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EC Healthcare

醫思健康

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2138)

DISCLOSEABLE TRANSACTION

ACQUISITION OF THE TARGET COMPANIES

THE ACQUISITION

The Board is pleased to announce that on 30 November 2023 (after trading hours), the Company, the Purchaser (an indirect wholly-owned subsidiary of the Company), Mason and the Seller (a wholly-owned subsidiary of Mason) entered into the Agreement, pursuant to which, among others, the Purchaser agreed to purchase, and the Seller agreed to sell, the Sale Shares, representing all shares of each of the Target Companies, which in turn hold an aggregate of 42.88% of the issued share capital of Pangenia, for the Consideration of HK\$115,000,000 payable in cash, subject to the terms and conditions of the Agreement.

Completion took place on the date of the Agreement. Upon Completion, each of the Target Companies has become a wholly-owned subsidiary of the Company, and Pangenia has become an associate of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% and all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 30 November 2023 (after trading hours), the Company, the Purchaser (an indirect wholly-owned subsidiary of the Company), Mason, and the Seller (a wholly-owned subsidiary of Mason) entered into the Agreement, pursuant to which, among others, the Purchaser agreed to purchase, and the Seller agreed to sell, the Sale Shares, representing all shares of each of the Target Companies, which in turn hold an aggregate of 42.88% of the issued share capital of Pangenia, for the Consideration of HK\$115,000,000 payable in cash, subject to the terms and conditions of the Agreement.

Completion took place on the date of the Agreement. Upon Completion, each of the Target Companies has become a wholly-owned subsidiary of the Company and the financial results of the Target Companies have become consolidated into the consolidated financial statements of the Group, with Pangenía accounted for as an associate in the consolidated financial statements of the Group.

PRINCIPAL TERMS OF THE AGREEMENT

Date:

30 November 2023 (after trading hours)

Parties:

- (1) the Company;
- (2) the Purchaser;
- (3) Mason; and
- (4) the Seller.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, each of Mason, the Seller and their respective ultimate beneficial owners (if any) is a third party independent of the Company and its connected persons.

The Sale Shares:

Pursuant to the Agreement, the Purchaser agreed to purchase, and the Seller agreed to sell the Sale Shares, representing the entire issued share capital of each of the Target Companies, which in turn hold an aggregate of 42.88% of the issued share capital of Pangenía.

Consideration and payment terms:

The Consideration of HK\$115,000,000 was determined based on arm's length negotiations among the Company, the Purchaser, Mason and the Seller primarily with reference to:

- (i) Pangenía's net asset value and cash level as at 30 September 2023, which amounted to approximately HK\$255 million and HK\$143 million, respectively;
- (ii) the business, historical performance, prospects and growth potential of the Pangenía Group, including in particular the product portfolio of brands and services provided by the Pangenía Group, and the established supplier and sales channels in Hong Kong and the PRC;
- (iii) the expertise of the senior management of the Pangenía Group;
- (iv) an appropriate valuation multiple based on the specific and niche industry segment to which the Pangenía Group belongs and pricing multiples of select listed companies engaging in medical laboratory testing and distribution of medical equipment, and taking into account Pangenía is a private company; and

- (v) the strategic value that a significant stake in Pangenica may bring to the Group as discussed in the section headed "Reasons for and benefits of the Acquisition" in this announcement.

The Purchaser has settled the Consideration by cash on Completion.

Funding of the Consideration

The Consideration has been funded by the internal resources of the Group.

COMPLETION OF THE ACQUISITION

Completion took place on the date of the Agreement. Upon Completion, each of the Target Companies has become a wholly-owned subsidiary of the Company, and the Company, through the Target Companies, holds 42.88% of the issued share capital of Pangenica. For further details of the shareholding of Pangenica, please refer to the paragraph headed "Information about Mason, the Seller, the Target Companies and Pangenica" in this announcement.

INFORMATION ABOUT MASON, THE SELLER, THE TARGET COMPANIES AND PANGENICA

Mason

Mason is incorporated in Hong Kong with limited liability. Mason is a financial services provider in Asia and Europe, with businesses in private banking, wealth and asset management, brokerage, corporate finance, securities trading and lending. It invests directly in healthcare and mother-infant-child products, and trades securities in local and global markets. Based on the information available to the Company, Mason is wholly-owned by Liberty High Capital Limited, which is in turn wholly-owned by Red Emerald Capital Fund II. Red Emerald Capital Fund II is a Cayman Islands exempted limited partnership. A key strategy of Red Emerald Capital Fund II is to invest and hold interests in businesses with potential, in terms of overall asset appreciation and/or revenue generation. The general partner of Red Emerald Capital Fund II is Red Emerald Capital II Ltd., a company incorporated in the Cayman Islands with limited liability, which is wholly-owned by Red Emerald Capital Limited, a company incorporated in the British Virgin Islands with limited liability, which is in turn wholly-owned by Mr. Hui Xia, the founder of Red Emerald Capital Limited. The principal businesses of Red Emerald Capital II Ltd. and Red Emerald Capital Limited are investment management and investment holding, respectively.

The Seller

The Seller is incorporated in the British Virgin Islands with limited liability. The Seller is a wholly-owned subsidiary of Mason, and is principally engaged in investment holding.

The Target Companies

Active Compass is incorporated in Samoa with limited liability and is an investment holding company. Immediately before Completion, Active Compass was wholly owned by the Seller. Active Compass is an investment holding company whose only asset is 2,288,000 ordinary shares in Pangenica, representing 5.35% issued share capital of Pangenica.

Based on the unaudited consolidated management accounts of Active Compass prepared in accordance with the Hong Kong Financial Reporting Standards, the financial information of Active Compass for each of the two years ended 31 December 2022 are set out as follows:

| | For the year ended 31 December 2021 (unaudited) <i>HK\$'000</i> | For the year ended 31 December 2022 (unaudited) <i>HK\$'000</i> |
|-------------------|--|--|
| Profit before tax | 797 | (4) |
| Profit after tax | 797 | (4) |

The unaudited net asset value and the total assets of Active Compass as at 31 December 2022 were both approximately HK\$752,701.

Victor Mind is incorporated in the British Virgin Islands with limited liability and is an investment holding company. Immediately before Completion, Victor Mind was wholly owned by the Seller. Victor Mind is an investment holding company whose only asset is 16,057,997 series A preferred shares in Pangenía, representing 37.53% issued share capital of Pangenía.

Based on the unaudited consolidated management accounts of Victor Mind prepared in accordance with the Hong Kong Financial Reporting Standards, the financial information of Victor Mind for each of the two years ended 31 December 2022 are set out as follows:

| | For the year ended 31 December 2021 (unaudited) <i>HK\$'000</i> | For the year ended 31 December 2022 (unaudited) <i>HK\$'000</i> |
|-------------------|--|--|
| Profit before tax | 5,621 | (8) |
| Profit after tax | 5,621 | (8) |

The unaudited net asset value and the total assets of Victor Mind as at 31 December 2022 were both approximately HK\$5,564,751.

Immediately after Completion, each of the Target Companies has become a wholly-owned subsidiary of the Purchaser.

Pangenía

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

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

| Shareholders of Pangenia | Percentage of shareholding in Pangenia |
|--|---|
| <i>Series A Preferred Shares</i> ^{Note} | |
| Victor Mind (one of the Target Companies) | 37.53% |
| <i>Ordinary Shares</i> | |
| Active Compass (one of the Target Companies) | 5.35% |
| Other shareholders of Pangenia | 57.12% |
| Total: | 100% |

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

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, each of the shareholders of Pangenia (other than the Target Companies, the acquisition of which is the subject of this announcement) and their respective ultimate beneficial owners is a third party independent of the Company and its connected persons.

Based on the unaudited consolidated management accounts of the Pangenia Group prepared in accordance with the Hong Kong Financial Reporting Standards, the financial information of Pangenia Group for each of the two years ended 31 March 2023 are set out as follows:

| | For the year ended 31 March 2022 (unaudited) HK\$'000 | For the year ended 31 March 2023 (unaudited) HK\$'000 |
|-------------------|--|--|
| Profit before tax | 11,089 | 44,491 |
| Profit after tax | 5,552 | 37,713 |

The unaudited net asset value and the total assets of the Pangenia Group as at 30 September 2023 were approximately HK\$255,385,815 and HK\$341,810,549, respectively.

INFORMATION ON THE COMPANY AND THE PURCHASER

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

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

REASONS FOR AND BENEFITS OF THE ACQUISITION

Upon Completion, the Company has acquired a significant stake in Pangenía. The laboratory of the Pangenía Group was accredited through the Hong Kong Laboratory Accreditation Scheme in 2022. In order to achieve the Group's strategic objective of sustainable development, it has been actively looking for new business opportunities and will gradually invest resources to develop new businesses with a view to creating new sources of income and diversifying its revenue streams. The Company believes the Acquisition will enable the Company to leverage the Pangenía Group's expertise and network in life sciences and premium medical service industry, which is a growing and diversified market segment in Hong Kong. In particular, the Company is of the view that the highly fragmented medical laboratory testing market in Hong Kong has great potential and room for development and the Acquisition would facilitate the Group's expansion into the medical laboratory testing market.

With the established customer base and extensive market reach of the Pangenía Group, the Acquisition is expected to enable the Company to expand its presence in the laboratories equipment and medical distribution market and broaden its customer network. Vertical integration of a well-established laboratories equipment and medical distributor such as Pangenía into the Group's existing operations is expected to generate synergistic opportunities. The Group will be able to leverage the distributor's expertise in distribution channels, logistics, and customer relationships with a view to optimizing the Group's overall business operations. Such integration is expected to drive enhanced operational efficiencies, cost savings, and improved profitability to the Group. By combining the strengths of stakeholders in the upstream and downstream businesses, the Group can leverage these resources and expertise to expand its geographical footprint and further enhance its leading position.

In view of the profitability of the Pangenía Group, the Company also expects that the Acquisition will improve the results attributable to the Group and the overall return for the Shareholders.

Having considered the above, the Directors consider that the terms of the Agreement and the Acquisition are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Company is also exploring the opportunities of acquiring further interests from the other shareholders of Pangenía, which may or may not materialise. The Company will comply with the applicable requirements under the Listing Rules and make further announcement(s) as and when appropriate.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% and all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

| | |
|------------------|--|
| “Active Compass” | Active Compass Limited, one of the Target Companies |
| “Acquisition” | the Purchaser's acquisition of the Sale Shares from the Seller pursuant to the Agreement |

| | |
|------------------|--|
| “Agreement” | the sale and purchase agreement dated 30 November 2023 entered into among the Company, the Purchaser, Mason and the Seller in respect of, among others, the Acquisition |
| “Board” | the board of Directors |
| “Company” | EC Healthcare (stock code: 2138), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |
| “Completion” | completion of the Acquisition pursuant to the Agreement |
| “Consideration” | consideration paid by the Purchaser to the Seller for the Acquisition pursuant to the Agreement |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries from time to time |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Mason” | Mason Group Holdings Limited, a company incorporated under the laws of Hong Kong |
| “Pangenia” | a company incorporated in the British Virgin Islands |
| “Pangenia Group” | Pangenia and its subsidiaries |
| “PRC” | the People’s Republic of China and for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan |
| “Purchaser” | Jade Master International Limited, a company incorporated under the laws of British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company |
| “Sale Shares” | collectively, the entire shares of each of Active Compass and Victor Mind |
| “Seller” | Full Joyous International Limited, holder of the Sale Shares and a wholly-owned subsidiary of Mason |
| “Shareholder(s)” | shareholder(s) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

“Target Companies”

Victor Mind and Active Compass

“Victor Mind”

Victor Mind International Limited, one of the Target Companies

By order of the Board
EC Healthcare
Raymond Siu
Company Secretary

Hong Kong, 30 November 2023

As at the date of this announcement, the executive Directors of the Company are Mr. Tang Chi Fai, Mr. Lu Lyn Wade Leslie, Mr. Lee Heung Wing 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. Au Tsun.