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EC Healthcare

醫思健康

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2138)

MAJOR TRANSACTION

ACQUISITION OF FURTHER INTEREST IN PANGENIA &

SUPPLEMENTAL ANNOUNCEMENT TO THE PREVIOUS ACQUISITION

THE ACQUISITION

Reference is made to the 30 November 2023 Announcement. The Company has acquired the entire issued share capital in each of Active Compass Limited and Victor Mind International Limited, which in turn held an aggregate of 42.88% of the issued share capital of Pangenía (i.e. the Previous Acquisition).

The Company is pleased to announce that on 4 January 2024 (after trading hours), the Company has entered into sale and purchase agreements with certain other beneficial owners of Pangenía to further acquire an aggregate of 12.38% of the issued share capital of Pangenía for an aggregate Consideration of HK\$33,200,000 in cash.

Upon Completion, Pangenía will be held as to approximately 55.26% by the Company and be accounted as a subsidiary of the Company, and the financial results of Pangenía will be consolidated into the financial statements of the Company.

The basis of determining the Consideration is consistent with the Previous Consideration. This announcement also serves to supplement further details of the basis of the Previous Consideration as disclosed in the 30 November 2023 Announcement. Please refer to the section headed “Basis of determining the Consideration and the Previous Consideration” in this announcement.

LISTING RULES IMPLICATIONS

After the Acquisition, Pangenía will become a subsidiary of the Company. Therefore, 100% of the revenue, profit and total assets of Pangenía have been used for the purpose of the relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition. As one or more of the applicable percentage

ratios under Rule 14.07 of the Listing Rules exceed 25% and all applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction for the Company which is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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

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

THE CIRCULAR

The Circular containing, among other things, (i) further details on the Acquisition and the Agreements; (ii) financial information of the Pangenja Group; (iii) the unaudited pro forma financial information of the Enlarged Group; and (iv) the Valuer's valuation report on the Pangenja Group, will be despatched to the Shareholders in due course. Given that additional time is required for the Company to prepare and finalise the financial information of the Pangenja Group and the Enlarged Group, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules (if necessary), and the Circular is currently expected to be despatched to the Shareholders on or before 24 January 2024.

INTRODUCTION

Reference is made to the 30 November 2023 Announcement regarding the Previous Acquisition. The Company has acquired the entire issued share capital in each of Active Compass Limited and Victor Mind International Limited, which in turn held an aggregate of 42.88% of the issued share capital of Pangenja.

Further acquisition in the interests in Pangenja

The Company is pleased to announce that, subsequent to the Previous Acquisition, on 4 January 2024 (after trading hours), the Company, together with the Purchaser, has entered into the Agreements with certain other beneficial owners of Pangenja to further acquire an aggregate of 12.38% of the issued share capital of Pangenja for an aggregate Consideration of HK\$33,200,000 in cash as summarised in the table below:

The Agreement	Seller(s)	Subject matter of the Agreement	Consideration
The Success Synergy SPA	Sharp Point Consultant Limited	The entire issued share capital in Success Synergy, which in turn holds 6.49% of the issued share capital of Pangenja	HK\$17,400,000

The Bio-Gene SPA	Hau Kwok Po, Wong Hon Wah and Cheng Wai Man	The entire issued share capital in Bio-Gene, which in turn holds 5.89% of the issued share capital of Pangenia	HK\$15,800,000
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Upon Completion, Pangenia will be held as to approximately 55.26% by the Company and be accounted as a subsidiary of the Company, with its financial results consolidated into the financial statements of the Company.

Supplemental information on the basis of determining the Previous Consideration

The basis of determining the Consideration is consistent with the Previous Consideration. This announcement also serves to supplement further details of the basis of the Previous Consideration as disclosed in the 30 November 2023 Announcement. Please refer to the section headed “Basis of determining the Consideration and the Previous Consideration” in this announcement.

PRINCIPAL TERMS OF THE AGREEMENTS

	The Success Synergy SPA	The Bio-Gene SPA
Date	4 January 2024 (after trading hours)	
Parties	(1) the Company; (2) the Purchaser; and (3) Sharp Point Consultant Limited (as a seller)	(1) the Company; (2) the Purchaser; (3) Hau Kwok Po (as a seller); (4) Wong Hon Wah (as a seller); and (5) Cheng Wai Man (as a seller)
	To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, save for the relevant relationship with the Pangenia Group, each of the sellers as stated above and their respective ultimate beneficial owners (if any) is a third party independent of the Company and its connected persons.	

<p>Subject matter of the Agreement</p>	<p>The Purchaser has agreed to purchase the entire issued share capital in Success Synergy (a Target Company) from the seller. Upon completion, Success Synergy will become a wholly-owned subsidiary of the Company. Success Synergy in turn holds 2,775,330 ordinary shares in Pangenía, representing 6.49% of the issued share capital of Pangenía</p>	<p>The Purchaser has agreed to purchase the entire issued share capital in Bio-Gene (a Target Company) from the sellers. Upon completion, Bio-Gene will become a wholly-owned subsidiary of the Company. Bio-Gene in turn holds 2,520,765 ordinary shares in Pangenía, representing 5.89% of the issued share capital of Pangenía</p>
<p>Consideration</p>	<p>HK\$17,400,000</p>	<p>HK\$15,800,000</p>
<p>Payment terms</p>	<p>The Purchaser shall settle the consideration by way of cheque on Completion.</p>	
<p>Conditions precedent</p>	<p>Completion of each of the Agreements is conditional upon certain conditions precedent being satisfied (or waived by the Purchaser), including:</p> <ul style="list-style-type: none"> • completion of due diligence review on the Pangenía Group and the relevant Target Company to the satisfaction of the Purchaser; • all necessary consents and approvals in connection with the relevant Agreement having been duly obtained and ECH’s compliance of the relevant requirements under the Listing Rules, including the issue of the Circular; • the Pangenía Group (or certain principal entities of the Pangenía Group) having maintained an aggregate cash balance of not less than a pre-agreed amount; • no breach of the warranties given by the relevant seller(s) under the relevant Agreement; • no material adverse change to the Pangenía Group; and • no breach by the relevant seller(s) of any of its/his obligations under the relevant Agreement <p>The Agreements are not inter-conditional with each other.</p>	
<p>Completion</p>	<p>Subject to the fulfilment (or where applicable, waiver) of the relevant conditions precedent to the satisfaction of the Purchaser, completion of each of the Agreements shall take place on a date to be specified by the Purchaser. If completion does not take place by 1 February 2024 (the “Long Stop Date”) for any reason, the Purchaser shall have the right to terminate the relevant Agreement or grant an extension of the Long Stop Date by specifying a new date. The Purchaser may grant further extensions of the Long Stop Date by specifying new dates at any time before the expiry of the then current Long Stop Date.</p>	

BASIS OF DETERMINING THE CONSIDERATION AND THE PREVIOUS CONSIDERATION

The Company expects to satisfy the Consideration with the internal resources of the Group.

Each of the Consideration and the Previous Consideration was determined based on arm's length negotiations among the relevant parties primarily with reference to lower quartile of P/E ratio of 10x of comparable companies in market selected by the Company as of 30 September 2023.

1. The Company adopted a market approach to determine the preliminary valuation of the Pangenica Group. The Pangenica Group is principally engaged in the provision of medical laboratory testing and the distribution of medical laboratory equipment and devices (which are "asset-light"). The Pangenica Group was profit-making for the trailing 12 months ended 30 September 2023 and the profitability is widely accepted as the primary value driver of a business. Therefore, the Company adopted a market approach based on the comparable companies in the market, which can better reflect the industry situation and objectively reflect the value of the Pangenica Group. The Company has identified a list of comparable companies based on the following screening criteria:
 - the comparable company should be listed on a stock exchange;
 - the comparable company should be principally engaged in the medical equipment and reagent business, with the majority of revenue generated from the sale of medical equipment and reagent;
 - the comparable company's primary operations should be based in Hong Kong and/or Mainland China; and
 - the comparable company should have recorded profit in the latest published financial period.
2. The Company considered the P/E ratio as an appropriate multiple for the determination of the Consideration and the Previous Consideration. Generally, P/E ratio is a common valuation method for the assessment of a profitable company, especially when such company does not rely on a significant amount of fixed assets for its operations. The Pangenica Group is operating at a profit and is considered an "asset light" company, the principal operations of which does not rely on a significant amount of fixed assets.

In determining the Consideration and the Previous Consideration, the Company has made reference to (i) the average, median and lower quartile of P/E ratio of the list of comparable companies (after applying the marketability discount of 35%) of approximately 20.01x, 14.98x and 10.2x respectively considering (a) the average, median and lower quartile of the P/E ratio of the list of comparable companies of approximately 30.78x, 23.05x and 15.41x respectively and (b) a marketability discount of 35% in view of Pangenica's non-listed position, and (ii) the net profit of Pangenica for the trailing 12 months of approximately HK\$27 million before 30 September 2023 and taking into account of the equity interest in Pangenica subject to the relevant acquisition (i.e. 42.88% for the Previous Acquisition and 12.38% for the Acquisition).

Further, the average and median price-to-book ratios of the list of comparable companies (after applying a marketability discount of 35%) are 1.05x and 0.98x respectively. Each of the Consideration and the Previous Consideration represents a price-to-book ratio of 1.05x of Pangenica's net asset value as at 30 September 2023.

In addition, a preliminary valuation performed by an independent valuer taking into account the above is referred. Accordingly, the Board considers that each of the Consideration and the Previous Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

COMPLETION OF THE ACQUISITION

Upon Completion, each of the Target Companies will become a wholly-owned subsidiary of the Company, and the Company, through the Acquisition of the Target Companies, will further acquire an aggregate of 12.38% of the issued share capital of Pangenia. Together with the Company's acquisition of 42.88% of the issued share capital of Pangenia as disclosed in the 30 November 2023 Announcement, the Company will hold an aggregate of 55.26% of the issued share capital of Pangenia and account Pangenia as a subsidiary, with its financial results consolidated into the financial statements of the Group.

INFORMATION ABOUT THE COUNTERPARTIES

Parties relevant to the Success Synergy SPA

The Seller

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

The Target Company

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

Parties relevant to the Bio-Gene SPA

The Sellers

Hau Kwok Po, Wong Hon Wah and Cheng Wai Man hold 50%, 25% and 25% equity interest in Bio-Gene, respectively. Each of Hau Kwok Po and Cheng Wai Man is a management personnel of the Pangenia Group and is currently expected to remain with the Pangenia Group after Completion. Wong Hon Wah is a consultant to the Pangenia Group and is currently expected to remain with the Pangenia Group after Completion. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, save for the relevant relationship with the Pangenia Group, each of Hau Kwok Po, Wong Hon Wah and Cheng Wai Man is a third party independent of the Company and its connected persons.

The Target Company

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

Pangenia

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

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

Shareholders of Pangenia	Percentage of shareholding in Pangenia (%)
<u>Series A Preferred Shares</u> ^{Note (a)}	
Victor Mind International Limited (a subsidiary of the Company acquired in the Previous Acquisition)	37.53
<u>Ordinary Shares</u>	
True Wonder Holdings Limited ^{Note (b)}	11.26
Comford Resources Limited ^{Note (c)}	9.61
Success Synergy Limited (one of the Target Companies, which is the subject matter under the Success Synergy SPA)	6.49
The Lucinda Hsu Irrevocable Family Protection Trust ^{Note (d)}	6.42
Bio-Gene Limited (one of the Target Companies, which is the subject matter under the Bio-Gene SPA)	5.89
Leung Survivor's Trust ^{Note (e)}	5.70
D&P Consultant Limited ^{Note (f)}	5.66
Active Compass Limited (a subsidiary of the Company acquired in the Previous Acquisition)	5.35
Sunshine Capital Limited ^{Note (g)}	2.60
Leungs Investments ^{Note (e)}	1.82
Hau Kwok Po	0.759

Lo Yuk Lam	0.563
Tam See-Ying	0.187
Leung James Shui Man	0.175
Total:	100%

Notes:

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

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

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

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

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

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

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

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, save for the relevant relationship with the Pangenica Group, each of the shareholders of Pangenica (other than (i) Victor Mind International Limited and Active Compass Limited, both of which were acquired by the Company in the Previous Acquisition; and (ii) 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 Pangenía Group prepared in accordance with the Hong Kong Financial Reporting Standards, the financial information of Pangenía Group for each of the two years ended 31 March 2023 are set out as follows:

	For the year ended 31 March 2022 (unaudited) <i>HK\$'000</i>	For the year ended 31 March 2023 (unaudited) <i>HK\$'000</i>
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 Pangenía Group as at 30 September 2023 were approximately HK\$255,385,815 and HK\$341,810,549, respectively.

INFORMATION ABOUT 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

Please refer to the section headed “Reasons for and Benefits of the Acquisition” in the 30 November 2023 Announcement for the strategic benefits that the Pangenía Group may bring to the Group. The Acquisition will enable the Company to acquire a controlling stake in Pangenía to direct the management and business affairs of the Pangenía Group, which will in turn enable the Group to more comprehensively integrate the Pangenía Group’s operations and realise the strategic objectives of expanding the Group’s revenue stream and tapping into the medical laboratory testing market in Hong Kong, which has significant room for growth.

Having considered the above, the Board considers 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 the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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

WRITTEN SHAREHOLDERS' APPROVAL

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

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

DESPATCH OF CIRCULAR

The Circular containing, among other things, (i) further details on the Acquisition and the Agreements; (ii) financial information of the Pangenja Group; (iii) the unaudited pro forma financial information of the Enlarged Group; and (iv) the Valuer's valuation report on the Pangenja Group, will be despatched to the Shareholders in due course. Given that additional time is required for the Company to prepare and finalise the financial information of the Pangenja Group and the Enlarged Group, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules (if necessary), and the Circular is currently expected to be despatched to the Shareholders on or before 24 January 2024.

DEFINITIONS

“30 November 2023 Announcement”	the Company's announcement dated 30 November 2023 in relation to its acquisition of 42.88% of the issued share capital of Pangenja
“Acquisition”	the Purchaser's acquisition of the Target Companies pursuant to the Agreements
“Agreements”	collectively, the Success Synergy SPA and the Bio-Gene SPA, and the “Agreement” shall mean any of them
“Bio-Gene”	Bio-Gene Limited, a company incorporated under the laws of Hong Kong with limited liability and one of the Target Companies
“Bio-Gene SPA”	the sale and purchase agreement dated 4 January 2024 in relation to the acquisition of Bio-Gene by the Purchaser from the relevant sellers as further described in the section headed “Principal Terms of the Agreements” in this announcement
“Board”	the board of Directors
“Circular”	the circular to be issued to the Shareholders by the Company in accordance with the Listing Rules in respect of, among other things, the Acquisition
“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 Agreements
“Consideration”	the aggregate consideration for the Acquisition pursuant to the Agreements
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group and the Target Companies
“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
“Pangenia”	a company incorporated in the British Virgin Islands
“Pangenia Group”	Pangenia and its subsidiaries
“P/E”	price-to-earnings
“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
“Previous Acquisition”	the Company’s acquisition of 42.88% of the issued share capital of Pangenia through the acquisition of the entire issued share capital in each of Active Compass Limited and Victor Mind International Limited, details of which are disclosed in the 30 November 2023 Announcement
“Previous Consideration”	the aggregate consideration for the Previous Acquisition as disclosed in the 30 November 2023 Announcement
“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
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Success Synergy”	Success Synergy Limited, a company incorporated under the laws of Samoa with limited liability and one of the Target Companies
“Success Synergy SPA”	the sale and purchase agreement dated 4 January 2024 in relation to the acquisition of Success Synergy by the Purchaser from the relevant seller as further described in the section headed “Principal Terms of the Agreements” in this announcement

“Target Companies” collectively, Success Synergy and Bio-Gene and “Target Company” shall mean any of them

“Valuer” an independent and qualified valuer

By order of the Board
EC Healthcare
Raymond Siu
Company Secretary

Hong Kong, 4 January 2024

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