideration Shares;

(f) there has been no material adverse change of the Target Company from the date of the Agreement and including and up to the Completion Date;

(g) trading in the Shares on the Stock Exchange not being suspended for a period of more than 10 consecutive trading days disregarding any suspension for the purposes of clearing any announcement and circular in relation to the Acquisition by the regulatory authorities; and

(h) there being no indication from the Stock Exchange or the Securities and Futures Commission of Hong Kong that listing of Shares will be suspended, revoked or withdrawn at any time after Completion, whether in connection with any of the transactions contemplated by the Agreement or otherwise.

If the above conditions precedents are not fulfilled or waived by the Purchaser on or prior to the date three months after the date of the Agreement (or such other date as may be agreed between the Purchaser and the Sellers in writing), the Agreement shall become null and void and be of no further effect whatsoever and all the obligations and liabilities of the parties thereunder shall cease and determine.

In the event where all the conditions precedents above (to the exclusion of the condition under clause (d) above) have been satisfied or, where applicable, waived but the condition under the clause (d) above has not been satisfied or fulfilled by the date three months after the date of the Agreement (or such other date as may be agreed between the Purchaser and the Sellers in writing), then the Acquisition thereby contemplated shall proceed to Completion whereby the Consideration will be paid by cash in full to the First Seller and Second Seller and no Consideration Shares will be allotted and issued.

As at the Latest Practicable Date, save as condition (e) which had been fulfilled, none of the conditions precedents of the Agreement had been fulfilled or waived.

Completion

Subject to the fulfilment (or where applicable, waiver) of the conditions precedent, Completion of the Agreement shall take place on the Completion Date or such other date or time to be agreed by the Sellers and the Purchaser. Upon Completion of the Acquisition, 55% and 45% of the entire issued share capital of the Target Company will be held by the Purchaser and the First Seller respectively.

Profit Guarantee

Each of the Sellers and the Guarantors, guarantees to each of the Purchaser and the Company that the aggregate Net Profit of the Target Company ("**Profit Guarantee**"), ending each Assessment Year shall be no less than the summation of each of the respective guaranteed net profit from Year 1 to ending that Year as set out below ("**Guaranteed Net Profit**"):

Profit Guaranteed Year ending	Guaranteed Net Profit
Year 1	HK$15,000,000
Year 2	HK$16,000,000
Year 3	HK$17,500,000
Year 4	HK$19,000,000
Year 5	HK$19,000,000
Year 6	HK$17,500,000
Year 7	HK$16,000,000
Total:	**HK$120,000,000**

The spread of the Guaranteed Net Profit was distributed for each Year with reference to the aggregate Guaranteed Net Profit, given that it serves as the Company's safety net for its acquisition of the Target Company. Emphasis has been placed in the first five years when negotiating the spread of Guaranteed Net Profit over the Profit Guarantee Period as the Directors believe that, (i) the first five years of the Profit Guaranteed Period is a crucial period for the Target Company to successfully integrate with the Group; (ii) it is in the Group's interests for the Guaranteed Net Profit to fall towards the first five years of the Profit Guaranteed Period; and (iii) it is reasonable to allow for fluctuations in market cycles over a relatively long seven-year Profit Guarantee Period hence the Company could agree to a decrease in the level of the Guaranteed Net Profit for Year 6 and Year 7. The allocation of the Guaranteed Net Profit for Year 6 and Year 7 does not indicate the Company's expected performance of the Target Company.

For the purposes of determining whether the Profit Guarantee has been met, the Net Profit for the relevant Profit Guaranteed Year will be agreed by the First Seller and the Purchaser with reference to (i) the net profit after tax of the Target Company determined with reference to the audited accounts of the Target Company issued by appointed accountants for the year ending a Year within three months after the end of such Year, (ii) the net profit after tax of each subsidiary of the Target Company (if any) for a twelve-month period which shall be determined with reference to the audited accounts of each subsidiary issued by the appointed accountants for such period based on their special audit within three months after the end of the Year, and (iii) the net profit after tax of each of the Managed Entity(ies) (if any) and each of its subsidiaries (if any) for a twelve-month period which shall be determined with reference to the audited accounts of each such Managed Entity and each such subsidiary issued by the appointed accountants for such period based on their special audit within three months after the end of the Year. The audited accounts of each of the Target Company, its subsidiaries, the Managed Entity(ies) (if any) and the subsidiaries of the Managed Entity(ies) (if any) shall be

prepared in accordance with HKFRS. Since all Managed Entity(ies) will be existing or future subsidiary(ies) of the Group, the audited accounts of the Managed Entity(ies) will be consolidated into the audited accounts of the Group.

The aforementioned net profits of the Target Company, its subsidiaries, the Managed Entity(ies) (if any) and the subsidiaries of the Managed Entity(ies) (if any) (the "**Entities**") are subject to adjustments, whereby (a) any financial results attributable or otherwise arising from entities other than the Entities shall be disregarded; (b) any revaluation of assets shall be disregarded; (c) any revenue generated outside the Entities' ordinary course of business shall be disregarded; (d) all medications which have been expired from its validity period shall be written off; (e) only profits and losses derived from the ordinary course of business of the Entities shall be included; and (f) all receivables which have been outstanding for a period of 12 months or over shall be written off. Further, it has been agreed that in the absence of fraud and manifest error, the net profits of the Entities which are based on the audited accounts of each of the Entities shall be final and binding on the Sellers, the Purchaser, the Company and the Guarantors.

The Net Profit is also determined with reference to the net profit of the Managed Entity(ies) (and their subsidiary(ies)) as this will give a fair and reasonable view of the profit that is generated by the Target Company for the Group as a whole, since subject to the agreement between the First Seller and the Purchaser, the Target Company may, at no cost, provide support in the management of the Managed Entity(ies) which are existing or future subsidiary(ies) of the Group. It is expected that the Target Company will leverage its experience and expertise in dental services to provide management support in the dental service business operation of the Managed Entity(ies) (and their subsidiary(ies)), such as developing and implementing long-term and short-term business strategies, supervising the dental practitioners of the Managed Entity(ies) (and their subsidiary(ies)), developing policies and measures for cost and risk management, and providing training to the staff of the Managed Entity(ies) (and their subsidiary(ies)).

By also taking in account the net profit of the Managed Entity(ies) (and their subsidiary(ies)) in the determination of the Net Profit, the Group would be better placed to reap synergies as the First Seller would be incentivised to meet the Profit Guarantee through lending their specialised expertise of dental services and leveraging on the long-standing established brand of the Target Company, which has been established since 1958, to the development of the dental services of not only the Target Company, but also the other Managed Entity(ies) (and their subsidiary(ies)) owned by the Group, thereby enhancing the Group's dental services' profitability and benefiting the Group as a result.

The Directors have considered incentivising the First Seller to lend its expertise in dental services to the Managed Entity(ies) (and their subsidiary(ies)) through separately engaging the Target Company as a management consultant and paying the Target Company a management fee for its provision of management services of the Managed Entity(ies) (and their subsidiary(ies)). However, having considered that under such arrangement, (i) there will be an increase in operating cash outflow of the Group regularly regardless of the performance of the Managed Entity(ies) (and their subsidiary(ies)) and (ii) there is no certainty that the Managed Entity(ies) (and their subsidiary(ies) will turnaround into a profit making business despite the

management fee to be paid, the Directors are of the view that it is more beneficial to the Group to adopt an arrangement where the net profit of the Managed Entity(ies) (and their subsidiary(ies)) is included into the Net Profit to serve as a reward for the management services to be provided by the First Seller.

The inclusion of the Group's subsidiary(ies) into the Managed Entity(ies) is subject to the mutual agreement between the Purchaser and the First Seller. When deciding whether a subsidiary of the Group should be included as one of the Managed Entity(ies), the Company will consider whether such subsidiary is a loss making business as a result of its operational inefficiency. The Company will not agree to an inclusion of a subsidiary into the Managed Entity(ies) unless it is a loss making business as a result of its operational inefficiency. Managed Entity(ies) may include future subsidiary(ies) of the Group as the Group may in the future form or acquire new subsidiary(ies) which carry(ies) on the business of dentist's practice and/or provide(s) other dental services. By including these future subsidiaries(ies) of the Group to the Managed Entity(ies), the Company may lend the expertise of the First Seller to improve the profitability of such subsidiary(ies) when needed. As such, the Company is of the view that including future subsidiary(ies) of the Group to the Managed Entity(ies) in the calculation of Net Profit to determine whether the Profit Guarantee is met is beneficial to the Group.

Since the Company will only agree to the inclusion of loss making subsidiary(ies) of the Group into the Managed Entity(ies), the Directors are of the view that any turnaround in profit of these Managed Entity(ies) can be credited to the Target Company's management effort. Further, since the Net Profit is made up of the summation of the net profit of each of the Target Company, its subsidiary(ies), the Managed Entity(ies) and its subsidiary(ies), the Net Profit will account for any of the loss borne by these Managed Entity(ies); this means that if the Managed Entity(ies) continue to operate at a loss after being managed by the Target Company, the Net Profit will be lower having included the net profit of the Managed Entity(ies). Due to the aforesaid, the Directors believe that the Net Profit of the Target Company will only be made up of the net profit of Managed Entity(ies) (and their subsidiary(ies)) where the performance of which is credited to the Target Company's management and efforts.

In view of the aforesaid, the Directors believe that it is fair and reasonable and in the interest of the Company and its Shareholders as a whole to include the net profit of the Managed Entity(ies) (and their subsidiary(ies)) in the calculation of the Net Profit and the Option Net Profit (as defined below).

Profit Shortfall Payback

Each of the Sellers and the Guarantors undertakes that if the aggregate Net Profit of the Target Company is less than the aggregate Guaranteed Net Profit for any of the Assessment Years, or if aggregate net loss of the Target Company is incurred during the Profit Guarantee period, they/he shall pay the Purchaser an amount equivalent to the Profit Shortfall Payback within 30 days after the date on which the Net Profit or net losses for the relevant Assessment Year is/are determined.

The amount of the Profit Shortfall Payback payable by the First Seller and Second Seller shall be calculated in accordance with the following formula, respectively:

In respect of the amount payable by the First Seller:

$$A = (B \times 54\%) - C$$

In respect of the amount payable by the Second Seller:

$$A = (B \times 1\%) - C$$

Where:

"A" is Profit Shortfall Payback;

"B" is the Profit Shortfall; and

"C" is (if any) summation of the Profit Shortfall Payback paid by the Sellers and/or the Guarantors to the Purchaser for the previous Assessment Year(s).

The maximum aggregate Profit Shortfall Payback during the Profit Guaranteed Period to be liable by the Sellers and/or the Guarantors shall not exceed the Consideration (i.e. HK$129,423,950) in any event.

If the actual performance of the Target Company fails to meet the Guaranteed Net Profit in any Assessment Year, the Company will make an announcement pursuant to Rule 14.36B(2) of the Listing Rules accordingly.

Options

Pursuant to the Agreement, in the circumstance where (a) the net profit ending Year 7 reaches or exceeds the Guaranteed Net Profit ending Year 7, being HK$16,000,000, and provided that has been no Profit Shortfall Payback in any of the Assessment Years ("**Option A**"), or (b) the aggregate Net Profit from Year 1 to that Year reaches or exceeds the HK$120,000,000, being the total Guaranteed Net Profit ("**Option B**"), the Purchaser shall grant to the First Seller the option and options exercisable at any time and from time to time during a specified option period to require the Purchaser to purchase all or any part of the Option Shares at the Option Consideration. Further, pursuant to the Agreement, in the circumstance where (a) the Company shall after the date of the Agreement become the ultimate legal and beneficial owner of less than 50% effective interest of the issued share capital of the Target Company ("**Option C**"), or (b) a resolution or resolutions has/have been passed by the board of the Target Company to approve actions in relation to a listing exercise of the shares of the Target Company or of its listing vehicle ("**Option D**", together with Option A, Option B and Option C, the "**Options**" and each an "**Option**"), the Purchaser shall grant to the First Seller the option at any time during a specified option period to require the Purchaser to purchase all of the Option Shares at the Option Consideration.

The option period for Option A is the period commencing from the date on which (a) the audited accounts of the Target company ending Year 7, (b) the special audit of each subsidiary of the Target Company (if any) ending Year 7 and (c) the special audit of each Managed Entity (if any) and each of its subsidiaries (if any) ending Year 7 have been issued until the date falling 12 months thereafter (both dates inclusive).

The option period for Option B is the period commencing from the date on which (a) the audited accounts of the Target Company ending the Year where the aggregate Net Profit reaches or exceeds the total Guaranteed Net Profit, (b) the special audit of each subsidiary of the Target Company (if any) ending such Year and (c) the special audit of each Managed Entity (if any) and each of its subsidiaries (if any) ending such Year have been issued until the date falling 12 months thereafter (both dates inclusive).

The option period for Option C is the period commencing from the date on which the Company has become the ultimate legal and beneficial owner of less than 50% effective interest of the issued share capital of the Target Company until the date falling 12 months thereafter (both dates inclusive).

The option period for Option D is the period commencing from the date on which a resolution or resolutions has/have been passed by the investment committee of the board of the Target Company to approve actions in relation to a listing exercise of the shares of the Target Company or of its listing vehicle on the Stock Exchange or other internationally recognised stock exchange until (i) the date right before the kick-off meeting of a listing exercise of the Target Company or its listing vehicle or (ii) the date falling 12 months after the date of such resolution(s) (both dates inclusive), whichever date is earlier.

Upon the terms of the Agreement, on the exercise of the above Options, the First Seller shall become bound to sell and the Purchaser shall become bound to complete the purchase of the Option Shares. The consideration of the Option payable by the Purchaser to the First Seller (the "**Option Consideration**") shall be determined by specified formulas as set out below, the aggregate of which shall be no greater than HK$500,000,000 (the "**Option Consideration Cap**"), which have been arrived at after arm's length negotiations between the Purchaser and the First Seller and on normal commercial terms, taking into account the estimated net profit of the Entities and the Applicable PE Multiplier (as defined below). The basis of the Option Consideration Cap is the sum of (i) HK$40,000,000 (being the maximum Option Net Profit (defined below) to be met) multiplied by the Applicable PE Multiplier (defined below) (i.e. 20.0) and the maximum percentage of the total issued share capital of the Target Company representing the number of Option Shares to be sold by the First Seller to the Purchaser upon its exercise of an Option (i.e. 45%); and (ii) a headroom of approximately 38.9% of the aforementioned amount (i.e. HK$140,000,000) which is determined after taking into account the size of the Acquisition and the financial resources including the cash and cash equivalents of the Company. The Option Consideration Cap has been arrived at after arm's length negotiations taking into account, among other things, the (i) long-standing track record of the Target Company and (ii) the growth potential of the Entities. The Directors believe that the Option Consideration Cap is fair and reasonable and in the interest of the Company and the Shareholders. Further, taking into account (i) the fact that the amount of Option Consideration to be paid by the Group will be determined with reference to the profitability of the Target

Company as the Applicable PE Multiplier (defined below) applied in the calculation of the Option Consideration shall correspond to the then profitability of Target Company, and (ii) the Option Consideration Cap which limits the Group's potential obligations in the event the Option Net Profit significantly outstrips expectations, the Directors consider that there are sufficient safeguards in the determination mechanism, to render the Option Consideration fair and reasonable and in the interest of the Company and the Shareholders.

In relation to Option A and Option B, the Option Consideration shall be determined in accordance with the following formula:

$$A \times B \times C$$

where:

"A" is the aggregate of (a) the net profit after tax of the Target Company for a twelve-month period which shall be determined with reference to the audited accounts of the Target Company issued by the appointed accountants for such period based on their special audit; (b) the net profit after tax of each subsidiary of the Target Company (if any) for a twelve-month period which shall be determined with reference to the audited accounts of each such subsidiary issued by the appointed accountants for such period based on their special audit; and (c) the net profit after tax of each Managed Entity (if any) and each of its subsidiaries (if any) for a twelve-month period which shall be determined with reference to the audited accounts of each such Managed Entity and each such subsidiary issued by appointed accountants for such period based on their special audit (the "**Option Net Profit**") in respect of the twelve-month period immediately preceding the date on which such Option is exercised by the First Seller;

"B" is the relevant earnings multiplier to be applied in the valuation of the Target Company, which is determined based on the net profit of the Entities (the "**Applicable PE Multiplier**"); and

"C" is the percentage of the total issued share capital of the Target Company representing the number of the Option Shares to be sold by the First Seller to the Purchaser upon its exercise of such Option.

In relation to Option C and Option D, the Option Consideration shall be determined in accordance with the following formula:

$$A \times B \times C$$

where:

"A" is the Option Net Profit in respect of the twelve-month period immediately preceding the date on which such Option is exercised by the First Seller;

"B" is 15.5 or the relevant Applicable PE Multiplier, whichever is higher; and

"C" is the percentage of the total issued share capital of the Target Company representing the number of the Option Shares to be sold by the First Seller to the Purchaser upon its exercise of such Option.

The Applicable PE Multiplier shall be as determined as follows:

(i) 15.5, if and when:

a. in relation to Option A, the net profit ending Year 7;

b. in relation to Option B, the aggregate Net Profit ending a Year reaches or exceeds the total Guaranteed Net Profit, the Net Profit ending that Year; and

c. in relation to Option C or Option D, the Option Net Profit for the twelve-month period ending the date of exercise of either Option C or Option D;

reaches HK$16,000,000 but is less than HK$22,000,000;

(ii) 16.0, if and when:

a. in relation to Option A, the net profit ending Year 7;

b. in relation to Option B, the aggregate Net Profit ending a Year reaches or exceeds the total Guaranteed Net Profit, the Net Profit ending that Year; and

c. in relation to Option C or Option D, the Option Net Profit for the twelve-month period ending the date of exercise of either Option C or Option D;

reaches HK$22,000,000 but is less than HK$28,000,000;

(iii) 17.0, if and when:

a. in relation to Option A, the net profit ending Year 7;

b. in relation to Option B, the aggregate Net Profit ending a Year reaches or exceeds the total Guaranteed Net Profit, the Net Profit ending that Year; and

c. in relation to Option C or Option D, the Option Net Profit for the twelve-month period ending the date of exercise of either Option C or Option D;

reaches HK$28,000,000 but is less than HK$34,000,000;

(iv) 18.0, if and when:

a. in relation to Option A, the net profit ending Year 7;

b. in relation to Option B, the aggregate Net Profit ending a Year reaches or exceeds the total Guaranteed Net Profit, the Net Profit ending that Year; and

c. in relation to Option C or Option D, the Option Net Profit for the twelve-month period ending the date of exercise of either Option C or Option D;

reaches HK$34,000,000 but is less than HK$40,000,000; and

(v) 20.0, if and when:

a. in relation to Option A, the net profit ending Year 7;

b. in relation to Option B, the aggregate Net Profit ending a Year reaches or exceeds the total Guaranteed Net Profit, the Net Profit ending that Year; and

c. in relation to Option C or Option D, the Option Net Profit for the twelve-month period ending the date of exercise of either Option C or Option D;

reaches HK$40,000,000 or above.

The range of Applicable PE Multipliers from 15.5 to 20 times is based on arm's length negotiations after taking into account (i) the historical performance and prospects of the Target Company; (ii) the profitability of the Target Company; (iii) the Profit Guarantee; and (iv) the expertise of the management of the Target Company, as well as the price-to-earnings ("**P/E**") multiples of the comparable companies in the market (which are substantially the same as the Comparable Companies disclosed in the "Letter from the Independent Financial Adviser" in the Circular based on internal market research by the Company). For Option A and Option B, the lowest Applicable PE multiplier for the Options is set at 15.5 times (provided that the relevant net profit is at least HK$16 million, i.e. more or less the Target Company's net profit after tax for the latest financial year), which approximates to the implied P/E multiple pertaining to the Consideration. For Option C and Option D, the lowest Applicable PE multiplier for the Options is set at 15.5 times regardless of whether the Option Net Profit reaches HK$16 million as it is a minority shareholder protection right offered to the First Seller to sell its remaining shares in the Target Company based on a valuation of the Target Company not lower than that pertaining to the Consideration. As the Option Net Profit range increases, the Applicable PE Multipliers applied in the calculation of the Option Consideration progressively increase; which results in higher valuation to reflect the higher annual growth rate and earning potential of the business of the Entity(ies). Given that all of the Applicable PE Multipliers fall towards the lower end of the range and below the average and median of the aforementioned comparable companies in the market, the Directors consider the Applicable PE Multipliers to be fair and reasonable and in the interest of the Company and the Shareholders.

The aforementioned net profits of the Entities, which make up the Option Net Profit, are subject to adjustments, whereby (a) any financial results attributable or otherwise arising from entities other than the Entities shall be disregarded; (b) any revaluation of assets shall be disregarded; (c) any revenue generated outside the Entities' ordinary course of business shall be disregarded; (d) all medications which have been expired from its validity period shall be written off; (e) only profits and losses derived from the ordinary course of business of the Entities shall be included; and (f) all receivables which have been outstanding for a period of 12 months or over shall be written off.

The Option Consideration will be funded by the internal resources of the Group.

Option C is a minority shareholder protection right offered to the First Seller, which the Directors consider is a reasonable mechanism in safeguarding the interest of a minority shareholder in the event of changes of other shareholder. This exit option could give comfort to the First Seller in their long-term business cooperation with the Group in operating the Target Company and incentivise the First Seller to provide ongoing expertise support to the Target Company and contribute to the development of dental service business of the Group through providing management support to the Managed Entity(ies) if required by the Company. As to Option D, since it gives the Company potential opportunity to consolidate its control in the Target Company in the circumstance when the Target Company or its listing vehicle is undergoing a listing exercise in the future, the Directors believe that Option D is favourable to the Company. Based on the benefits to the Company as set out above, the Directors are of the view that the grant of Option C and Option D is fair and reasonable and in the interest of the Company and its Shareholders as a whole notwithstanding that the exercise of which is subject to occurrence of the relevant event and not subject to a fixed term.

The Directors are of the view that the grant of the Options aligns with the Group's overall growth strategy given that the grant of the Options (i) allows the Group to acquire further equity interests in the Target Company when the Target Company outperforms the Guaranteed Net Profit; or as mentioned above, (ii) incentivises the First Seller to provide ongoing expertise support to the Target Company and contribute to the development of dental service of the Group through providing management support to the Managed Entity(ies) if required by the Company or (iii) gives the Group a potential opportunity to consolidate its control of the Target Company during commercially opportune circumstances. As such, the Directors believe that the grant of the Options is fair and reasonable and in the interest of the Company and its Shareholders as a whole. The Independent Board Committee and Independent Financial Adviser concur with the Directors that the Options are in the interest of the Company and Shareholders as a whole, and their terms are fair and reasonable. Please refer to the section headed "3.4 Options" under the "Letter from the Independent Financial Adviser" in the Circular for details.

Shall the Options expire or the First Seller notifies the Purchaser that the Option will be exercised or the Options are transferred to a third party, the Company shall announce such fact by means of an announcement which is published in accordance with Rule 14A.61 of the Listing Rules.

ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

Pursuant to the Agreement, HK$9,999,892.52 of the Consideration will be satisfied by way of allotment and issue of Consideration Shares to the First Seller at the Issue Price of HK$12.557. The principal terms of the issue of Consideration Shares are set out below.

Number of Consideration Shares : A total of 796,360 Consideration Shares, representing approximately 0.068% of the existing total issued share capital of the Company and approximately 0.068% of the total issued share capital of the Company as enlarged by the issue of Consideration Shares (assuming no change in the total issued share capital of the Company between the date of this circular and the date of issue of Consideration Shares).

Value of Consideration Shares : HK$9,999,892.52 in aggregate based on the Issue Price of HK$12.557, which was negotiated on an arm's length basis between the parties of the Agreement and determined with reference to the average of the prevailing market prices of the Shares as quoted on the Stock Exchange, and it represents:

(i) a discount of approximately 0.18% to the closing price of HK$12.580 per Share as quoted on the Stock Exchange on the date of the Agreement; and

(ii) a discount of approximately 1.03% to the average closing price of approximately HK$12.688 per Share as quoted on the Stock Exchange for the last five trading days up to and including the last trading day immediately before the date of the Agreement. The aggregate nominal value of the Consideration Shares is HK$7.96.

Conditions of issue of Consideration Shares : The Consideration Shares will be issued and allotted pursuant to the General Mandate. Pursuant to the General Mandate, the Company could issue up to 234,579,018 Shares.

As at the Latest Practicable Date, no Shares have been allotted and issued by the Company pursuant to the General Mandate.

Ranking of Consideration Shares : The Consideration Shares, when issued and fully paid, shall rank pari passu in all respects with the Shares in issue as the date of issue of Consideration Shares.

Application for Listing

Application has been made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares to be issued and allotted under the Agreement.

INFORMATION RELATING TO THE SELLERS AND THE TARGET COMPANY

The Sellers are investment holding companies incorporated in Hong Kong and in the British Virgin Islands. To the best of the Directors' knowledge, the First Seller provides dental services only through the Target Company. To the best of the Directors' knowledge, Mr. Look (the direct/indirect controlling shareholder of the Sellers), Dr. Look Guy and Mrs. Lee Look Ngan Kwan Christina (the beneficial shareholders of the First Seller), is respectively a cousin, cousin and aunt of Mr. Look Andrew, the Company's independent non-executive Director, and, thus the Sellers are connected persons of the Company as defined under Chapter 14A of the Listing Rules.

The Target Company is principally engaged in the provision of dental services in Hong Kong. As at the Latest Practicable Date, the Target Company operated seven dental clinics in Hong Kong with 32 practicing dentists.

Set out below is the audited financial information of the Target Company for the two financial years ended 31 March 2021 and the unaudited financial information of the Target Company for the seven months ended 31 October 2021 prepared in accordance with HKFRS:

	For the year ended 31 March 2020	**For the year ended 31 March 2021**	**For the seven months ended 31 October 2021**
	(audited)	(audited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	7,351	16,894	9,827
Profit after tax	6,295	15,182	8,206
Net assets	22,225	1	8,207

The original acquisition cost of the entire issued share capital of the Target Group to the Sellers was HK$13,000,000 in 1994.

To the best knowledge of the Directors, the increase in the Target Company's profit after taxation from approximately HK$6.3 million for the year ended 31 March 2020 to approximately HK$15.2 million for the year ended 31 March 2021 (as shown in the table above) was mainly due to an increase in income arising from dental services and subsidy from anti-epidemic fund. To the best knowledge of the Directors, the decrease in the Target Company's net asset from approximately HK$22.2 million as at 31 March 2020 to HK$1,000 as at 31 March 2021 was primarily due to (i) the dividend declared and paid in the amount of approximately HK$28.0 million during the year ended 31 March 2021; and (ii) the dividend declared but not yet paid in the amount of approximately HK$9.4 million which was not present as at 31 March 2020.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had 1,177,530,907 Shares in issue. Set out below is a table showing the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon the allotment and issue of the Consideration Shares (assuming there is no other change to the share capital and in the shareholding structure of the Company between the Latest Practicable Date and Completion):

Shareholders	**As at the Latest Practicable Date**		**Immediately upon the allotment and issue of Consideration Shares**	
	Number of shares	*%*	*Number of shares*	*%*
Mr. Tang Chi Fai[1]	719,779,610	61.13	719,779,610	61.08
Mr. Lee Heung Wing	680,500	0.06	680,500	0.06
Mr. Wong Chi Cheung	436,624	0.04	436,624	0.04
Mr. Luk Kun Shing Ben	2,772,992	0.23	2,772,992	0.23
Mr. Ma Ching Nam	300,000	0.03	300,000	0.03
Mr. Lam Chi Hang Josekin	100,000	0.01	100,000	0.01
Core Connected Persons of the Company excluding Mr. Tang Chi Fai, Mr. Lee Heung Wing, Mr. Wong Chi Cheung, Mr. Luk Kun Shing Ben, Mr. Ma Ching Nam, Mr. Lam Chi Hang Joeskin[2]	51,878,962	4.40	51,878,962	4.40
First Seller	—	—	796,360	0.07
	775,948,688	65.90	776,745,048	65.92
Other public shareholders	401,582,219	34.10	401,582,219	34.08
Total issued shares	1,177,530,907	100.00	1,178,327,267	100.00

Notes:

1. Out of the 719,779,610 Shares which Mr. Tang Chi Fai was interested in, (i) 5,403,000 were held by Mr. Tang Chi Fai as the beneficial owner, (ii) 3,904,000 Shares were held by his spouse, Ms. Yau Ming Li, and (iii) 710,472,610 Shares were held by Union Medical Care Holding Limited, a company wholly owned by Mr. Tang Chi Fai.

2. Core connected persons of the Company (excluding Mr. Tang Chi Fai, Mr. Lee Heung Wing, Mr. Wong Chi Cheung, Mr. Luk Kun Shing Ben, Mr. Ma Ching Nam, Mr. Lam Chi Hang Josekin) are persons who are directors/chief executive/substantial shareholders of the Company's subsidiaries and their close associates.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As at the Latest Practicable Date, the Target Company operated seven dental clinics in Hong Kong with 32 practicing dentists. The Target Company has a long-standing history in providing dental services in Hong Kong since 1958.

The Acquisition shall enable the Group to further enhance its medical and healthcare services as a multi-specialty medical service provider and allow the Group to expand its existing dental operations.

To cope with the expansion of the Group and to strengthen the Group's leading position in the provision of medical services in Hong Kong, the Directors consider that leveraging on the Group's operational excellences and efficiencies, the Acquisition will further increase the market share of the Group in the premium health market and is expected to improve the results attributable to the Group and the overall Shareholders' return.

The terms of the Agreement, including the Consideration, the Options and Option Consideration, were determined on arm's length negotiations between the parties with reference to, amongst others, the business of the Target Company, historical performance of the Target Company, expertise of the Target Company, the profitability of the Target Company, the extent of the Profit Guarantee and prospects of the Target Company. Having considered the above, the Directors (including the independent non-executive Directors) believe that the terms of the Agreement and the Acquisition are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Company does not expect the resignation of any key management personnel from the Target Company during the Profit Guarantee Period. In any event, given the Sellers' undertaking regarding the Profit Guarantee, the Sellers will procure the Target Company to meet the Profit Guarantee irrespective of whether any key management personnel resigns from the Target Company.

Through satisfying HK$9,999,892.52 of the Consideration by way of allotment and issue of Consideration Shares to the First Seller, the First Seller will become a Shareholder. Rendering the First Seller a Shareholder implicates interest alignment between the Company and the First Seller, which provides incentive for the First Seller, who will continue to hold 45% of the issued shares in the Target Company after Completion, to procure the Target Company to act in the interest of the Company.

LISTING RULES IMPLICATIONS

The Sellers are corporate shareholders of the Target Company which together hold the entire issued share capital of the Target Company. To the best of the Directors' knowledge, Mr. Look, (the direct/indirect controlling shareholder of the Sellers), Dr. Look Guy and Mrs. Lee Look Ngan Kwan Christina (the beneficial shareholders of the First Seller), is respectively a cousin, cousin and aunt of Mr. Look Andrew, the Company's independent non-executive Director, and, thus the Sellers are connected persons of the Company as defined under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.61 of the Listing Rules, since the Company does not have discretion to exercise the Options, the Options are classified as if exercised. As

more than one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition and the Options are more than 5% but all applicable percentage ratios are less than 25%, the Acquisition and the Options constitute a disclosable and connected transaction of the Company. The Acquisition, issue of Consideration Shares and the Options, but for Rule 14A.37 of the Listing Rules, are subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Company has applied for, and on 17 December 2021, the Stock Exchange has granted, a waiver from the requirement for the Company to convene a general meeting under Rule 14A.37 of the Listing Rules on the basis that: (i) to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder had a material interest in the Acquisition and issue of Consideration Shares, and no Shareholder would be required to abstain from voting if the general meeting of the Company was convened to approve the Acquisition and issue of Consideration Shares; and (ii) written approval by Mr. Tang Chi Fai, who was indirectly interested in 719,779,610 Shares of the Company as disclosed under the SFO, and such Shares constituted approximately 61.13% of the total number of Shares of the Company as at the Latest Practicable Date, had been obtained by the Company for implementing the Acquisition and issue of Consideration Shares in lieu of convening a general meeting. Since the Stock Exchange has granted the abovementioned waiver, no extraordinary general meeting of the Company will be convened for the purposes of considering and approving the Acquisition, the issue of Consideration Shares and the Options.

Save for Mr. Andrew Look, who is a cousin or nephew to some of the shareholders of the Sellers, the Directors confirm that none of the other Directors had a material interest in the Agreement and the transactions contemplated thereunder. Mr. Andrew Look has abstained from voting on the relevant board resolution in relation to the Acquisition.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Ma Ching Nam and Mr. Lam Chi Hang Josekin, all being independent non-executive Directors, has been formed to give advice to the Shareholders as to whether the transaction contemplated under the Acquisition, the Options and issue of Consideration Shares are on normal commercial terms which are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, taking into consideration of the advice to be given by the Independent Financial Adviser. As Mr. Andrew Look is a cousin or nephew to some of the shareholders of the Sellers, Mr. Andrew Look has abstained from voting on the relevant board resolution in relation to the Acquisition and does not form part of the Independent Board Committee.

Altus has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in respect of the Acquisition, the Options and issue of Consideration Shares.

RECOMMENDATIONS

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 25 to 26 of this circular, and the letter from Altus to the Independent Board Committee and the Shareholders set out on pages 27 to 49 of this circular in connection with the transactions contemplated under the Acquisition, the Options and issue of Consideration Shares and the principal factors and reasons considered by Altus in arriving at such advice.

The Independent Board Committee, having taken into account the advice of Altus, considers that the transactions contemplated under the Acquisition, the Options and issue of Consideration Shares, are in the interest of the Company and the Shareholders as a whole. The Independent Board Committee is also of the view that the terms of the Acquisition, the Options and issue of Consideration Shares are on normal commercial terms and fair and reasonable so far as the Shareholders are concerned.

The Board (including the independent non-executive Directors) is of the view that the Acquisition, the Options and issue of Consideration Shares contemplated by the Agreement are on normal commercial terms which are fair and reasonable so far as the Shareholders are concerned, are in the ordinary and usual course of business of the Company, and are in the interest of the Group and the Shareholders as a whole.

The Board (including the independent non-executive Directors) would recommend the Shareholders to vote in favour of the Acquisition, the Options and issue of Consideration Shares contemplated by the Agreement if a physical general meeting were to be convened for the purpose of consideration and if thought fit, approving the Acquisition, the Options and issue of Consideration Shares contemplated by the Agreement.

FURTHER INFORMATION

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

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

EC Healthcare
醫思健康
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2138)

13 January 2022

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF 55% OF ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES TO A CONNECTED PERSON UNDER GENERAL MANDATE

We refer to the circular of the Company dated 13 January 2022 (the "**Circular**") to the Shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to form the Independent Board Committee to consider and advise the Shareholders as to whether, in our opinion, the Acquisition, the Options and issue of Consideration Shares contemplated under the Agreement are on normal commercial terms, fair and reasonable so far as the Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole. As Mr. Andrew Look is a cousin or nephew to some of the shareholders of the Sellers, Mr. Andrew Look has abstained from voting on the relevant board resolution in relation to the Acquisition and does not form part of the Independent Board Committee. The appointment of Altus as the Independent Financial Adviser to advise you and us in this record has been approved by us. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 27 to 49 of the Circular.

Your attention is also drawn to the "Letter from the Board" and "Letter from the Independent Financial Adviser" as set out on pages 6 to 24 and pages 27 to 49 to the Circular respectively.

RECOMMENDATION

Having considered the terms and conditions of the Acquisition, the Options and issue of Consideration Shares contemplated under the Agreement, and taking into account the independent advice from Altus, and in particular, the principal factors and reasons considered and opinion and recommendation as set out in its letter, we are of the opinion that the terms of the Acquisition, the Options and issue of Consideration Shares as contemplated under the Agreement, are in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee is also of the view that the terms of the Acquisition, the Options and issue of Consideration Shares contemplated under the Agreement are on normal commercial terms and fair and reasonable so far as the Shareholders are concerned.

As stated in the ''Letter from the Board'', the Stock Exchange has granted its approval to waive the physical general meeting requirement on 17 December 2021.We would recommend the Shareholders to vote in favour of the Acquisition, the Options and issue of Consideration Shares contemplated by the Agreement if a physical general meeting were to be convened for the purpose of consideration and if thought fit, approving the Acquisition, the Options and issue of Consideration Shares contemplated by the Agreement.

Yours faithfully,
For and on behalf of the Independent Board Committee
MA CHING NAM
LAM CHI HANG JOSEKIN
Independent non-executive Directors

The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Shareholders in respect of the connected transaction in relation to the Acquisition and the transactions contemplated thereunder, which has been prepared for the purpose of incorporation in this circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central, Hong Kong

13 January 2022

To the Independent Board Committee and the Shareholders

EC Healthcare
L50, Langham Place Office Tower,
8 Argyle Street, Mong Kok,
Hong Kong

Dear Sirs or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF 55% OF ISSUED SHARE CAPITAL OF THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES TO A CONNECTED PERSON UNDER GENERAL MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in respect of the Acquisition as contemplated under the Agreement. Details of the Acquisition are set out in the "Letter from the Board" contained in the circular of the Company dated 13 January 2022 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein or required by the context.

On 29 November 2021, the Company, the Purchaser (being an indirect wholly-owned subsidiary of the Company), the Sellers and the Guarantors entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Sellers have conditionally agreed to sell, the Sale Shares, representing 55% of the issued share capital of the Target Company for a Consideration of HK$129,423,950, which will be satisfied (i) as to HK$119,424,057.48 in cash; and (ii) as to HK$9,999,892.52 by the allotment and issue of 796,360 Consideration Shares at the Issue Price of HK$12.557 per Consideration Share.

LISTING RULES IMPLICATIONS

The Sellers are corporate shareholders of the Target Company which together hold the entire issued share capital of the Target Company. To the best of the Directors' knowledge, Mr. Look (the direct/indirect controlling shareholder of the Sellers), Dr. Look Guy and Mrs. Lee Look Ngan Kwan Christian (the beneficial shareholders of the First Seller), is respectively a cousin, cousin and aunt of Mr. Look Andrew, the Company's independent non-executive Director, thus the Sellers are connected persons of the Company as defined under Chapter 14A of the Listing Rules. Mr. Look Andrew has abstained from voting on the relevant board resolution in relation to the Acquisition and does not form part of the Independent Board Committee.

As more than one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition (including the Options) are more than 5% but all applicable percentage ratios are less than 25%, the Acquisition (including the Options) constitutes a discloseable and connected transaction of the Company. The Acquisition, issue of Consideration Shares and the Options, but for Rule 14A.37 of the Listing Rules, are subject to the reporting, announcement and the shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

An application has been made by the Company to the Stock Exchange for a waiver from the requirement for the Company to convene an extraordinary general meeting (the "**EGM**") under Rule 14A.37 of the Listing Rules on the basis that (i) to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and transactions contemplated thereunder, and no Shareholder is required to abstain from voting if the EGM of the Company was convened to approve the Acquisition and issue of Consideration Shares; and (ii) a written approval by Mr. Tang Chi Fai, who is interested in 719,779,610 Shares (being 61.3% of the total issued share capital of the Company) as at the Latest Practicable Date, has been obtained by the Company for the Acquisition and issue of Consideration Shares in lieu of holding an EGM. The Stock Exchange has granted such waiver on 17 December 2021.

THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Ma Ching Nam and Mr. Lam Chi Hang Josekin, both independent non-executive Directors, has been formed to advise the Shareholders in connection with the Acquisition and transactions contemplated thereunder. We, Altus Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in this regard.

We acted as the independent financial adviser for the Company with regards to (i) the connected transactions involving the purchase of Shares to satisfy the settlement of grant of award shares and the potential grant of award shares to connected participants; and (ii) the connected transaction in relation to the acquisition of further 24% equity interest in the target group involving the issue of consideration shares and unlisted warrants to a connected person under specific mandate, details of which are respectively set out in the circular of the Company dated 31 March 2020 and 10 August 2020.

Save for the aforesaid transactions, we have not acted as independent financial adviser or financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the transactions contemplated under the Agreement is at market level and not conditional upon successful passing of the resolution, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling shareholder(s) or connected person(s).

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the Agreement; (ii) the annual report of the Company for the year ended 31 March 2021 (the "**2021 Annual Report**"); (iii) the interim results announcement of the Company for the six months ended 30 September 2021 (the "**2021 Interim Results Announcement**"); (iv) the announcement of the Company relating to the Acquisition dated 29 November 2021; (v) the announcements of the Company dated 15 June 2021 and 8 November 2021 in relation to acquisitions of a veterinary business and a multi-speciality medical services provider respectively; (vi) the official website of the Target Company; and (vii) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of the Circular. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group. The Company will notify the Shareholders of any material change after the Latest Practicable Date and after the despatch of the Circular.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the principal factors and reasons set out below:

1. Background information of the Group, the Purchaser, the Sellers and the Target Company

1.1 Information of the Group and the Purchaser

The Group is a non-hospital medical service provider in Hong Kong principally engaged in (i) medical services (excluding aesthetic medical services and any beauty and wellness services); (ii) aesthetic medical services, comprising aesthetics medical and dental services; (iii) beauty and wellness services, comprising traditional beauty, haircare and ancillary wellness services; (iv) sale of skincare, healthcare and beauty products; and (v) performance marketing and related services.

The Purchaser, a company incorporated in Hong Kong with limited liability, is an indirect wholly-owned subsidiary of the Company and is an investment holding company. Upon Completion, the Purchaser will hold 55% of the Target Company.

1.2 Information of the Sellers and the Target Company

The First Seller, Laker Limited and the Second Seller, Nexus Concept Limited are the legal and beneficial owner of 99% and 1% respectively of the total number of issued shares of the Target Company. Please refer to the paragraph headed "Listing Rules Implications" above for details regarding the ultimate beneficial owners.

The Target Company is principally engaged in the provision of dental services in Hong Kong. As at the Latest Practicable Date, the Target Company operated seven dental clinics in Hong Kong. The table below sets out the audited financial information of the Target Company for the years ended 31 March 2020, 31 March 2021 and the unaudited financial information of the Target Company for the seven months ended 31 October 2021:

	For the year ended 31 March		**For the seven months ended 31 October**
	2020	**2021**	**2021**
	(audited)	(audited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	7,351	16,894	9,827
Profit after taxation	6,295	15,182	8,206
Net asset	22,225	1	8,207

We noted that the Target Company's profit after taxation increased significantly by over 2.4 times from approximately HK$6.3 million for the year ended 31 March 2020 to approximately HK$15.2 million for the year ended 31 March 2021. We understand from the Management that the rise in profit was mainly due to an increase in income arising from dental services and subsidy from anti-epidemic fund. We also note that the Target Company's net asset substantial dropped to HK$1,000 as at 31 March 2021 (2020: HK$8.2 million) is primarily due to (i) the dividend declared and paid of about HK$28.0 million during the relevant year; and (ii) dividend declared but not yet paid of approximately HK$9.4 million which was not present as at 31 March 2020.

Upon Completion of the Acquisition, the Group will own 55% of the issued share capital of the Target Company, which will become an indirect non wholly-owned subsidiary of the Company. The financial results of the Target Company will be consolidated into the consolidated financial statements of the Group. Please refer to the section headed "Potential financial effects as a result of the Acquisition" below for further analysis.

1.3 Financial information of the Group

Set out below is a table summarising certain key financial information extracted from the 2021 Annual Report:

Extract of Consolidated Statement of Profit or Loss

	For the year ended 31 March		**For the six months ended 30 September**	
	2020	**2021**	**2020**	**2021**
	(audited)	(audited)	(unaudited)	(unaudited)
	HK$ in million	*HK$ in million*	*HK$ in million*	*HK$ in million*
Revenue	1,948.5	2,080.4	797.4	1,443.7
Profit before taxation	360.5	265.9	60.9	231.7
Net Profit	310.3	225.6	53.3	196.1

Year ended 31 March 2020 compared to year ended 31 March 2021

The Group recorded revenue of approximately HK$2,080.4 million for the year ended 31 March 2021 (2020: approximately HK$1,948.5 million), representing an increase of 6.8% from the previous year. The increase in revenue was primarily attributable to the significant increase in the revenue generated from medical services during the year ended 31 March 2021 due to continued development of new medical services and broadening of services spectrum through organic expansion and acquisition of other medical establishments. Revenue contributed by medical services increased by approximately 54.0% from approximately HK$623.2 million for the previous year to approximately HK$959.8 million for the year ended 31 March 2021 and

was the main growth driver, offsetting the decrease in revenue generated from aesthetic medical services as well as beauty and wellness services brought about by COVID-induced travel restrictions for inbound cross-border travellers and 142-day mandatory closure of beauty parlours in the year ended 31 March 2021.

Profit before tax and net profit for the year ended 31 March 2021 was approximately HK$265.9 million (2020: approximately HK$360.5 million) and HK$225.6 million (2020: approximately HK$310.3 million) respectively. The decrease in net profit and net profit margin were mainly due to (i) the outbreak of COVID-19 whereby certain service centres were temporarily closed in accordance with local regulations for 142 business days; and (ii) costs incurred in the development of new businesses.

Six months ended 30 September 2020 compared to six months ended 30 September 2021

The Group recorded a significant increase in total revenue from approximately HK$797.4 million for the six months ended 30 September 2020 to HK$1,433.7 million for the six months ended 30 September 2021, representing growth of 81.1%. The increase in revenue was mainly contributed by medical services sector, the revenue of which rose by 109.9% to approximately HK$758.4 million for the six months ended 30 September 2021 (2020: approximately HK$361.4 million) due to continued development of new medical services and broadening of service offerings through organic expansion and acquisitions during the period.

Profit after tax and net profit for the year ended 30 September 2021 was approximately HK$231.7 million (2020: approximately HK$60.9 million) and HK$196.1 million (2019: approximately HK$53.3 million) respectively. Growth in the net profit and net profit margin were mainly attributable to (i) strong demand on medical services owing to improved local consumption sentiment and recovery of the retail sector compared to the same period in the year prior; (ii) positive synergies stemming from the acquisition of medical assets in the second half of the last financial year; and (iii) enhanced operational efficiency in the Group's long established business.

1.4 Outlook of the Group

According to the 2021 Annual Report, the Directors continued to recognise the essentiality of medical service to individuals and the importance of patient satisfaction towards the sustainable growth of the Group. The Group has been actively expanding its centres and acquiring different companies as a strategy to achieve its growth target.

Throughout 2020 and 2021, the Group grew organically by (i) setting up its second and third advanced imaging centre; (ii) establishing three new clinics and service centres in Shenzhen; (iii) opening a new one-stop health management and haircare centre; (iv) opening more than eight new chiropractic clinics; and (v)

expanding its flagship service centre at Langham Place Office Tower to nine floors. The Group also acquired several high-potential companies including (i) a new speciality centre; (ii) an obstetrics and gynaecology centre; (iii) a medical laboratories company; (iv) seven veterinary hospitals and two veterinary imaging centres; (v) a multi-speciality medical and services company; and (vi) a physiotherapy centre.

The outbreak of COVID-19 has affected the business of the Group. The Group's clinics and services centres have suffered from a decrease in clients visits during the COVID-19 outbreak since February 2020. In particular, certain service centres of the Group were temporarily closed for 142 business days as imposed by the health authorities in Hong Kong, Macau and the Mainland China in an attempt to contain the spreading of the virus. Such centres resumed operations from 18 February 2021 onwards.

Going forward, the Group remains committed to broadening its breadth and depth of healthcare and wellness services offerings and expanding its market share by identifying potential acquisition targets as well as partnership opportunities in the Greater Bay Area. The Management believes that with the resultant rise in health consciousness and awareness from the COVID-19 pandemic, the Group shall leverage on this to proactively seize acquisition opportunities, in line with its expansion strategy. The Group will continue to monitor and deploy its financial resources effectively. We also note from the 2021 Interim Results Announcement that the Group has adopted a multi-pronged approach to formulate its growth strategy in a fast moving healthcare market environment and has been actively exploring opportunities with existing and potential partners from different sectors as well as potential strategic alliance partners in Hong Kong and China.

2. The Group's rationale for the Acquisition

We note from the "Letter from the Board" in the Circular that the Directors recognize the need to expand and strengthen the Group's leading position in the provision of medical services in Hong Kong and believe the Acquisition will improve the Group's results attributable to the Group and overall returns to Shareholders.

Moreover, according to the 2021 Annual Report, the Group constantly seeks expansion in its market share by identifying potential acquisition targets especially on chiropractic, dental, obstetrics and gynaecology and paediatric services. In this respect, we understand the Group current dental services is of limited scale under its aesthetic medical services, which in aggregate contributed approximately 30.9% of its total revenue as at 31 March 2021. The Acquisition is expected to enlarge the Group's dental operations and raise the Group's market share in the dental services market. We further note that the Target Company is one of repute in the dental sector as evidenced by it being awarded the Caring Company logo in 2010 for their contribution to the environment, community and dental education. As such, we concur with the Management that the Acquisition is in line with the Group's strategy to broaden and deepen its healthcare wellness services offerings

as mentioned in the section headed "1.4 Outlook of the Group" above. In light of the above, we concur with the Directors that the Acquisition is in interests of the Company and Shareholders as a whole.

3. Principal terms of the Agreement

On 29 November 2021, the Company, the Purchaser (being an indirect wholly-owned subsidiary of the Company), the Sellers and the Guarantors entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Sellers have conditionally agreed to sell the Sales Shares subject to the terms and conditions as set out in the Agreement. The Consideration of approximately HK$129.4 million will be settled by (i) cash of HK$119.4 million; and (ii) the allotment and issuance of 796,360 Consideration Shares at the Issue Price of HK$12.557 per Consideration Share, amounting to approximately HK$9.9 million.

For further details of the principal terms, please refer to the "Letter from the Board" in the Circular.

3.1 The Consideration

We understand the Consideration was determined on arm's length negotiations between the Purchaser and the Sellers with reference to (i) the historical performance and prospects of the Target Company, (ii) the profitability of the Target Company; (iii) the Profit Guarantee; and (iv) the expertise of the management of the Target Company.

3.1.1 Comparable companies analysis on the Consideration

To assess the fairness and reasonableness of the Consideration, we have conducted a comparable analysis against listed companies on the Stock Exchange engaging in similar business of the Target Company (the "**Comparable Companies**"). The comparable analysis focuses on the price-to-earnings ("**P/E**") multiples of the Comparable Companies. Given the Target Company is engaged in non-hospital medical services industry, a relatively asset-light industry, earnings, instead of its revenue or book-value, is the most appropriate metric that reflects non-hospital medical services provider's value. Hence, we consider the P/E analysis an appropriate method over price-to-book analysis or price-to-sales analysis.

In selecting the Comparable Companies, our selection criteria are companies that (i) are listed on the Main Board of the Stock Exchange; (ii) not a biotech company as defined under Chapter 18A of the Listing Rules; (iii) engage in providing medical and medical related services, (including those engage in provision of dental services in Hong Kong); and (iv) generated profits in the most recent financial year.

Shareholders should note that despite of the aforesaid criteria, the business and scale of operation of the Target Company is not exactly the same as those of the Comparable Companies, and we have not conducted any in-depth investigation into the business and operations of the Comparable Companies. Notwithstanding this, since the Comparable Companies involves services that caters to consumers' general wellbeing and thus subject to similar economic and industry cycles, we are of the view that they form a reasonable sample for the purpose of this comparable analysis.

The Comparable Companies below have been selected based on the above criteria, and have been identified through our research using public information. We believe it is an exhaustive list based on these criteria.

Company Name	**Stock Code**	**Primary type of medical and medical related services**	**P/E** *(Note 1)*
Jinxin Fertility Group Limited *(Note 4)*	1951	In vitro fertilisation	92.96
Hygeia Healthcare Holdings Co Ltd *(Note 2) (Note 3)*	6078	Hospital operations & radiotherapy	105.69
China Resources Medical Holdings Company Limited	1515	General healthcare	18.08
Honliv Healthcare Management Group Co Ltd	9906	General healthcare	47.65
UMP Healthcare Holdings Ltd	722	Clinical healthcare services (includes medical and dental)	19.91
Human Health Holdings Limited *(Note 5)*	1419	General practice & specialist practices	3.15
Perfect Medical Health Management Limited	1830	Healthcare & medical beauty	27.49
Raily Aesthetic Medicine International Holdings Limited *(Note 2)*	2135	Aesthetic medical	24.62
The Group	2138		65.64
The Target Company	—		15.48 *(Note 6)*
		Maximum	105.69
		Minimum	3.15
		Average	42.44
		Median	26.05

Source: HKEx news website

Notes:

1. P/E ratio is calculated based on the respective market capitalisation (based on the closing price) as at 29 November 2021, being the date of the Agreement, sourced from the website of the HKEX news divided by their respective earnings reported in the respective companies' latest published annual report. Where applicable, for illustration purpose, Renminbi ("**RMB**") have been translated into HK$ with exchange rates of RMB1 to HK$1.22 respectively as quoted from The Hong Kong Association of Banks as at 29 November 2021.

2. Listing expenses have been adjusted when calculating the P/E ratio.

3. We note that the P/E ratio of Hygeia Healthcare Holdings Co., Limited has been exceptionally high as compared to the other Comparable Companies and the Group. We noted it has recorded a growth in revenue of approximately 29.1% for the year ended 31 December 2020 as compared to the previous year. Hence, the growth prospect of the company maybe one of the reasons of the extremely high P/E ratio.

4. We note that the P/E ratio of Jinxin Fertility Group Limited is high as compared to other Comparable Companies and the Group and that it recorded a 38.1% reduction in net profit in the latest financial year compared to the prior year. We are not aware of any other reasons for the extremely high P/E ratio.

5. We note that the P/E ratio of Human Health Holdings Limited has been exceptionally low as compared to other Comparable Companies and the Group. We noted that it has recorded a profit of approximately HK$144.0 million for the year ended 30 June 2021 as compared to making a loss in the previous year due to diversification of the scope of service to include COVID-19 related services.

6. The implied P/E ratio of the Target Company is calculated based on the audited profit after taxation and the Consideration of its 55% equity interests.

As shown in the table above, the P/E multiples of the Comparable Companies range from approximately 3.15 times to 105.69 times, with the mean and median being approximately 42.44 times and 26.05 times respectively. The implied P/E multiple of the Target Company is approximately 15.48 times, which falls within the range of those of the Comparable Companies and falls significantly below that of the mean and median, which correspond to the lower P/E multiples generally accorded to (i) differences in marketability of private businesses compared to listed groups due to, among others, lower trading liquidity of the shares; and (ii) higher uncertainty on growth prospects associated with small scale businesses. We further note that if the Comparable Companies with P/E multiples at the extreme ends are excluded (being Hygeia Healthcare Holdings Co Ltd (stock code: 6078), Jinxin Fertility Group Limited (stock code: 1951) and Human Health Holdings Limited (stock code: 1419)), the implied P/E multiple of the Target Company would fall below the low end of the range (about 18.08 times), the mean (about 27.55 times) and the median (about 24.62 times) of the Comparable Companies, and the above analysis continues to apply.

From a P/E multiples analysis standpoint, the Consideration is attractive to the Group as the price is generally lower than those of the Comparable Companies and significantly lower than that of the Company (65.64 times) as at

the date of the Agreement. Further, even though the Target Company's historical P/E multiple for the year ended 31 March 2020 is at approximately 37.38 times, the Profit Guarantee effectively secures the Target Company's profitability in Year 1 to be similar to its profit for the year ended 31 March 2021 (with implied P/E multiple of about 15.5 times). The expected increase in profit as indicated under the Profit Guarantee should result in even lower forward P/E ratio from Year 2 onwards (please refer to the paragraph headed "3.3 Profit Guarantee" below for further analysis). As such, we are of the view that the Consideration is fair and reasonable as far as the Company and the Shareholders are concerned.

3.2 The settlement terms

3.2.1 The cash payment

According to the Agreement, the Consideration shall be partially settled by cash of approximately HK$119.4 million, which the Management has confirmed will be financed by the Group's internal resources. In this respect, we note that as at 30 September 2021, the Group had substantial cash and cash equivalents of approximately HK$1.47 billion and a gearing ratio (being total debt (excluding lease liabilities relating to properties leased for own use) divided by total equity) of approximately 13.8%.

3.2.2 The Issue Price

As stated in the "Letter from the Board" of the Circular, the Issue Price of HK$12.557 per Consideration Share represents:

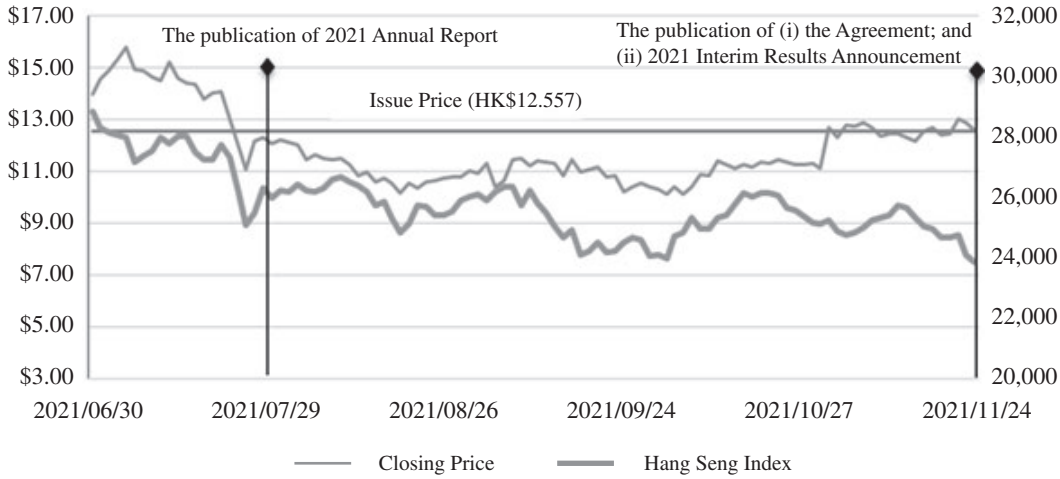
(a) a discount of approximately 0.18% to the closing price of HK$12.580 per Share as quoted on the Stock Exchange on the date of the Agreement; and

(b) a discount of approximately 1.03% to the average closing price of approximately HK$12.688 per Share as quoted on the Stock Exchange for the last five trading days up to and including the last trading day immediately before the date of the Agreement. The aggregate nominal value of the Consideration Shares is HK$7.96.

3.2.3 Analysis of historical price performance of the Share

Set out below is a graph showing the movement of the closing prices during the period from 29 June 2021, being five months before 29 November 2021, to the date of the Agreement (the "**Review Period**") to illustrate the general trend, level of movement of the closing prices of the Shares. We are of the view that a period of six months is adequate to illustrate the recent price movements of the Shares for conducting a reasonable comparison between the closing price of the Shares and the Issue Price.

Historical daily closing price of the Shares and Hang Seng Index



Source: HKEX website

Over the Review Period, the highest and lowest closing price of the Shares as quoted on the Stock Exchange were HK$15.76 and HK$10.10 on 7 July 2021, 6 October 2021 and 8 October 2021 respectively. The average daily closing price per Share during the Review Period was HK$11.89. As shown in the graph, the closing price of the Shares over the Review Period have been highly correlated to the overall market performance (as shown by the Hang Seng Index performance), the fluctuation of which was predominately driven by general market sentiment likely taking into factors such as macroeconomic environment, COVID-19 pandemic development and geopolitics conditions.

During the period from early-May 2021 to early-July 2021, we noted that the closing price of the Share was generally on an upward trend, following its inclusion in the MSCI Hong Kong small cap index announcement, broadening its services spectrum through expansion and acquisition as well as the issuance of annual results announcement for the year ended 31 March 2021, an improvement in profits may have contributed to the upward trend of Share prices. From mid-July 2021 onwards, we noted that the closing price of Shares generally tracked the Hang Seng Index performance. On 27 July 2021, following the fallout of a wide-reaching crackdown by the PRC government in the technology and education sectors, which subsequently led to many prominent stock exchanges including Hong Kong recording a sharp decline in its overall market value, the closing price of the Share reached a low closing price of HK$11.08. From mid-July 2021 to the end of November 2021, the share price started to hover between HK$10.10 to HK$12.88. As at 29 November 2021, being the date of the Agreement, the closing price of the Share was HK$12.58.

The Issue Price is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period and represents a discount of approximately 0.18% to the closing price of the Share as at the date of the Agreement.

3.2.4 Comparable issues analysis

In order to assess the fairness and reasonableness of the Issue Price, we have conducted a comparable analysis through identifying companies listed on Main Board of the Stock Exchange which announced an issuance of Consideration Shares during the period from 29 August 2021, being three months before the date of the Agreement, up to 29 November 2021. On such basis, we have identified 17 comparable companies, including the Group (the "**Consideration Shares Comparables**"), which we consider an exhaustive list of the relevant comparable companies based on the abovementioned criteria.

It should be noted that the Consideration Shares Comparables may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company. Circumstances leading the Consideration Shares Comparables to issue consideration shares may differ from that of the Company. Notwithstanding this, the circumstantial differences do not impair the soundness of the comparable analysis to serve as a general market sentiment reference as it draws on transactions adopting similar settlement structures in Hong Kong (i.e. involving issuance of consideration shares), which we consider to be appropriate for assessing the fairness and reasonableness of the Issue Price. Further, given the objective of the analysis, we are of the view that the three-month time period from 29 August to 29 November 2021 has provided a representative sample reflecting prevailing market sentiment, economic and financial market cycles for a meaningful analysis and is therefore reasonable.

Date of announcement	Company name	Stock Code	Issue Price *(HK$)*	Premium/(discount) of the Issue Price over/(to) % Closing price on the last trading day prior to/on the date of relevant announcement	Closing price for the last five consecutive trading days preceding last trading day prior to/on the date of the relevant announcement
29 November 2021	National Arts Group Holdings Limited	8228	0.113	9.71	2.73
22 November 2021	Starrise Media Holdings Limited	1616	0.158	—	(0.63)
11 November 2021	China Sunshine Paper Holdings Company Limited	2002	1.58	(8.70)	(9.90)
03 November 2021	China Tontine Wines Group Limited	389	0.10	(6.54)	(8.09)
01 November 2021	Furniweb Holdings Limited	8480	0.35	37.25	41.36
29 October 2021	Geely Automobile Holdings Limited	175	23.34	(11.42)	(12.65)
29 October 2021	Vongroup Limited	318	0.38	(15.00)	(14.00)
20 October 2021	Heng Tai Consumables Group Limited	197	0.10	(19.80)	(1.90)
19 October 2021	Tong Kee (Holdings) Limited	8305	0.10	(20.00)	(22.48)
15 October 2021	Kinetix Systems Holdings Limited	8606	0.14	(6.25)	—
8 October 2021	Universal Star (Holdings) Limited	2346	2.23	(18.61)	(18.91)
28 September 2021	China 21st Century Education Group Limited	1598	0.55	—	7.84
23 September 2021	Frontier Services Group Limited	500	1.00	16.30	15.70
20 September 2021	Legendary Group Limited	8195	0.26	(3.00)	(6.20)
31 August 2021	China Health Group Limited	673	0.10	49.30	41.60
30 August 2021	Da Ming International Holdings Limited	1090	3.26	(7.90)	(4.10)
30 August 2021	CSMall Group Limited	1815	1.13	79.40	89.00
	The Company	2138	12.557	(0.18)	(1.03)
			Max	79.40	89.00
			Min	(20.00)	(22.48)
			Mean	4.98	6.21
			Median	(6.54)	(3.00)

Source: HKEX website

As shown in the above table, we note that (i) discount of the Issue Price to the closing price of the Shares on the date of the Agreement of approximately 0.18% is (a) lower than the median discount approximately 6.54%; and (b) within the range of 20.00% discount to 79.40% premium respectively; and (ii) discount of the Issue Price to the average closing price of the Shares for the last five consecutive trading days up to and including the date of the Agreement of approximately 1.03% is (a) lower than the median discount of approximately 3.00%; and (b) within the range of 22.48% discount to 89.00% premium respectively. The comparable analysis also demonstrates that for transactions that involved consideration shares, arm's length negotiations generally resulted in a wide range of premium/discount of issue price of the consideration shares relative to the prevailing market prices.

Considering that (i) the Issue Price is within range of the closing prices of the Shares in the Review Period; and (ii) the Issue Price, relative to the Share's closing price on the date of the Agreement and last five consecutive trading days is at a lower discount as compared to the median Shares Comparables and is close to its market price as at the date of the Agreement, we are of the view that the Issue Price is fair and reasonable as far as the Company and the Shareholders are concerned.

3.3 Profit Guarantee

Each of the Sellers and the Guarantors, guarantees to each of the Purchaser and the Company that the aggregate net profit of the Target Company ("**Profit Guarantee**"), ending each Assessment Year shall be no less than the summation of each of the respective guaranteed net profit from Year 1 to ending of that Year as set out below ("**Guaranteed Net Profit**").

Profit Guaranteed Year ending	**Guaranteed Net Profit for the Profit Guaranteed Year ending the respective year**
Year 1	HK$15,000,000
Year 2	HK$16,000,000
Year 3	HK$17,500,000
Year 4	HK$19,000,000
Year 5	HK$19,000,000
Year 6	HK$17,500,000
Year 7	HK$16,000,000
Total	**HK$120,000,000**

For the purposes of determining whether the Profit Guarantee has been met, the Net Profit for the relevant Profit Guaranteed Year will be agreed by the First Seller and the Purchaser with reference to (i) the net profit after tax of the Target Company determined with reference to the audited accounts of the Target Company issued by appointed accountants for the year ending a Year within three months after the end of such Year, (ii) the net profit after tax of each subsidiary of the Target Company (if any) for a twelve-month period which shall be determined with reference to the audited accounts of each subsidiary issued by the appointed accountants for such period based on their special audit within three months after the end of the Year, and (iii) the net profit after tax of each of the Managed Entity(ies) (if any) and each of its subsidiaries (if any) for a twelve-month period which shall be determined with reference to the audited accounts of each such Managed Entity and each such subsidiary issued by the appointed accountants for such period based on their special audit within three months after the end of the Year. The audited accounts of each of the Target Company, its subsidiaries, the Managed Entity(ies) (if any) and the subsidiaries of the Managed Entity(ies) (if any) shall be prepared in accordance with HKFRS. The Managed Entity(ies), as we understand from the Management, would be the Group's existing or future subsidiary(ies) that has been loss making due to operational inefficiencies where the performance of which is expected to benefit from the Target Company's management including but not limited to, developing and implementing long-term and short-term business strategies, supervising the dental practitioners of the Managed Entities, developing policies and measures for costs and risk management, and providing training to the staff of the Managed Entity(ies). Since all Managed Entity(ies) is/are existing or future subsidiary(ies) of the Group, the audited accounts of the Managed Entity(ies) will be consolidated into the audited accounts of the Group.

Although the subsidiary(ies) and Managed Entity(ies) (the "**Entities**") are not the subject companies in the Acquisition, including the performance of Entity(ies) in the Guaranteed Net Profit would align the interests of the Group and the First Seller in that the First Seller would only be rewarded if the Entity(ies) are profitable as opposed to other arrangements such as management fees that involves regular operating cash outflow. In particular, by providing the option to take into consideration performance of Managed Entity(ies) and future subsidiaries that may be set up as part of the Target Company's business expansion when determining the Net Profit, the Group would be better placed to reap synergies. This is because the First Seller would be incentivised to lend his specialised expertise on dental services and long established brand (since 1958) of the Target Company to also develop the Group's existing dental services and not limiting its efforts of future dental business expansion within the Target Company only. Given the above and considering (i) the Group's overall dental services stands to benefit from the expertise of the First Seller, which is commensurate with the Group's strategy to broaden and deepen its healthcare wellness services offerings as mentioned under the paragraph headed "1.4 Outlook of the Group" above; and (ii) that such arrangement will be subject to the Group's agreement (in effect at the Group's discretion) which the Management intends for only loss-making Managed Entity(ies) be included, we concur with the Directors that (i) it is fair and reasonable to include the flexibility to take into

account the performance of the Entity(ies) (if any) in the Guaranteed Net Profit as it will enable the Group to give due credits for the First Seller's time as well as efforts and shall give a true and fair view of the benefits that is generated by the First Seller's contributions to the Group; and (ii) such arrangement is in the interests of the Company and the Shareholders as a whole.

Profit Shortfall Payback

Each of the Sellers and the Guarantors, undertakes that if the aggregate Net Profit of the Target Company is less than the aggregate Guaranteed Net Profit for any of the Assessment Years, or if aggregate net loss of the Target Company is incurred during the Profit Guarantee period, they/he shall pay the Purchaser an amount equivalent to the Profit Shortfall Payback within 30 days after the date on which the Net Profit or net losses for the relevant Assessment Year is/are determined.

The amount of the Profit Shortfall Payback payable by the First Seller shall be calculated as the Profit Shortfall multiplied by 54% deducting the summation of the Profit Shortfall Payback paid by the Sellers and/or the Guarantors to the Purchaser for the previous Assessment Year(s). On the other hand, the amount of the Profit Shortfall Payback payable by the Second Seller shall be calculated as the Profit Shortfall multiplied by 1% deducting the summation of the Profit Shortfall Payback paid by the Sellers and/or the Guarantors to the Purchaser for the previous Assessment Year(s).

The maximum aggregate Profit Shortfall Payback during the Profit Guaranteed Period to be liable by the Sellers and/or the Guarantors shall not exceed the Consideration (i.e. HK$129,423,950) in any event. Please refer to the section headed "Profit Guarantee" under "Letter from the Board" in the Circular for details.

In this respect, we note that a similar profit guarantee arrangement is included in other acquisitions of the Group including the acquisition by the Company of a target company owned by independent third parties as detailed in the announcement of the Company dated 15 June 2021.

The Profit Guarantee will serve as a minimum return on investment for the Company, totaling at HK$120.0 million as compared to the Consideration of approximately HK$129.4 million. In particular, we understand from the Management that during the arm's length negotiations, the aggregate Guaranteed Net Profit was the leading factor as it is effectively the Group's safety net for the Acquisition. On top of this, emphasis has been placed in the first five years when negotiating the spread of Guaranteed Net Profit over the Profit Guarantee Period as Management believes (i) it to be crucial period for acquirees to successfully integrate with the Group; (ii) it is in the Group's interests for the Guaranteed Net Profit to fall toward the front-end; and (iii) it is

reasonable to allow for fluctuations in market cycles over a relatively long seven-year Profit Guarantee Period which incidentally resulted in a decrease in the level of the Guaranteed Net Profit in Year 6 and Year 7.

The Management are of a view, and we concur, that it is in the Company's and Shareholders' interests in the long term to reap the rewards from its investment through Target Company meeting the Profit Guarantee as opposed to compensation on shortfall from the Profit Guarantee.

Hence, we consider that the Profit Guarantee is in line with the Group's business practice, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

3.4 Options

Pursuant to the Agreement, in the circumstance where (a) the net profit ending Year 7 reaches or exceeds the Guaranteed Net Profit ending Year 7, being HK$16,000,000, and provided that has been no Profit Shortfall Payback in any of the Assessment Years ("**Option A**"), or (b) the aggregate Net Profit ending a Year reaches or exceeds the HK$120,000,000, being the total Guaranteed Net Profit, the Purchaser shall grant to the First Seller the option and options exercisable at any time and from time to time during a specified period to require the Purchaser to purchase all or any part of the Option Shares at the Option Consideration ("**Option B**"). Further, pursuant to the Agreement, in the circumstance where (a) the Company shall after the date of the Agreement become the ultimate legal and beneficial owner of less than 50% effective interest of the issued share capital of the Target Company ("**Option C**"), or (b) a resolution or resolutions has/have been passed by the board of the Target Company to approve actions in relation to a listing exercise of the shares of the Target Company or of its listing vehicle ("**Option D**", together with Option A, Option B and Option C, the "**Options**" and each an "**Option**"), the Purchaser shall grant to the First Seller the option at any time during a specified period to require the Purchaser to purchase all of the Option Shares at the Option Consideration.

Upon the terms of the Agreement, on the exercise of the above Options, the First Seller shall become bound to sell and the Purchaser shall become bound to complete the purchase of the Option Shares. The consideration of the Option payable by the Purchaser to the First Seller (the "**Option Consideration**") shall be determined by specified formulas as set out in the "Letter from the Board" in the Circular, the aggregate of which shall be no greater than HK$500,000,000 (the "**Option Consideration Cap**"), which have been arrived at after arm's length negotiations between the Purchaser and the First Seller and on normal commercial terms, taking into account the estimated net profit of the Entities and the Applicable PE multiplier (as defined under the "Letter of the Board" in the Circular). Please refer to the section headed "Options" under the "Letter from the Board" in the Circular for details.

To this end, having reviewed the relevant terms and discussion with the Management, we noted that the Options grant the Group a potential opportunity to further acquire equity interests in the Target Company only under the circumstances where (i) the Target Company outperforms expectations; or (ii) for the Group to consolidate control and/or in effect serve as protection to the First Seller (being Option C) and thereby incentivise the First Seller's expertise support to the Group, which are in favour of the Group and in alignment with the Group's overall growth strategy. Moreover, the mechanism by which the Option Consideration will be determined safeguards the Group's and the Shareholders' interests through setting (i) minimum profitability thresholds; (ii) Applicable PE multipliers corresponding to profitability; (iii) specified option period that reasonably reflects prevailing performance at the time; and (iv) an Option Consideration Cap of HK$500 million to limit the Group's potential obligations in the event the Target Company Option Net Profit significantly outstrips expectations.

It is noted that the Applicable PE multiplier's correlation with the relevant Option Net Profit range coincides with higher valuation generally accorded to businesses of larger scale and/or those that demonstrate stronger growth prospects. In this regard, we note for Option A and Option B, the lowest Applicable PE multiplier for the Options is set at 15.5 times (provided that the Option Net Profit is at least HK$16 million), i.e. above the Target's Company's net profit after tax for latest financial year), which approximates to the implied P/E multiple pertaining to the Consideration. For Option C and Option D, while the formula is such that the P/E multiplier would be at least 15.5 times regardless of the level of profitability, since (i) the Group has discretion over whether the triggering event for Option C materialises (i.e. the Group's shareholding interests falls below 50%); and (ii) Option D is in the Group's favour as it gives the Company the opportunity to consolidate control in the Target Company should the Target Company or its listing vehicle undergoes a listing exercise (which if successful would result in higher liquidity for the relevant shareholding interests), we are of the view that the terms are structured in a way that the Group's interests are safeguarded. We further note that the highest Applicable PE multiplier for all Options, set at 20 times (provided that the Option Net Profit is at least HK$40 million), falls towards the lower end of the range and below the average and median of the Comparable Companies (excluding those falling towards extreme ends) set out under paragraph headed "3.1.1 Comparable companies analysis on the Consideration" above.

We also note that the Group's interests is safeguarded by the Option Consideration Cap, which represents the sum of (i) HK$40,000,000 (being the maximum Option Net Profit to be met) multiplied by the Applicable PE Multiplier (i.e. 20.0) and the maximum percentage of the total issued share capital of the Target Company representing the number of Option Shares to be sold by the First Seller to the Purchaser upon its exercise of an Option (i.e. 45%); and (ii) a headroom of approximately 38.9% of the aforementioned amount (i.e. HK$140,000,000). We understand from the Management that the headroom of about 38.9% was determined after arm's length negotiations and was considered acceptable after taking into account the Group's available financial resources, the size of the Acquisition

(including the potential obligations under the Options) relative the Group's overall scale and growth prospects. In this regard, we further note that should the Guaranteed Net Profit exceeds HK$55.6[1] million and the First Seller exercises his rights under the Options, the Group would be acquiring the remaining interests in the Target Company (based on the Option Consideration Cap of HK$500 million) at a P/E multiplier equal to or lower than 20 times despite better financial performance (which as abovementioned already falls towards the lower end and below the average and median of the relevant Comparable Companies). In light of the above, we concur with the Directors that the mechanism for setting the Option Consideration (including the cap) is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

In addition, the Options, by giving the First Seller an exit option under the triggering events, should largely serve as an incentive to maintain his expertise support to the Group. As such, in light of the above, we concur with the Directors that the Options are in the interest of the Company and Shareholders as a whole, and its terms are fair and reasonable.

Section Conclusion

Consider the above analysis of (i) the Consideration; (ii) the settlement terms (including the cash payment and Consideration Shares (including the Issue Price); (iii) the Profit Guarantee; and (iv) the Options, we are of the view that the terms of Agreement are on normal commercial terms, are fair and reasonable as far as the Company and the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

[1] HK$55.6 million is derived by dividing HK$500 million by the maximum percentage of the total issued share capital of the Target Company representing the number of Option Shares to be sold by the First Seller to the Purchaser upon exercise of the Option (45%) and the Applicable PE Multiplier of (20.0 times).

4. Effect of the Acquisition on the shareholding structure of the Company

As at the Latest Practicable Date, the Company had 1,177,530,907 Shares in issue. For reference and illustration purposes only, the following table sets out the effect of the allotment and issuance of the Consideration Shares on the shareholding structure of the Company assuming that (i) the Completion having taken place; (ii) 796,360 Consideration Shares will be allotted and issued pursuant to the Agreement; and (iii) there is no change in the shareholding structure of the Company.

Shareholders	**As at the Latest Practicable Date**		**Immediately upon the allotment and issue of Consideration Shares**	
	Number of shares	*%*	*Number of shares*	*%*
Mr. Tang Chi Fai[1]	719,779,610	61.13	719,779,610	61.08
Mr. Lee Heung Wing	680,500	0.06	680,500	0.06
Mr. Wong Chi Cheung	436,624	0.04	436,624	0.04
Mr. Luk Kun Shing Ben	2,772,992	0.23	2,772,992	0.23
Mr. Ma Ching Nam	300,000	0.03	300,000	0.03
Mr. Lam Chi Hang Josekin	100,000	0.01	100,000	0.01
Core Connected Persons of the Company excluding Mr. Tang Chi Fai, Mr. Lee Heung Wing, Mr. Wong Chi Cheung, Mr. Luk Kun Shing Ben, Mr. Ma Ching Nam, Mr. Lam Chi Hang Joeskin[2]	51,878,962	4.40	51,878,962	4.40
First Seller	—	—	796,360	0.07
	775,948,688	65.90	776,745,048	65.92
Other public shareholders	401,582,219	34.10	401,582,219	34.08
Total issued shares	**1,177,530,907**	**100.00**	**1,178,327,267**	**100.00**

Notes:

1. Out of the 719,779,610 Shares which Mr. Tang Chi Fai was interested in, (i) 5,403,000 were held by Mr. Tang Chi Fai as the beneficial owner, (ii) 3,904,000 Shares were held by his spouse, Ms. Yau Ming Li, and (iii) 710,472,610 Shares were held by Union Medical Care Holding Limited, a company wholly owned by Mr. Tang Chi Fai.

2. Core connected persons of the Company excluding Mr. Tang Chi Fai, Mr. Lee Heung Wing, Mr. Wong Chi Cheung, Mr. Luk Kun Shing Ben, Mr. Ma Ching Nam, Mr. Lam Chi Hang Josekin) are directors/chief executive/substantial shareholders of the Company's subsidiaries and their close associates.

Taking into account that (i) the entering into the Agreement is in the interests of the Company and the Shareholders as a whole; (ii) the Consideration under the Agreement is fair and reasonable as far as the Company and the Shareholders are concerned; (iii) the settlement terms (including the Issue Price) is fair and reasonable as far as the Company and the Shareholders are concerned; (iv) the Profit Guarantee is fair and reasonable as far as the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; (v) the terms of the Options are fair and reasonable; and (vi) the cash settlement portion of the Acquisition does not materially affect the Group's cash position, we consider the potential dilution effect on the shareholding interests of the other Shareholders to be justifiable.

5. Potential financial effects as a result of the Acquisition

Effect on the earnings attributable to the equity shareholders of the Group

According to the 2021 Annual Report, the Group recorded revenue of approximately HK$2,080 million and profit of approximately HK$225.6 million for the year ended 31 March 2021. As set out in "1.2 Information of the Sellers and the Target Company" above, the audited net profit for the year ended 31 March 2021 was HK$15.2 million. Upon Completion of the Acquisition, the Group will own 55% of the issued share capital of the Target Company, which will become an indirect non wholly-owned subsidiary of the Company. The financial results of the Target Company will be consolidated into the consolidated financial statements of the Group and is expected to enhance the earnings attributable to the equity shareholders of the Group.

Effects on the Group's cash and working capital

As mentioned in the section headed "The Agreement" in the "Letter from the Board", the Consideration for the Acquisition is payable by cash and the allotment and issue of Consideration Shares by the Group. We noted that cash payment accounts approximately 92.3% of the total Consideration and is to be funded by internal resources, which will result in a cash outflow.

*Effect on the net asset value ("**NAV**") attributable to the equity shareholders*

According to the 2021 Interim Results Announcement, the NAV was approximately HK$2,496.3 million as at 30 September 2021. As set out in "1.2 Information of the Sellers and the Target Company" above, the net asset for the seven months ended 31 October 2021 was HK$8.2 million. Upon Completion, the financial results of the Target Company will be consolidated into the consolidated financial statements of the Group and is expected to add to the NAV of the Group. The change is not expected to have material impact on the Group's NAV attributable to the equity shareholders.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the terms of the Agreement (including the Options and Option Consideration) and the transactions contemplated thereunder; and (ii) the cash Consideration and Consideration Shares are on normal commercial terms, are fair and reasonable as far as the Company and the Shareholders are concerned, are in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Sean Pey Chang
Executive Director

Charlotte Khoo
Executive Director

*Mr. Chang Sean Pey ("**Mr. Chang**") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 20 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

*Ms. Charlotte Khoo ("**Ms. Khoo**") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. Ms. Khoo has over 10 years of experience in corporate finance and advisory in Hong Kong, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser and independent financial adviser in various corporate finance transactions. Ms. Khoo is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.*

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 Group. 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. DISCLOSURE OF INTERESTS BY DIRECTORS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) 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 provision of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules ("**Model Code**"), were as follows:

Shares and Underlying Shares of the Company

Name of Director/Chief Executive	Number of Shares and underlying Shares interested	Approximate percentage of the total issued share capital of the Company *(Note 1)*
Tang Chi Fai ("**Mr. Tang**")	719,779,610 (L) *(Note 2)*	61.13%
Lu Lyn Wade Leslie	10,000,000 (L) *(Note 3)*	0.85%
Lee Heung Wing	7,780,500 (L) *(Note 4)*	0.66%
Wong Ka Ki, Ada	8,000,000 (L) *(Note 5)*	0.68%
Wong Chi Cheung	2,886,624 (L) *(Note 6)*	0.25%
Luk Kun Shing Ben	2,772,992 (L)	0.24%
Lam Chi Hang Josekin	100,000 (L)	0.01%
Ma Ching Nam	300,000 (L)	0.03%

Notes:

(L) denotes long position.

1. Total numbers of issued shares as at the Latest Practicable Date was 1,177,530,907.

2. Union Medical Care Holding Limited ("**Union Medical Care**") is wholly-owned by Mr. Tang. Out of the 719,779,610 shares that Mr. Tang was interested in, (i) 5,403,000 Shares were held by Mr. Tang as the beneficial owner, (ii) 3,904,000 shares were held by Ms. Yau Ming Li, the spouse of Mr. Tang, and (iii) 710,472,610 shares were held by and Union Medical Care. Mr. Tang and Union Medical Care are the controlling shareholders of the Company.

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

5. Ms. Wong Ka Ki, Ada does not hold any Shares and was interested in 8,000,000 share options of the Company granted under the Share Option Scheme.

6. Mr. Wong Chi Cheung held 436,624 Shares and was interested in 2,450,000 share options of the Company granted under the Share Option Scheme.

Shares and Underlying Shares of Associated Corporations

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

Notes:

(L) denotes long position.

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

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.

(b) Substantial Shareholders who have an interest and/or short position which is disclosable under Divisions 2 and 3 of Part XV of the SFO

So far as it is known to the Directors and chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying shares of the Company, which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	**Capacity**	**Number of Shares and underlying Shares held**	**Approximate percentage of total issued share capital of the Company as at the Latest Practicable Date** *(Note 1)*
Union Medical Care *(Note 2)*	Beneficial owner	710,472,610 (L)	60.34%
Yau Ming Li *(Note 3)*	Beneficial owner and interest of spouse	719,779,610 (L)	61.13%

Notes:

(L) Denotes as long position.

1. Total number of issued shares as at the Latest Practicable Date was 1,177,530,907.

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

3. Ms. Yau Ming Li is the spouse of Mr. Tang, 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 above, as at Latest Practicable Date, the Directors had 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.

3. DIRECTORS' INTERESTS

As at the Latest Practicable Date:

a. none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group;

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

c. the Directors were not aware that any of the Directors and their respective close associates (as defined in the Listing Rules) had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder of the Company).

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was or is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was or is known to the Directors to be pending or threatened by or against any members of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	Qualification
Altus Capital Limited	a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Altus has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Altus was not interested in the share capital of any member of the Group, and did not have any shareholding in any Shares or any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group. It is not interested in any assets which have been, since 31 March 2021 (being the date to which the Company's latest audited financial statements were made up), acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

7. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2021, being the date to which the latest published audited financial statements of the Group were made up.

8. GENERAL

a. The registered office of the Company is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Island. The principal place of business of the Company in Hong Kong is at L50, Langham Place Office Tower, 8 Argyle Street, Mong Kok, Hong Kong.

b. The Company's Hong Kong branch share registrar and transfer office is Link Market Services (Hong Kong) Pty Ltd. at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong.

c. The company secretary of the Company is Siu Chun Pong Raymond, a solicitor qualified in Hong Kong with over 16 years of experiences in corporate finance and regulatory compliance.

d. This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

9. DOCUMENTS AVAILABLE FOR INSPECTION

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

(a) the Agreement; and

(b) the letter of consent from Altus referred to in the above paragraph headed "Expert and Consent" in this appendix.