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EC Healthcare

醫思健康

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2138)

DISCLOSEABLE TRANSACTIONS
SUBSCRIPTION OF SHARES IN JOINT VENTURE COMPANY FOR
BUILDING A NEW COMMERCIAL PROPERTY TO BE LEASED AND USED
AS MEDICAL CENTRE

THE TRANSACTIONS

SUBSCRIPTION OF 30% SHAREHOLDING INTEREST IN THE JV COMPANY

On 5 June 2022, Healthy Cameron and the Guarantor, both being indirect wholly-owned subsidiaries of the Company, entered into the Subscription Agreement, pursuant to which Healthy Cameron conditionally agreed to subscribe for, and the JV Company conditionally agreed to allot and issue to Healthy Cameron, the Subscription Shares, which will represent 30% of the total enlarged issued share capital of the JV Company immediately after Closing. The Guarantor has agreed to guarantee the performance by Healthy Cameron of certain obligations under the Subscription Agreement.

The JV Company is a joint venture company established by the Existing Shareholders for the purpose of the Joint Venture, being the ownership, development, management and operation of the Building. Upon Closing, Healthy Cameron will enter into the Shareholders' Agreement with the Existing Shareholders and the JV Company.

The JV Company will not become a subsidiary of the Company and its financial results will not be consolidated into the financial statements of the Group.

LEASE

Healthy Cameron OpCo, an indirect wholly-owned subsidiary of the Company, shall also undertake to lease all of the floor areas of the Building for an initial term of 5 years following completion of the development of the Building.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16, the Group is required to recognise the Lease as right-of-use assets, and, as a result, the Lease and the transactions contemplated thereunder will be

regarded as acquisitions of assets by the Group pursuant to the Listing Rules. The value of the right-of-use assets to be recognised by the Group under the Lease is estimated to be approximately HK\$335,326,000, being the present value of the aggregate rental and other fees under the Lease in accordance with HKFRS 16. Shareholders should note that the above figures are unaudited and may be subject to adjustment in the future.

As the highest applicable percentage ratio in respect of each of the Transactions exceeds 5% but all applicable percentage ratios are less than 25%, each of the Transactions constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

THE TRANSACTIONS

Subscription of 30% shareholding interest in the JV Company

On 5 June 2022, Healthy Cameron and the Guarantor, both being indirect wholly-owned subsidiaries of the Company, entered into the Subscription Agreement, pursuant to which Healthy Cameron conditionally agreed to subscribe for, and the JV Company conditionally agreed to allot and issue to Healthy Cameron, the Subscription Shares, which will represent 30% of the total enlarged issued share capital of the JV Company immediately after Closing. The Guarantor has agreed to guarantee the performance by Healthy Cameron of certain obligations under the Subscription Agreement.

The JV Company is a joint venture company established by the Existing Shareholders for the purpose of the Joint Venture, being the ownership, development, management and operation of the Building.

Initial Capital Contribution to the JV Company

Pursuant to the Subscription Agreement, Healthy Cameron shall make the following capital contributions to the JV Company upon Closing (the following (a) and (b) are collectively referred to as the **"Initial Capital Contribution"**):

- (a) the Subscription Price in the amount of HK\$7,200.00 as consideration for the Subscription Shares; and
- (b) the Shareholder's Loan, the amount of which shall be determined based on: (i) ECH's Shareholding Proportion (being 30% immediately after Closing) of the total capitalisation of the JV Company immediately after Closing; less (ii) the Subscription Price,

subject to a maximum limit of HK\$275,000,000.

The total capitalisation of the JV Company immediately after Closing will be determined based on, among other things: (a) the total capital contributions from the Existing Shareholders to the JV Company up to the Closing Date and immediately prior to Closing; and (b) the purchase price and transaction costs for the acquisition of the Remaining Units. To facilitate Closing, the amount of the Initial Capital Contribution to be paid on the Closing Date shall be determined based on pro forma completion accounts to be prepared before the Closing Date, and the final amount will be adjusted based on completion accounts which will be prepared after the Closing Date. The JV Company will be using the Initial Capital Contribution for the purchase price and

transaction costs for the acquisition of the Remaining Units and construction costs of the Building.

Healthy Cameron shall pay a deposit of HK\$45,000,000 to the JV Company's solicitors (which shall be an effective discharge of such payment obligation) upon signing of the Subscription Agreement. Upon Closing, the deposit shall be deducted from the Initial Capital Contribution as part payment and the balance shall be paid by Healthy Cameron to the JV Company's solicitors.

Conditions precedent

Closing shall be conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

- (i) the warranties given by the JV Company in the Subscription Agreement being true, correct and not misleading in all material respects as of the Closing Date;
- (ii) there having been no material adverse effect that is continuing from the date of the Subscription Agreement to the Closing Date;
- (iii) Healthy Cameron having duly paid the deposit to the JV Company's solicitors pursuant to the Subscription Agreement; and
- (iv) the agreements for the acquisition of all Remaining Units having been entered into and remaining in full force and effect and no notice of termination of any of them having been received.

If any of the conditions (except paragraph (iii) above) has not been satisfied, or otherwise waived by Healthy Cameron, on or before the Long Stop Date, Healthy Cameron may, at its sole discretion, decide to extend the Long Stop Date or terminate the Subscription Agreement. If Healthy Cameron elects to terminate the Subscription Agreement, the JV Company shall return or procure to be returned to Healthy Cameron all of the deposit paid by Healthy Cameron without any interest or costs within 20 business days from the date of such termination.

Closing

Upon fulfilment (or waiver by Healthy Cameron, if applicable) of all of the conditions and no earlier than 21 days prior to the date on which the acquisition of all Remaining Units is scheduled to complete (the "**Acquisition Closing**"), the JV Company shall issue to Healthy Cameron a notice (the "**Closing Notice**") specifying, among other things, the date of Acquisition Closing and the date of Closing, which shall take place on the 14th day after the date on which the Closing Notice is served or such other date as the parties may agree in writing.

Following Closing, the respective total capital contributions of Healthy Cameron and each Existing Shareholder, including the shareholder's loan provided by each of them to the JV Company, shall be proportionate to their shareholding in the JV Company. The JV Company will not become a subsidiary of the Company and its financial results will not be consolidated into the financial statements of the Group.

Lease

Healthy Cameron OpCo, an indirect wholly-owned subsidiary of the Company, shall also undertake to lease all of the floor areas of the Building for an initial term of 5 years commencing

from the date on which the Building is handed over in the agreed handover condition or the 90th day from the issuance of the occupation permit for the Building, whichever is the earlier, at the total rentals and signage licence fees of approximately HK\$97,000,000 per annum (the “**Committed Rentals**”) payable monthly, with an option to renew for a further term of 5 years at the then prevailing open market rental. Healthy Cameron OpCo shall be required to provide a deposit equivalent to 3 months' rental.

Healthy Cameron OpCo shall have exclusive right to name and manage the Building and be entitled to sublease any part of the Building during the term of the Lease.

Determination and Funding of Initial Capital Contribution and Committed Rentals

The Initial Capital Contribution and the Committed Rentals were determined after arm's length negotiations among Healthy Cameron, Healthy Cameron OpCo and the JV Company and are on normal commercial terms taking into account various factors, including: (a) the reasons for and benefits of the Transactions as mentioned in the section headed “Reasons for and benefits of entering into the Transactions” in this announcement; (b) the Existing Shareholders' capital contributions to the JV Company and the JV Company's financing requirements; and (c) the market rentals for comparable properties in proximate locations.

The Initial Capital Contribution and the Committed Rentals will be funded by the internal resources of the Group.

Guarantee from the Guarantor

The Guarantor has given guarantees in favour of the JV Company to secure certain obligations of Healthy Cameron in connection with the Subscription Agreement.

Shareholders' Agreement

Upon Closing, Healthy Cameron will enter into the Shareholders' Agreement with the Existing Shareholders and the JV Company. The agreed terms of the Shareholders' Agreement are summarized as follows:

Parties	<ol style="list-style-type: none">1. Healthy Cameron2. Existing Shareholders, being CW, KL1 and KL23. JV Company
Purpose and Business of the JV Company	The purpose and businesses of the JV Company are mainly to: (a) own and develop the Building; (b) manage and operate the Building; and (c) engage in such other business(es) as may be agreed by Healthy Cameron, CW, KL1 and KL2 as the shareholders of the JV Company.
Board Representation	The board of directors of the JV Company consists of a maximum of four (4) directors, of which: (a) Healthy Cameron has the right to nominate and appoint one (1) director; (b) CW has the right to nominate and appoint one (1) director; and (c) KL1 and KL2 have the right to nominate and appoint the remaining two (2) directors.
Voting Arrangements	Save for certain specified matters which shall require the unanimous approval of all shareholders or all directors (as the case may be) of the JV Company, all other matters shall be decided by a simple majority.

Restrictions on Transfer of Shares	All transfers of shares in the JV Company are subject to a right of first refusal of the other non-transferring shareholders of the JV Company. In addition, Healthy Cameron has a right of first offer over the shares held by the other shareholders of the JV Company.
Dividend and Distribution Policy	All profits available for distribution shall be distributed to the shareholders of the JV Company by way of dividend in proportion to their respective shareholding in the JV Company, provided that Healthy Cameron shall share part of its distribution entitlement with the other shareholders if the internal rate of return on its total paid capital contribution to the JV Company exceeds a certain percentage.
Duration of the JV Company	The shareholders of the JV Company shall exercise all rights and powers to ensure that the JV Company has sold off its assets and all net proceeds from such sale have been distributed to the shareholders on or before the date which is five years after the date of the Shareholders' Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

The JV Company currently owns and possesses the title to the Property and intends to acquire the Remaining Units and re-develop the combined sites of the land parcels of the Property into the Building with an estimated lettable floor area of approximately 103,000 square feet mainly for medical centre and other clinical use.

The Building will be located in the core commercial district of Tsim Sha Tsui on Cameron Road. The Joint Venture aims to transform the space into a one-of-a-kind medical grade building envisioned to drive the growth and future strategy of the Group. The Group will also have the naming rights to the Building, which is expected to raise the Group's brand awareness. The Group will customise medical space configurations in the Building designed to accommodate specialised medical equipment, enabling the Group to deliver one-stop premium medical and medical aesthetic services. The Group plans to consolidate its scattered clinics across different buildings in Kowloon and anticipates the purpose-built property to drive business growth and improve overall operational efficiency. The Building is expected to complete construction by the fourth quarter of 2024.

Taking the above into consideration, the Directors consider the Transactions and the terms of the Subscription Agreement, the Shareholders' Agreement and the Lease to be fair and reasonable and in the interest of the Company and its shareholders as a whole.

INFORMATION ON THE GROUP, THE COMPANY, HEALTHY CAMERON, HEALTHY CAMERON OPCO, THE GUARANTOR, THE EXISTING SHAREHOLDERS AND THE JV COMPANY

(1) The Group, the Company, Healthy Cameron, Healthy Cameron OpCo and the Guarantor

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

Healthy Cameron is principally engaged in investment holding.

Healthy Cameron OpCo is principally engaged in the management of real estate operations.

The Guarantor is principally engaged in provision of aesthetic medical and beauty and wellness services, the sale of skincare and beauty products and investment holding.

Each of Healthy Cameron, Healthy Cameron OpCo and the Guarantor is an indirect wholly-owned subsidiary of the Company.

(2) CW

CW was incorporated in the British Virgin Islands and is an indirect wholly-owned subsidiary of Asia Allied Infrastructure Holdings Limited (Stock code: 0711), a company listed on the Main Board of the Stock Exchange. It is principally engaged in investment holding.

(3) KL1 and KL2

KL1 was incorporated in the British Virgin Islands whose principal business is investment holding.

KL2 was incorporated in Singapore whose principal business is investment holding.

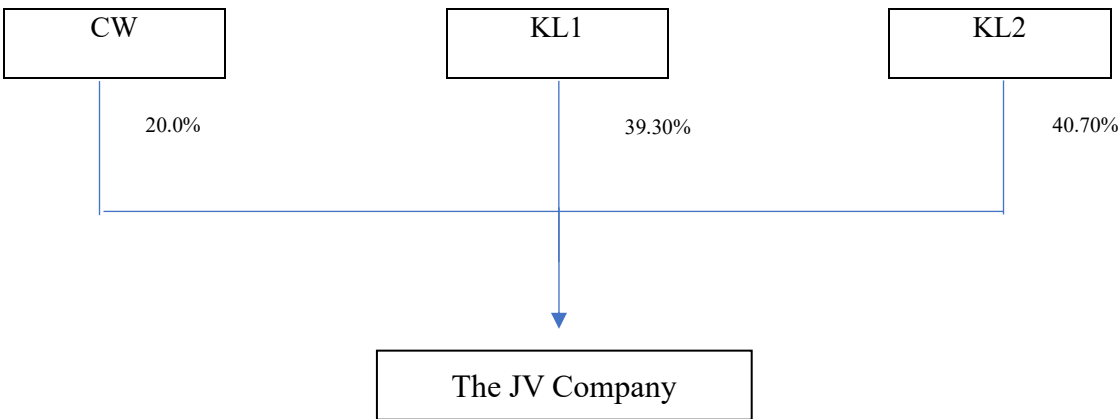
KL1 and KL2 are subsidiaries of the investment funds managed by KaiLong Group, one of the region's leading real estate investment management companies.

(4) JV Company

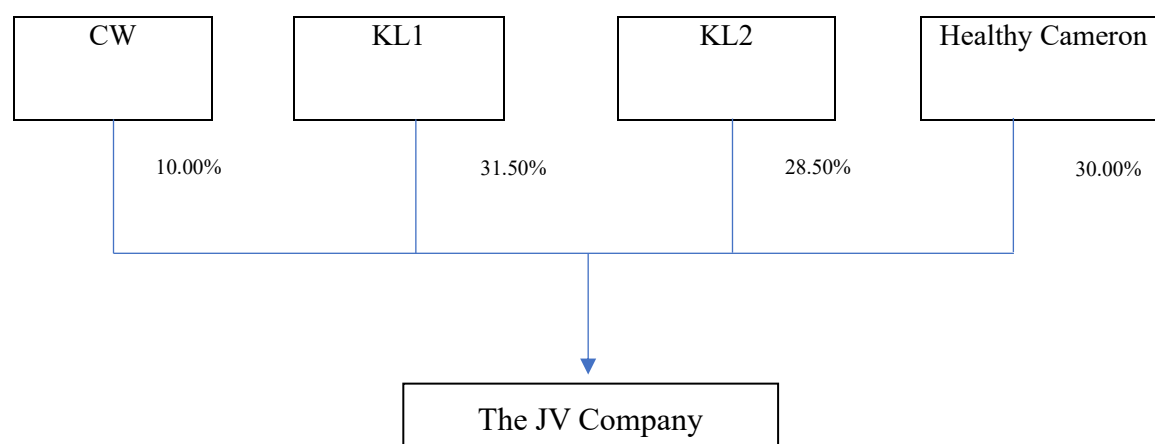
The JV Company was incorporated in Hong Kong and is principally engaged in property development.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, each of the JV Company, the Existing Shareholders and their respective ultimate beneficial owners are Independent Third Parties.

Below is the shareholding structure of the JV Company as at the date of this announcement:



Below is the expected shareholding structure of the JV Company immediately after Closing:



Financial information of the JV Company

The following audited financial information is extracted from the audited financial statements of the JV Company compiled in accordance with the generally accepted accounting principles of Hong Kong:

	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2021
Revenue	531,183	762	155
Profit/ (Loss) before tax	288	(6,796,500)	6,497,851
Profit/ (Loss) after tax	288	(6,796,500)	6,497,851

The audited net assets of the JV Company as at 31 December 2021 were approximately HK\$(5,274,486).

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16, the Group is required to recognise the Lease as right-of-use assets, and, as a result, the Lease and the transactions contemplated thereunder will be regarded as acquisitions of assets by the Group pursuant to the Listing Rules. The value of the right-of-use assets to be recognised by the Group under the Lease is estimated to be approximately HK\$335,326,000, being the present value of the aggregate rental and other fees under the Lease in accordance with HKFRS 16. Shareholders should note that the above figures are unaudited and may be subject to adjustment in the future.

As the highest applicable percentage ratio in respect of each of the Transactions exceeds 5% but all applicable percentage ratios are less than 25%, each of the Transactions constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

None of the Directors was required to abstain from voting at the Board meeting approving the Transactions.

GENERAL

Closing is conditional upon the fulfilment or waiver (as the case may be) of the conditions

under the Subscription Agreement, which may or may not be fulfilled. Accordingly, the Transactions may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the shares and other securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“Building”	the building to be constructed on the combined sites of the land parcels of the Property
“Closing”	the closing of the subscription of the Subscription Shares and the provision of the Shareholder’s Loan by Healthy Cameron pursuant to the Subscription Agreement
"Closing Date"	the date on which Closing takes place
“Company”	EC Healthcare (stock code: 2138), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed thereto in the Listing Rules
“CW”	Smart Freedom Limited (智逸有限公司), a company incorporated in the British Virgin Islands and an Existing Shareholder
“Director(s)”	the director(s) of the Company
"ECH's Shareholding Proportion"	the shareholding in the JV Company held by Healthy Cameron and/or other members of the Group for the time being, being 30% immediately after Closing
“Existing Shareholders”	collectively, CW, KL1 and KL2, being the existing shareholders of the JV Company as at the date of this announcement
“Group”	the Company and its subsidiaries
“Guarantor”	Union (Group) Investment Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“Healthy Cameron”	Healthy Cameron Property Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“Healthy Cameron OpCo”	Healthy Cameron Op (HK) Limited, a company

	incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	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 Third Party(ies)”	third party(ies) independent of the Company and its connected persons
"Joint Venture"	the ownership, development, management and operation of the Building
“JV Company”	Creative Profit Development Limited 創利發展有限公司, a company incorporated in Hong Kong
“KL1”	Crest One International Limited, a company incorporated in the British Virgin Islands and an Existing Shareholder
“KL2”	KLGCREF II Holdco Pte. Ltd., a company incorporated in Singapore and an Existing Shareholder
"Lease"	the lease for all of the floor areas of the Building to be entered into between the JV Company as lessor and Healthy Cameron OpCo as lessee following completion of the development of the Building
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the expiry date of the 6-month period from the date of the Subscription Agreement, or such other date as may be agreed between Healthy Cameron and the JV Company in writing
“Property”	collectively, the parcels of land together with the existing buildings erected thereon at (a) No. 35 Cameron Road, Kowloon, (b) On Lee Building, No. 37 Cameron Road, Kowloon, and (c) Shop B on G/F of Shop B (including cockloft) and the yard of Wing Hing Mansion, 16 Granville Circuit, Kowloon
“Remaining Units”	collectively, Shop A on G/F, 1 st – 9 th Floors and roof of Wing Hing Mansion, 16 Granville Circuit, Kowloon
“Shareholders’ Agreement”	the amended and restated shareholders agreement to be entered into between Healthy Cameron, the Existing Shareholders and the JV Company in relation to the JV Company upon Closing

“Shareholder’s Loan”	the shareholder’s loan to be provided by Healthy Cameron to the JV Company pursuant to the Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement entered into between Healthy Cameron, the Guarantor and the JV Company on 5 June 2022
"Subscription Price"	the consideration for the Subscription Shares, being the amount of HK\$7,200.00 in total
“Subscription Shares”	7,200 ordinary shares in the JV Company, representing 30% of the total issued share capital of the JV Company immediately after Closing
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
"Transactions"	the Joint Venture and the Lease
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By order of the Board
EC Healthcare
Raymond Siu
Company Secretary

Hong Kong, 6 June 2022

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