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C-MER Medical Holdings Limited
希瑪醫療控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3309)

CONNECTED TRANSACTION
RENEWAL OF LEASE
BY SHENZHEN C-MER HOSPITAL

RENEWAL OF THE LEASE BY SHENZHEN C-MER HOSPITAL

The Existing Lease Agreement for the Shenzhen Property, in which the Group's eye hospital in Futian, Shenzhen operates, will expire on 31 July 2024.

On 15 July 2024, Shenzhen C-MER Hospital entered into the New Lease Agreement, pursuant to which Shenzhen Maida and Shenzhen C-MER Hospital have extended the lease of the Shenzhen Property for a term of 36 months. Pursuant to the New Lease Agreement commencing from 1 August 2024, the Group will recognise the lease as a right-of-use asset. Based on a preliminary assessment by the management of the Company, which has not been reviewed or audited by the Company's auditors, the Shenzhen Property will be recognised as right-of-use assets of the Group on 15 July 2024 for an estimated amount of approximately RMB20.9 million (equivalent to approximately HK\$22.3 million).

IMPLICATIONS UNDER THE LISTING RULES

As of the date of this announcement, Shenzhen C-MER Hospital is a wholly-owned subsidiary of the Company. Shenzhen Maida is a wholly-owned subsidiary of D&S Limited which is in turn wholly-owned by Dr. Dennis LAM, one of the executive Directors and one of the Controlling Shareholders. Shenzhen Maida is therefore an associate of a connected person under the Listing Rules. Accordingly, the lease under the New Lease Agreement constitutes a connected transaction for the Company.

As all the applicable percentage ratios in respect of the lease under the New Lease Agreement exceed 0.1% but are less than 5%, the lease is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 18 May 2023 in relation to the Existing Lease Agreement.

RENEWAL OF LEASE BY SHENZHEN C-MER HOSPITAL

As stated in the announcement dated 18 May 2023, the Shenzhen Property was leased to Shenzhen C-MER Hospital by Shenzhen Maida up to 31 July 2024. The Group operates its eye hospital in Futian, Shenzhen at the Shenzhen Property.

To ensure the continuous use of the Shenzhen Property, on 15 July 2024, Shenzhen C-MER Hospital entered into the New Lease Agreement, pursuant to which Shenzhen Maida and Shenzhen C-MER Hospital have extended the lease of the Shenzhen Property for a term of 36 months commencing from 1 August 2024.

The table below sets forth the principal terms of the New Lease Agreement:

Date	:	15 July 2024
Landlord	:	Shenzhen Maida
Tenant	:	Shenzhen C-MER Hospital
Location of the Shenzhen Property	:	the property located at No. 101 Sheng Tang Building, Tairanjiu Lu, Futian, Shenzhen, the PRC
Gross floor area	:	3,481.7 sq.m.
Term	:	36 months, commencing from 1 August 2024 and ending on 31 July 2027 with a rent-free period of 6 months in total from 1 November 2024 to 31 December 2024, 1 November 2025 to 31 December 2025, and 1 November 2026 to 31 December 2026
Rent	:	The rent per sq.m. per month is RMB215.41 and total monthly rent is RMB750,000 (equivalent to approximately HK\$800,000) from 1 August 2024 to 31 July 2027 except for the rent-free period

All material terms of the New Lease Agreement (other than the lease term and the rent-free period) resemble the terms of the Existing Lease Agreement which commenced from 1 June 2023 to 31 July 2024 with monthly rent of RMB750,000 and a rent-free period of two months. The amount of the monthly rental has been determined after arm's length negotiations between Shenzhen Maida and Shenzhen C-MER Hospital with reference to the prevailing market conditions and the rental level of similar properties in the vicinity of the leased property.

Shenzhen Maida has agreed to provide a rent-free period under the New Lease Agreement for six months in total from 1 November 2024 to 31 December 2024, 1 November 2025 to 31 December 2025, and 1 November 2026 to 31 December 2026 with a total amount of RMB4.5 million to be waived (equivalent to approximately HK\$4.8 million).

The historical rent paid by Shenzhen C-MER Hospital to Shenzhen Maida for the seven months ended 31 December 2023 and the seven months ending 31 July 2024 amounted to approximately RMB3.8 million and RMB5.3 million, respectively.

Rent payments under the New Lease Agreement will be funded by internal resources of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW LEASE AGREEMENT

The Group is one of the leading medical service providers in Hong Kong and the Mainland China established under the brand of "C-MER Dennis Lam (希瑪林順潮)". The Group operates, among others, an eye hospital in Futian, Shenzhen, the PRC, and the Shenzhen Property is currently used by Shenzhen C-MER Hospital as the premises for its eye hospital in Futian, Shenzhen. The purpose of entering into the New Lease Agreement is to allow the Group to continue to use the Shenzhen Property as one of its flagship eye hospitals in the PRC.

The Directors (including the independent non-executive Directors) are of the view that the entering into of the New Lease Agreement, which renews the lease of the Shenzhen Property as one of the Group's eye hospitals, is in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the New Lease Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

ACCOUNTING IMPLICATION OF THE LEASE UNDER THE NEW LEASE AGREEMENT

In accordance with the HKFRSs applicable to the Group, the rent payment is capital in nature and will be recognised as assets of the Group on the commencement date of the lease under the New Lease Agreement. The HKFRSs applicable to the Company include HKFRS 16 “Leases”. Under HKFRS 16 and in the consolidated statement of financial position of the Company, the Company as the lessee shall recognise a lease as a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The asset and the liability arising from the lease are initially measured on a present value basis and calculated by discounting the non-cancellable lease payments under the lease, using the incremental borrowing rate as the discount rate. Under HKFRS 16 and in the consolidated statement of comprehensive income of the Company, the Company shall recognise (i) depreciation charge over the life of the right-of-use asset, and (ii) interest expenses from the lease liability amortised over the lease term.

Therefore, the Shenzhen Property will be recognised as right-of-use assets of the Group on 15 July 2024 for an estimated amount of approximately RMB20.9 million (equivalent to approximately HK\$22.3 million). This value is based on a preliminary assessment by the management of the Company, which has not been reviewed or audited by the Company’s auditors.

INFORMATION ON SHENZHEN C-MER HOSPITAL AND THE GROUP

Shenzhen C-MER Hospital is a wholly-owned subsidiary of the Company in the PRC established on 11 January 2013 and is engaged in the operation of an eye hospital in the PRC. The eye hospital operated by Shenzhen C-MER Hospital is one of the flagship eye hospitals of the Group.

The Company has been listed on the Stock Exchange since 15 January 2018. The Group is an ophthalmic, dental and other medical service provider in Hong Kong and Mainland China. Its ophthalmologists/physicians are specialised in the fields of cataract, glaucoma, strabismus and refractive surgeries and external eye diseases. Its dentists have expertise and qualifications across a wide range of specialty areas, covering general dentistry, orthodontics and implantology. As of the date of this announcement, the Group operates five day surgery centres and eight satellite clinics for its ophthalmic services, six dental clinics, eight optometry centres, two general practice clinics and an oncology centre in Hong Kong and 10 eye hospitals in Shenzhen (Futian and Baoan), Beijing, Shanghai, Guangzhou, Zhuhai, Kunming, Huizhou, Jieyang, Foshan, an eye centre in Nanshan, two satellite eye clinics in Shanghai, and a dental hospital and 13 dental clinics in Shenzhen, in Mainland China. Its revenue is derived from the fees charged to its clients on consultation, procedures, surgeries, and other medical services, as well as the sales of vision aid products, including glasses and lens, and medical consumables.

INFORMATION ON SHENZHEN MAIDA

Shenzhen Maida is a wholly-foreign owned enterprise established in the PRC. The principal business of Shenzhen Maida is investment holding. Shenzhen Maida is a wholly-owned subsidiary of D&S Limited which is in turn wholly-owned by Dr. Dennis LAM, one of the executive Directors and one of the Controlling Shareholders.

IMPLICATIONS UNDER THE LISTING RULES

As of the date of this announcement, Shenzhen C-MER Hospital is a wholly-owned subsidiary of the Company. Shenzhen Maida is therefore an associate of a connected person of the Company for the purpose of the Listing Rules. Accordingly, the lease contemplated under the New Lease Agreement between Shenzhen C-MER Hospital and Shenzhen Maida constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios in respect of the lease contemplated under the New Lease Agreement exceed 0.1% but are less than 5%, the lease contemplated thereunder is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Dr. Dennis LAM, one of the executive Directors and one of the Controlling Shareholders, is the owner of the entire equity interest in D&S Limited which in turn wholly-owns Shenzhen Maida, Dr. Dennis LAM is deemed to have material interest in the New Lease Agreement. Therefore, Dr. Dennis LAM had abstained from the voting on the relevant Board resolutions approving the lease contemplated under the New Lease Agreement. Ms. LI Xiaoting, one of the executive Directors and spouse of Dr. Dennis LAM, had also abstained from the voting on the relevant Board resolutions approving the lease contemplated under the New Lease Agreement. Save for the above, to the best of knowledge, information and belief of the Directors after having made all reasonable enquiries, no other Director has material interest in the New Lease Agreement and was required to abstain from voting on the relevant Board resolutions approving the New Lease Agreement.

DEFINITIONS USED IN THIS ANNOUNCEMENT

Unless the context requires otherwise, capitalised terms used herein shall have the following meanings:

“Board”	the board of Directors;
“Company”	C-MER Medical Holdings Limited (希瑪醫療控股有限公司), a company incorporated in the Cayman Islands on 1 February 2016 with all of its shares in issue are listed on the Stock Exchange (Stock code: 3309);

“Controlling Shareholders”	the controlling shareholders (as defined under the Listing Rules) of the Company;
“D&S Limited”	D&S International Holding Limited (formerly known as Hong Kong C-MER International Eye Care Group Limited (香港希瑪國際眼科醫療集團有限公司)), a company incorporated in Hong Kong on 10 October 2005 and wholly-owned by Dr. Dennis LAM, one of the executive Directors and one of the Controlling Shareholders, as of the date of this announcement;
“Director(s)”	director(s) of the Company;
“Dr. Dennis LAM”	Dr. LAM Shun Chiu Dennis JP (林順潮醫生), one of the executive Directors and one of the Controlling Shareholders;
“Existing Lease Agreement”	the lease agreement dated 18 May 2023 and entered into between Shenzhen C-MER Hospital, as tenant, and Shenzhen Maida, as landlord for the lease of the Shenzhen Property;
“Group”	the Company and its subsidiaries;
“HKFRSs”	Hong Kong Financial Reporting Standards;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“New Lease Agreement”	the lease agreement dated 15 July 2024 and entered into between Shenzhen C-MER Hospital, as tenant, and Shenzhen Maida, as landlord for the lease of the Shenzhen Property;
“PRC”	the People’s Republic of China which for the purpose of this announcement, does not include Hong Kong, The Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holders of the Shares;

“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company;
“Shenzhen C-MER Hospital”	Shenzhen C-MER Dennis Lam Eye Hospital* (深圳希瑪林順潮眼科醫院) (formerly known as Shenzhen C-MER Dennis Lam Eye Hospital Co., Ltd.* (深圳希瑪林順潮眼科醫院有限公司)), a wholly-foreign owned enterprise established in the PRC on 11 January 2013 and a wholly-owned subsidiary of the Company;
“Shenzhen Maida”	Maida Medical Software Development (Shenzhen) Company Limited (邁達醫療軟件開發(深圳)有限公司), a wholly-foreign owned enterprise established in the PRC and a wholly-owned subsidiary of D&S Limited;
“Shenzhen Property”	the property located at No. 101 Sheng Tang Building, Tairanjiu Lu, Futian, Shenzhen, the PRC;
“sq.m.”	square meters;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

By order of the Board
C-MER Medical Holdings Limited
Dr. LAM Shun Chiu Dennis

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 15 July 2024

In this announcement, translation of RMB into HK\$ is based on the exchange rate of RMB1:HK\$1.067. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

As of the date of this announcement, the Board comprises three executive Directors, namely Dr. LAM Shun Chiu Dennis, Ms. LI Xiaoting and Dr. LEE Yau Wing Vincent and four independent non-executive Directors, namely, Dr. AU YEUNG Rex Pak-kuen, Mr. MA Andrew Chiu Cheung, Mr. IP Shu Kwan Stephen and Mr. YIN Ke.