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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 60% OF ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE ACQUISITION

The Board is pleased to announce that on 30 September 2022 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company and the Seller entered into the Agreement, pursuant to which, among others, the Purchaser has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Sale Shares, representing 60% of the issued share capital of the Target Company, for the consideration of HK\$36,400,000 payable in cash, subject to the terms and conditions of the Agreement.

Upon Completion, the Group will own 60% 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.

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 and the Option exceed 5% and all applicable percentage ratios are less than 25%, the Acquisition and the Option constitute a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As Completion is subject to fulfilment or waiver (as the case may be) of the conditions precedent of the Agreement and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 30 September 2022 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Seller entered into the Agreement, pursuant to which,

among others, the Purchaser has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Sale Shares, representing 60% of the issued share capital of the Target Company, for the consideration of HK\$36,400,000 payable in cash, subject to the terms and conditions of the Agreement.

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PRINCIPAL TERMS OF THE AGREEMENT

Date: 30 September 2022 (after trading hours)

Parties:

- (1) The Company;
- (2) The Purchaser; and
- (3) The Seller.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Seller is a third party independent of the Company and its connected persons.

Assets to be acquired: Pursuant to the Agreement, the Purchaser has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Sale Shares, representing 60% of the issued share capital of the Target Company.

Consideration and payment terms: The Consideration for the Sale Shares is HK\$36,400,000, which shall be payable in cash upon Completion.

Basis of Consideration

The Consideration was determined based on arm's length negotiations between the Purchaser and the Seller with reference to (i) the business, historical performance and prospects of the Target Group; (ii) the profitability of the Target Group; (iii) the expertise of the management of the Target Group.

Funding of the Consideration

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

CONDITIONS PRECEDENT AND COMPLETION OF THE AGREEMENTS

Conditions Precedent

Completion is conditional upon the satisfaction of, inter alia, the following conditions precedent (or waived by the Purchaser):

- (a) the Purchaser having completed business, financial and legal due diligence review on the Target Group, the results of which are satisfactory to the Purchaser in all respects;
- (b) all necessary consents, confirmations, permits, authorisations, licenses and approvals from any relevant government authorities, regulatory bodies, any persons or corporations in Hong Kong or elsewhere in connection with the Acquisition having been obtained;
- (c) the warranties given by the Seller remaining true and accurate and not misleading in all respects from the date of the Agreement up to and including the Completion Date;
- (d) the warranties given by the Purchaser remaining true and accurate and not misleading in all respects from the date of the Agreement up to and including the Completion Date;
- (e) there has been no material adverse change of the Target Group from the date of the Agreement up and including the Completion Date, except in connection with the reorganization of the Target Group;
- (f) all loans, indebtedness, payables (excluding trade payables during the ordinary and usual course of business of the Target Group) owing by any of the Target Group to any person having been fully repaid or waived before the Completion and any encumbrances (if any) created on or over the Sale Shares and/or assets of the Target Group in respect of the loans and indebtedness having been duly released and discharged before Completion;
- (g) the Director's Loans, the Shareholder's Loans or any similar balance in nature (if any) having been waived in form and substance satisfactory to the Purchaser;
- (h) the Seller having prepared and delivered to the Purchaser a pro forma completion accounts indicating no material adverse change in the total assets and/or liabilities of the Target Group on Completion and there being no unrecorded liabilities, commitments, guarantees having been incurred from 30 June 2022 to the Completion Date;
- (i) there having been no breach by the Seller of any of its obligations under the Agreement; and
- (j) completion of reorganisation of the Target Group including, inter alia, disposal of the Disposed Companies.

Completion

Subject to the fulfilment (or waiver) of the conditions precedent set out above, Completion shall take place on the Completion Date. Upon Completion, the Target Company will be held as to 60% by the Purchaser and 40% by the Seller.

In the event that any of the conditions precedent is not fulfilled or waived within three months after the date of the Agreement or such later date as may be agreed between the parties, the Agreement shall become null and void and be of no further effect and all the obligations and liabilities of the parties shall cease and determine (save for any antecedent breaches).

Profit Guarantee

The Seller has given profit guarantee to each of the Purchaser and the Company that (i) the Net Profit of the Target Group for each of the Years shall be no less than the guaranteed net profit as set out below (“**Guaranteed Net Profit**”), and (ii) the accumulated Net Profit from Year 1 to Year 5 shall be no less than HK\$70,000,000 (“**Accumulated Guaranteed Net Profit**”) (together, the “**Profit Guarantee**”).

Profit guaranteed year ending	Guaranteed Net Profit
Year 1	HK\$12,600,000
Year 2	HK\$13,230,000
Year 3	HK\$13,890,000
Year 4	HK\$14,590,000
Year 5	HK\$15,320,000
Total:	HK\$70,000,000

For the purposes of determining whether the Profit Guarantee has been met, the Net Profit and Profit Shortfall Payment (as defined below) (if any) for the relevant Year will be determined by the Purchaser with reference to the audited consolidated accounts of the Target Group prepared in accordance with HKFRS. The Purchaser shall issue a notice in writing to the Seller in relation to the amount of the Net Profit and Profit Shortfall Payment (if any) within 30 days after the issuance of the audited consolidated accounts of the Target Group and in any event no later than four months after the relevant Year.

Profit Shortfall Payment

The Seller undertakes that if the accumulated Net Profit is less than the accumulated Guaranteed Net Profit for Year 3 or Year 5, or if net loss of the Target Group is incurred in those years, he shall pay the Purchaser equivalent to the Profit Shortfall Payment within 30 days after the date on which the Net Profit for the relevant Year is determined. The amount of the Profit Shortfall Payment payable by the Seller shall be 30.32% of the difference between the Net Profit and the Guaranteed Net Profit for the relevant Year (the “**Profit Shortfall Payment**”). In the event that the Net Profit for a Year exceeds the Guaranteed Net Profit for that Year, the excess shall be carried forward to the next immediately succeeding Year in the calculation of the Profit Shortfall Payment, and if there is still excess of the Net Profit in the next immediately succeeding Year, then the excess shall be further carried forward to the next Year in the determination of the Profit Shortfall Payment until fully utilized.

Option

Pursuant to the Agreement, the Purchaser has granted an option to the Seller (the “**Option**”), pursuant to which the Seller shall have the right upon exercise of the option to require the Purchaser to purchase from him, (i) up to 50% interests then held by the Seller in the Target Company following the end of Year 3 provided that the accumulated Net Profit is not less than the accumulated Guaranteed Net Profit ending Year 3, and (ii) up to all interests then held by the Seller in the Target Company following the end of the Profit Guaranteed Period provided that the accumulated Net Profit is not less than the accumulated Guaranteed Net Profit ending Year 5 (the “**Option Shares**”).

Upon the exercise of the Option, the Seller shall become bound to sell, and the Purchaser shall become bound to purchase the Option Shares. The consideration of the Option Shares payable by the Purchaser to the Seller shall be determined by specified formulas, the aggregate of which shall be no greater than HK\$70,800,000.

INFORMATION ABOUT THE SELLER AND THE TARGET COMPANY

The Seller is a registered medical practitioner under the specialty of Orthopaedics & Traumatology and one of the co-founders of the Target Group.

The Target Company is incorporated in the British Virgin Islands with limited liability and is wholly owned by the Seller as at the date of this announcement. The Target Company is principally engaged in investment holding which holds 50.54% issued share capital in Sure-Care Cayman, which in turn holds 100% issued share capital in most of its subsidiaries comprising the Target Group. The remaining 49.46% issued share capital of Sure-Care Cayman are held by a group of other independent third parties, which includes medical practitioners. The Target Group commenced its business in 2002. It is principally engaged in the provision of multi-disciplinary healthcare services in Hong Kong with a focus on the provision of specialty services under the business name of Sure-Care Medical and Health Network (信康醫健網絡). As at the date of this announcement, the Target Group operates 9 clinics in Hong Kong including Mong Kok, Tai Po, Causeway Bay, Tsuen Wan and Jordan with 23 registered medical practitioners.

Set out below is the unaudited consolidated financial information of the Target Group for each of the two financial years ended 31 December 2021 and the six months ended 30 June 2022 prepared in accordance with HKFRS:

	For the year ended/ as at 31 December 2020 (unaudited) HK\$'000	For the year ended/ as at 31 December 2021 (unaudited) HK\$'000	For the six months ended/ as at 30 June 2022 (unaudited) HK\$'000
Profit before tax	9,755	14,013	5,877
Profit after tax	8,007	12,136	5,877
Net assets	54,504	65,460	71,969

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 and healthcare services.

The Purchaser, a wholly-owned subsidiary of the Company, is a company incorporated in the British Virgin Islands with limited liability principally engaged in investment holding.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Group has a long-standing history in providing medical services in Hong Kong since 2002 and is a multi-specialty medical services provider offering a wide range of medical services. The Target Group provide 8 specialty medical services and general medical services. As at the date of this announcement, the Target Group operates 9 medical centres in Hong Kong and has over 23 full-time registered medical practitioners.

The Directors believe that the Acquisition represents a good opportunity for the Group to enhance the specialty offerings of the Group in New Territories East and further consolidate the medical market.

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 health market and is expected to improve the results attributable to the Group and the overall Shareholders' return.

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.

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 and the Option exceed 5% and all applicable percentage ratios are less than 25%, the Acquisition and the Option constitute a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

“Acquisition”	the acquisition of the Sale Shares by the Purchaser pursuant to the Agreement
“Agreement”	the conditional sale and purchase agreement dated 30 September 2022 entered into between the Company, the Purchaser and the Seller in respect of the Sale Shares
“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 five 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

“Consideration”	consideration payable by the Purchaser to the Seller for the Acquisition pursuant to the Agreement
“Director(s)”	the director(s) of the Company
“Director’s Loans”	the amount of the principal, interest (if any) and other sums and indebtedness due, owed or payable to any of the director of the Target Group by any company comprising the Target Group immediately before the Completion
“Disposed Companies”	means the property holding companies wholly-owned by the Target Company as at the date of this announcement, the entire interests of which will be disposed of by the Target Company before Completion. The Disposed Companies will not be acquired by the Purchaser and do not form part of the Target Group under the Acquisition
“Group”	the Company and its subsidiaries from time to time
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Net Profit”	the consolidated net profit of the Target Group which shall be determined with reference to the audited accounts of the Target Group, issued by the appointed accountants
“Profit Guaranteed Period”	the period commencing from the Completion Date and ending Year 5 (both days inclusive and subject to deferral as agreed by the Purchaser and the Seller)
“Profit Shortfall”	if the Net Profit for a Year is less than the Guaranteed Net Profit for that Year, the difference between the Net Profit and the Guaranteed Net Profit for that Year and in the event that net losses of the Target Company are incurred during the such Year, the summation of the net amount of the negative Net Profit and the Guaranteed Net Profit for that Year
“Purchaser” or “Team Expert”	Team Expert Investment Limited, a company incorporated under the laws of British Virgin Islands with limited liability
“Sale Shares”	60% of the issued share capital of the Target Company

“Seller”	Dr. Chang Shao, holder of the Sale Shares and an independent third party
“Share(s)”	share(s) of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Shareholder’s Loans”	the amount owed by the Target Company to the Seller, his controlled entities, associates and/or family members
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sure-Care Cayman”	Sure-Care Medical and Health Limited, an exempted company incorporated in the Cayman Islands with limited liability, a subsidiary of the Target Company which is held as to 50.54% by the Target Company as at the date of this announcement
“Target Company”	Pioneer Evolution Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiaries, excluding the Disposed Companies
“Year 1”	the year ending 31 December 2023 (both days inclusive and subject to deferral as agreed by the Purchaser and the Sellers)
“Year 2”	the year ending 31 December 2024 (both days inclusive and subject to deferral as agreed by the Purchaser and the Sellers)
“Year 3”	the year ending 31 December 2025 (both days inclusive and subject to deferral as agreed by the Purchaser and the Sellers)
“Year 4”	the year ending 31 December 2026 (both days inclusive and subject to deferral as agreed by the Purchaser and the Sellers)
“Year 5”	the year ending 31 December 2027 (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 and Year 5 and each as a “Year”

By order of the Board
EC Healthcare
Raymond Siu
Company Secretary

Hong Kong, 30 September 2022

As at the date of this announcement, the executive Directors of the Company are Mr. Tang Chi Fai, Mr. Liu 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. Au Tsun.