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EC Healthcare
醫思健康

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2138)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

INTERIM RESULTS HIGHLIGHTS

- Total revenue increased by 31.1% YoY to HK\$1,893.2 million.
- Revenue from medical services segment rose by 47.5% YoY to HK\$1,174.8 million, boosting its revenue contribution to 62.1 %.
- Revenue from aesthetic medical and beauty and wellness services segment decreased by 2.0% YoY to HK\$607.4 million, accounted for approximately 32.1% of the total revenue.
- Driven by previous acquired veterinary business, revenue from other services increased by 301.9% to HK\$111.0 million, accounted for approximately 5.8% of the total revenue.
- EBITDA decreased by 16.6% YoY to HK\$269.9 million during the Reporting Period.
- Net profit after tax decreased by 46.3% YoY to HK\$105.2 million during the Reporting Period.
- Basic earnings per share during the Reporting Period amounted to 6.8 HK cents (six months ended 30 September 2021: 14.2 HK cents).
- The Board declared an interim dividend of 5.8 HK cents per Share, which will be payable in cash (six months ended 30 September 2021: 10.2 HK cents).
- As at 30 September 2022, the total valuation of the Group's M&A transactions executed was HK\$219.3 million, spanning medical specialty services, veterinary and health screening services, which further strengthened the Group's medical services layout.
- The Group's suite of medical services spans 35 specialties and disciplines, and the number of full-time and exclusive registered practitioners has increased to 293.
- Total number of service points increased to 154 with total gross floor area ("g.f.a.") increased by 24.1% YoY to approximately 557,000 sq. ft.

The Board is pleased to announce the unaudited condensed consolidated financial results of the Group for the Reporting Period together with the comparative figures for the corresponding period in 2021 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September
(Expressed in Hong Kong dollars)

	Notes	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
REVENUE	5	1,893,186	1,443,680
Other net income and gains	6	58,421	18,987
Cost of inventories and consumables		(258,199)	(156,653)
Registered practitioner expenses		(500,841)	(299,168)
Employee benefit expenses		(476,686)	(343,260)
Marketing and advertising expenses		(96,668)	(73,310)
Rental and related expenses		(39,863)	(30,433)
Depreciation — right-of-use assets		(171,968)	(113,940)
Depreciation — owned property, plant and equipment		(66,011)	(43,859)
Amortisation of intangible assets		(48,082)	(30,401)
Charitable donations		(3,234)	—
Credit card expenses		(38,419)	(34,966)
Finance costs	7	(32,645)	(18,331)
Other expenses		(102,579)	(88,030)
Share of profits less losses of joint ventures		7,368	797
Share of profits of associates		614	605
		<hr/>	<hr/>
PROFIT BEFORE TAX	8	124,394	231,718
Income tax	9	(19,187)	(35,653)
		<hr/>	<hr/>
PROFIT FOR THE PERIOD		105,207	196,065
		<hr/>	<hr/>
Attributable to:			
Equity shareholders of the Company		80,046	160,208
Non-controlling interests		25,161	35,857
		<hr/>	<hr/>
PROFIT FOR THE PERIOD		105,207	196,065
		<hr/>	<hr/>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		HK cents	HK cents
	10		
Basic		6.8	14.2
Diluted		6.8	14.0
		<hr/>	<hr/>

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
PROFIT FOR THE PERIOD	105,207	196,065
Other comprehensive income for the period (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of HK\$nil tax	<u>901</u>	<u>(443)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>106,108</u>	<u>195,622</u>
Attributable to:		
Equity shareholders of the Company	80,947	159,765
Non-controlling interests	<u>25,161</u>	<u>35,857</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>106,108</u>	<u>195,622</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

		As at 30 September 2022	As at 31 March 2022
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	1,226,746	1,193,316
Investment properties	<i>11</i>	197,100	197,100
Goodwill		739,337	709,073
Intangible assets		664,600	691,937
Interest in joint ventures		54,249	48,381
Interest in associates		255,425	1,153
Rental and other deposits	<i>13</i>	96,736	104,436
Prepayments and other receivables	<i>13</i>	310,197	211,961
Financial assets at fair value through other comprehensive income	<i>14(a)</i>	18,225	14,588
Financial assets at fair value through profit or loss	<i>14(b)</i>	143,136	142,054
Deferred tax assets		39,247	30,981
		<hr/>	<hr/>
Total non-current assets		3,744,998	3,344,980
CURRENT ASSETS			
Inventories		86,703	101,098
Trade receivables	<i>12</i>	222,788	155,493
Prepayments, deposits and other receivables	<i>13</i>	260,628	214,568
Deferred costs	<i>5</i>	144,928	142,805
Financial assets at fair value through profit or loss	<i>14(b)</i>	11,054	1,839
Tax recoverable		24,626	27,597
Time deposits with original maturity over 3 months	<i>15</i>	11,000	2,000
Cash and cash equivalents	<i>15</i>	709,535	870,228
		<hr/>	<hr/>
Total current assets		1,471,262	1,515,628

		As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade payables	16	65,439	75,201
Other payables and accruals		230,411	239,648
Bank borrowings	17	441	–
Lease liabilities		295,266	318,716
Deferred revenue	5	591,787	656,067
Current tax payable		95,542	73,799
		<u>1,278,886</u>	<u>1,363,431</u>
Total current liabilities			
		<u>1,278,886</u>	<u>1,363,431</u>
NET CURRENT ASSETS			
		<u>192,376</u>	<u>152,197</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>3,937,374</u>	<u>3,497,177</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		101,488	105,249
Lease liabilities		363,442	386,686
Other payables		414,966	405,205
Bank borrowings	17	396,800	–
Provision for reinstatement costs		16,559	13,772
Convertible bonds		235,709	235,709
		<u>1,528,964</u>	<u>1,146,621</u>
Total non-current liabilities			
		<u>1,528,964</u>	<u>1,146,621</u>
NET ASSETS			
		<u>2,408,410</u>	<u>2,350,556</u>
CAPITAL AND RESERVES			
Share capital	18	12	12
Reserves		1,945,719	1,881,242
		<u>1,945,731</u>	<u>1,881,254</u>
Total equity attributable to equity shareholders of the Company			
		<u>1,945,731</u>	<u>1,881,254</u>
Non-controlling interests		462,679	469,302
		<u>462,679</u>	<u>469,302</u>
TOTAL EQUITY			
		<u>2,408,410</u>	<u>2,350,556</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at L50, Langham Place Office Tower, 8 Argyle Street, Mong Kok, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (together referred to as the “Group”) are principally engaged in the provision of medical and healthcare services.

2. BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

The financial information relating to the six months ended 30 September 2022 and 2021 included in this preliminary announcement of interim results does not constitute the Company’s interim consolidated financial statements for those periods but is derived from those interim financial statements.

The unaudited interim financial statements (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2022, except for the adoption of the new and amended Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are relevant to and effective for the Group’s financial statements for annual period beginning on 1 April 2022. Details of changes in accounting policies are set out in note 3.

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2022.

The preparation of Interim Financial Statements in conformity with all applicable HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Interim Financial Statements are presented in Hong Kong dollars (“HK\$”).

3. CHANGE IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim results. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. OPERATING SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on their services and products and has three reportable operating segments as follows:

- (a) Medical;
- (b) Aesthetic medical and beauty and wellness; and
- (c) Others.

Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's management monitors the results attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investment properties, interest in associates and joint ventures, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. Segment liabilities include trade payables, other payables and accruals, provision for reinstatement costs, lease liabilities relating to properties leased for own use, deferred revenue, current tax payable and deferred tax liabilities.

The segment revenue of the Group is based on the type of services provided to the customers. Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that bank interest income, other interest income, unrealised and realised fair value loss on financial assets at fair value through profit or loss, net, rental income from investment properties, share of profits less losses of joint ventures, share of profits of associates and head office and other corporate expenses are excluded from such measurement.

For the six months ended 30 September

	Medical		Aesthetic medical and beauty and wellness		Others		Total	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited) (Restated)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited) (Restated)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited) (Restated)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited) (Restated)
Reportable segment revenue	1,174,784	796,334	607,408	619,728	120,659	32,615	1,902,851	1,448,677
Less: Inter-segment revenue	-	-	-	-	(9,665)	(4,997)	(9,665)	(4,997)
Revenue from external customers	<u>1,174,784</u>	<u>796,334</u>	<u>607,408</u>	<u>619,728</u>	<u>110,994</u>	<u>27,618</u>	<u>1,893,186</u>	<u>1,443,680</u>
Segment result	61,558	119,717	64,074	94,523	19,591	(581)	145,223	213,659
Bank interest income							1,275	882
Other interest income							83	178
Unrealised and realised loss on financial assets at fair value through profit or loss, net							(1,262)	(1,609)
Rental income from investment properties							2,080	2,334
Share of profits less losses of joint ventures							7,368	797
Share of profits of associates							614	605
Others							(30,987)	14,872
Consolidated profit before tax							<u>124,394</u>	<u>231,718</u>
As at 30 September 2022/ 31 March 2022								
Reportable segment assets	<u>2,696,688</u>	2,610,624	<u>1,467,767</u>	1,547,459	<u>372,616</u>	297,410	<u>4,537,071</u>	4,455,493
Reportable segment liabilities	<u>1,076,683</u>	1,157,724	<u>1,011,643</u>	1,004,765	<u>86,574</u>	111,854	<u>2,174,900</u>	2,274,343

5. REVENUE

Revenue represents the value of services rendered and the net invoiced value of goods sold, excluding value added tax or other sales taxes and is after deduction of trade discounts. An analysis of revenue and deferred balances is as follows:

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Revenue		
Medical services	1,174,784	796,334
Aesthetic medical and beauty and wellness services and related revenue	607,408	619,728
Other services	110,994	27,618
	<u>1,893,186</u>	<u>1,443,680</u>
Disaggregated by geographical location of customers		
— Hong Kong	1,746,527	1,311,165
— Macau	56,845	52,771
— Mainland China	89,814	79,744
	<u>1,893,186</u>	<u>1,443,680</u>

All of the above revenue is recognised in accordance with HKFRS 15.

Deferred balances

The following table provides information about deferred liabilities from contract with customers and related deferred cost.

	As at	As at
	30 September	31 March
	2022	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Deferred revenue	(591,787)	(656,067)
Deferred costs	144,928	142,805

The deferred cost primarily related to the incremental costs of obtaining a contract with a customer, which represent sales commissions and bonus paid or payable to the staff and third party agents, are recognised as deferred costs in the consolidated statement of financial position. Such costs are recognised in profit or loss in the period in which the deferred revenue to which they relate is recognised as revenue.

All of the capitalised deferred costs are expected to be recognised in profit or loss within one year.

6. OTHER NET INCOME AND GAINS

	For the six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Bank interest income	1,275	882
Other interest income	83	178
Unrealised fair value loss on financial assets at fair value through profit or loss, net	(1,262)	(1,609)
Rental income from investment properties	2,080	2,334
Gain on disposals and write-off of property, plant and equipment	2,367	11,085
Others	53,878	6,117
	<u>58,421</u>	<u>18,987</u>

7. FINANCE COSTS

	For the six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interests on bank borrowings and overdrafts	3,249	2,471
Interests on convertible bonds	10,771	9,517
Interests on lease liabilities	8,664	6,343
Imputed interest on consideration payables	9,961	–
	<u>32,645</u>	<u>18,331</u>

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Auditors' remuneration	1,500	1,500
Depreciation		
— owned property, plant and equipment	66,011	43,859
— right-of-use assets	171,968	113,940
Amortisation of intangible assets	48,082	30,401
Impairment loss on other receivables	—	2,672
Foreign exchange differences, net	2,227	909
Rental income from investment properties less direct outgoings of HK\$267,000 (six months ended 30 September 2021: HK\$266,000)	(1,813)	(2,068)
Utilities	14,430	10,406
Legal and professional fees	3,921	6,259
Repairs and maintenance expenses	10,762	8,675
IT development and office expenses	18,100	6,556
Laundry and cleaning expenses	4,313	3,769
Bank charges	3,603	2,004
Insurance expenses	4,374	2,771
Supplies and consumables	4,291	4,633

9. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current — Hong Kong		
Provision the period	28,723	34,292
Current — Outside Hong Kong		
Provision for the period	6,126	5,025
Deferred tax	(15,662)	(3,664)
Tax charge for the period	19,187	35,653

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 September 2021: 16.5%) on the estimated assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY SHAREHOLDERS OF THE COMPANY

(a) Basic earnings per Share

The calculation of basic earnings per Share attributable to ordinary equity shareholders of the Company is based on the following data:

	For the six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings for the purposes of basic earnings per Share representing profit for the six months attributable to ordinary equity shareholders of the Company	<u>80,046</u>	<u>160,208</u>
	For the six months ended 30 September	
	2022	2021
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per Share	<u>1,178,616</u>	<u>1,128,111</u>

(b) Diluted earnings per Share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$80,046,000 (2021: HK\$160,208,000), and the weighted average number of ordinary shares of 1,178,616,000 (2021: 1,128,111,000) is calculated as follows:

Weighted average number of ordinary shares (diluted):

	2022 '000	2021 '000
Weighted average number of ordinary shares at 30 September	1,178,616	1,128,111
Effect of deemed issue of shares under the Company's share option scheme	367	7,174
Effect of exercise of warrants	<u>3,780</u>	<u>7,037</u>
Weighted average number of ordinary shares (diluted) at 30 September	<u>1,182,763</u>	<u>1,142,322</u>
Diluted earnings per Share (in HK cents)	<u>6.8</u>	<u>14.0</u>

The diluted earnings per share amount is increased when taking convertible bonds into account. The convertible bonds had an anti-dilutive effect on the basic earnings per share for the year and were not included in the calculation of diluted earnings per share.

11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

(a) Right-of-use assets

During the six months ended 30 September 2022, the Group entered into a number of lease agreement for use of retail stores and machinery, and therefore recognised the additions to right-of-use assets of HK\$120,119,000 (six months ended 30 September 2021: HK\$71,976,000). The leases of retail stores contain variable lease payment terms that are based on sales generated from the retail stores and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores in Hong Kong where the Group operates.

(b) During the six months ended 30 September 2022, additions of property, plant and equipment amounted to approximately HK\$147,472,000 (six months ended 30 September 2021: HK\$93,743,000).

12. TRADE RECEIVABLES

An ageing analysis of the trade receivables, based on the invoice date, is as follows:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Within 1 month	154,491	118,392
1 to 3 months	45,988	25,141
Over 3 months	<u>22,309</u>	<u>11,960</u>
	<u>222,788</u>	<u>155,493</u>

The Group's trading terms with its customers are mainly on credit card settlements and other institutional customers in respect of provision of medical, aesthetic medical and beauty and wellness and related services. The credit period is generally 0 to 120 days for the credit card settlements from the respective financial institutions and other institutional customers.

As at 30 September 2022, none of the trade receivables were individually determined to be impaired (31 March 2022 (audited): HK\$nil).

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Prepayments	288,163	211,293
Deposits	150,213	146,113
Other receivables	229,185	173,559
	<u>667,561</u>	<u>530,965</u>
Portion classified as non-current		
— Rental and other deposits	(96,736)	(104,436)
— Prepayments and other receivables	(310,197)	(211,961)
	<u>(406,933)</u>	<u>(316,401)</u>
Current portion	<u>260,628</u>	<u>214,568</u>

The above assets are neither past due nor impaired. The financial assets included in the above balance relate to receivables for which there is no recent history of default.

14. FINANCIAL ASSETS

(a) Financial assets at fair value through other comprehensive income

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Unlisted equity investments	<u>18,225</u>	<u>14,588</u>

The Group designated above investments at fair value through other comprehensive income, as the investments are held for strategic purpose. As at 30 September 2022, the investments held by the Group were principally engaged in market and data research and provision of medical services. No dividends were received on these investments during the period (six months ended 30 September 2021: HK\$nil).

(b) Financial assets at fair value through profit or loss

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
<i>Non-Current</i>		
— Unlisted equity investments	46,154	45,154
— Unlisted fund investments	41,028	41,533
— Investment in life insurance policies	55,954	55,367
	<u>143,136</u>	<u>142,054</u>
<i>Current</i>		
— Listed equity investments	1,685	—
— Unlisted fund investments	9,369	1,839
	<u>11,054</u>	<u>1,839</u>
	<u>154,190</u>	<u>143,893</u>

15. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Cash at bank and in hand	709,535	870,228
Time deposits	11,000	2,000
	<u>720,535</u>	872,228
Less: Time deposits with original maturity over 3 months	(9,000)	—
Pledged time deposits with original maturity over 3 months	(2,000)	(2,000)
	<u>709,535</u>	<u>870,228</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying period depending on the Group's immediate cash requirements, and earn interest at the respective time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

16. TRADE PAYABLES

An ageing analysis of the trade payables, based on the invoice date, is as follows:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Within 1 month	41,776	38,738
1 to 2 months	16,579	13,712
2 to 3 months	5,717	12,536
Over 3 months	1,367	10,215
	<u>65,439</u>	<u>75,201</u>

The trade payables are non-interest-bearing and generally have payment terms within 60 days.

17. BANK BORROWINGS

At 30 September 2022, the bank borrowings were repayable as follows:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Within 1 year or on demand	441	–
After 1 year but within 2 years	43,881	–
After 2 years but within 5 years	352,919	–
	<u>397,241</u>	<u>–</u>

18. SHARE CAPITAL AND DIVIDENDS

(a) Dividends

	For the six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Interim, declared — 5.8 HK cents (for the six months ended 30 September 2021: 10.2 HK cents)	68,462	120,069

At a Board meeting held on 24 November 2022, the Directors declared an interim dividend of 5.8 HK cents per Share. The interim dividend will be paid in cash. The declared interim dividend is not reflected as dividend payable in this consolidated interim financial information, but will be recognised in Shareholders' equity for the year ending 31 March 2023.

(b) Share capital

	Number of shares	HK\$'000
Authorised		
Ordinary shares of HK\$0.00001 each	38,000,000,000	380,000
Ordinary shares, issued and fully paid		
At 31 March 2022	1,178,372,267	12
Issuance of shares upon exercise of warrants	2,000,000	—*
Exercise of share options	5,000	—*
At 30 September 2022	1,180,377,267	12

* Amount less than HK\$1,000

The holders of ordinary shares are entitled to receive dividends as may be declared from time to time and are entitled to one vote per Share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

19. COMPARATIVE FIGURES

In view of more diversified businesses the Group currently operates, the management changed the composition of the reporting segments and the presentation of the disaggregation of revenue as disclosed in notes 4 and 5. Accordingly, the comparative information in notes 4 and 5 has been restated to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is facing multiple challenges during the interim period, including global economic downturn, absence of medical tourism, uncertain border reopening scheme, compulsory closure, and weak local retail sentiment caused by the everchanging situation of COVID-19. Although silver linings are beginning to emerge after the relaxation of social distancing measures, our beauty and wellness business activities have not recovered to pre-pandemic levels fully. The capital expenditures expended on organic expansions of our new medical facilities are yet to commence services to generate income within the interim period. In addition, our new medical services organic expansion in the previous financial year has yet to enter harvest period due to the longer than expected resumption in cross-border travelling. Nevertheless, the Group is still able to increase its medical services market share, diversify its scope of services, and bolster its leading position in the healthcare sector as Hong Kong's largest non-hospital medical service provider.

During the Reporting Period, the Group had revenue of HK\$1,893.2 million, up 31.1% YoY, while sales volume increased by 18.3% to HK\$1,812.4 million. The demand for medical services provided by the Group remains strong, and the Group was able to increase its market share during the Reporting Period. Organic revenue increased by 22.8% YoY to HK\$1,773.7 million, accounting for 93.7% of the total revenue driven by effective sales strategy. Medical segment, being the essential needs, continued to be the key growth driver and increased by 47.5% YoY to HK\$1,174.8 million.

Nevertheless, the Group's net profit after tax during the Reporting Period decreased by 46.3% YoY to HK\$105.2 million. Net profit margin is under pressure and decreased by 8.0 percentage point to 5.6% due to the Compulsory Closure of the Group's beauty and wellness businesses in Hong Kong and Macau as well as business disruption in Mainland China from COVID-19. Increasingly intense competitive landscape, rising cost structure resulting from inflation, temporary low operation leverage of our newly established service points from the previous financial year and increase in depreciation and amortisation expenses incurred from the newly acquired medical assets also underpinned our profitability during the interim period. The net profit attributable to equity shareholders of the Company decreased by 50.0% from HK\$160.2 million in the first half of FY22 to HK\$80.0 million in the first half of FY23. Basic earnings per share was 6.8 HK cents, as compared to 14.2 HK cents for the same period last year.

The total valuation of the Group's M&A transaction executed during the interim period was HK\$219.3 million, spanning medical specialty services, veterinary and health screening services, which further strengthen the Group's medical services layout.

Our number of service points continued to increase through organic expansion and acquisitions. As at 30 September 2022, we had a total of 154 service points comprising 134 in Hong Kong, 4 in Macau and 16 in Mainland China with the total aggregate g.f.a. increased by 24.1% YoY to approximately 557,000 sq. ft. Out of the net increase of approximately 108,000 sq. ft. during the six months ended 30 September 2022, approximately 69.1% came from medical business and approximately 22.8% came from aesthetic medical and beauty and wellness services business, respectively.

Our customer-centric approach places strong emphasis on satisfying our customers' needs. With excellent customer service provided by our professional teams, we have built a loyal customer base through our enclosed ecosystem over the years. We are encouraged to see strong engagement with them which are well-supported by the numbers below:

	First half of FY23	First half of FY22
Number of unique customers ⁽¹⁾⁽⁶⁾	122,883	102,420
Percentage of existing customers ⁽³⁾⁽⁶⁾	71.6%	69.7%
Percentage of cross brand customers ⁽⁵⁾	28.1%	34.7%
Repurchase rate ⁽²⁾⁽⁶⁾	93.7%	97.6%
Customers' satisfaction rate ⁽⁴⁾	99.98%	99.97%

Note:

1. Based on revenue for the reporting period
2. Annualised revenue from old customers during the reporting period, divided by FY22 total revenue
3. Revenue contribution by existing customers to the total revenue for the period
4. 100% minus the percentage of material unfavourable feedback of total revenue for the period
5. Number of customers who purchased services from more than one brand for the period divided by total number of customers for the period based on the data from internal system, which include data from 31 brands
6. Based on the data from internal system, which include data from 39 brands

Mild decline in aesthetic medical and beauty and wellness services segment

During interim period, revenue contributed by aesthetic medical and beauty and wellness services decreased by 2.0% YoY to HK\$607.4 million, accounted for approximately 32.1% of the total revenue. Revenue from Hong Kong recorded a slight decline of 5.4% YoY to HK\$460.7 million due to 20 days of Compulsory Closure in April 2022 and followed by a gradual recovery from pent-up demand. Mainland aesthetics market was facing regulatory pressures and business disruption caused by COVID-19. During the Reporting Period, revenue from Mainland China increased by 12.6% YoY to HK\$89.8 million despite an average of 26 days, 10 days and 122 days of business disruption in Shenzhen, Guangzhou and Shanghai, respectively. Revenue from Macau increased slightly by 7.7% YoY to HK\$56.8 million due to an average of 31 days of Compulsory Closure.

Strong growth in medical segment

The Group continues to gain market share in the healthcare services industry through both organic expansion and M&A growth. Revenue from the Group's medical services segment rose by 47.5% YoY to HK\$1,174.8 million, boosting its revenue contribution to 62.1%, of which organic expansion and M&A completed during the first half of FY23 accounted for approximately 90.8% and 9.2% respectively. Organic growth is driven by surged demand effective sales strategy and rising healthcare sentiment. During the interim period, the total valuation of acquisitions executed in the medical segment was HK\$175.1 million. The Group's portfolio of medical services spans 35 specialties and disciplines, and our headcount of full-time and exclusive Registered Practitioners has increased to 293.

Strong growth in other segment

During the interim period, revenue from other services increased by 301.9% YoY to HK\$111.0 million, representing 5.8% of the total revenue, primarily attributable to the M&A expansion into the veterinary sector.

OUTLOOK

Navigate through “Normalisation” to drive organic growth

We remain optimistic and expect a prudent recovery outlook. While Hong Kong local consumption was boosted by the Hong Kong Government’s consumption vouchers and gradually recovers from the Hong Kong Government’s pandemic policy stance towards “Normalisation” with lifting of quarantine measures for inbound travelers, the recessionary market could still pose headwinds to our businesses. Global inflationary pressure could persist which may lead to a prolonged rising cost. Yet, the medical services market remains lucrative and public-private partnership will continue to increase Hong Kong’s private medical spending in the long run. Potential reopening of Hong Kong and Mainland China’s borders would reinstate demand from Mainland tourists, which could weaken the adverse impact of the challenging operation environment.

For Mainland China market, although some tweaks may be in the offing, but there are limited signs of fundamental change in the stringent anti-pandemic policy. The PRC Government recently doubles down on zero-Covid during the 20th National Congress. The Group remains positive for the long-term potential for Mainland China market given the aging population and the rising public burden, but will temporarily put on hold the expansion plan to minimize the uncertainty and deadweight cost.

We strive to improve our operational excellence by enhancing corporate structure and management capability, optimising our resources with priorities through digital transformation. The Group will continue to enhance its talents’ productivity and loyalty through the unique “Co-Owner” and “Servant Leadership” corporate culture.

Strategic partnership to build healthcare ecosystem

We will continue to expand our strategic partnerships with key players in technology, telecom, insurance, property and pharmaceutical industries to form our healthcare ecosystem. Our business operations would benefit from such collaboration. For example, we have entered into a non-legally binding memorandum of understanding (the “MOU”) with AXA Hong Kong & Macau (“AXA”) for a strategic partnership, pledging to work together to provide premium and comprehensive health management services to customers.

Diversified M&A growth to enrich our service proposition

To better serve our customers and partners, we will continue to diversify our services portfolio within the medical and beauty sectors on an accretive basis to enrich our one-stop healthcare and wellness proposition and expand customer's lifetime value. Our corporatization strategy ensures newly acquired brands to effectively integrate with EC Healthcare through a systematic and phased approach to effectively leverage our expertise, investment and resources across various business functions.

Unlock synergy, build scalability and strengthen governance through digital transformation

Given our diverse brand portfolio, our continuous investment in IT infrastructure and digital capability is pivotal to expedite realisation of synergy, build scalability and strengthen governance on the operational front. We strongly believe that this will become our key distinctiveness against other service providers in our ability to deliver personalised customer engagement and experience, drive cross-brand commercial synergy with much streamlined and automated process to yield higher operational efficiency.

Building a sustainable business

At EC Healthcare, we embrace sustainability wholeheartedly and it is one of the key differentiators that allows us to have a competitive advantage over industry peers. We are committed to uphold sustainability principles, especially on commitment to net carbon-zero, social responsibilities and strengthening corporate governance practice. Moving forward, we will excel through our sustainability journey together with our much-valued stakeholders. We will also be proactive in continuously refining our strategies for the overall welfare of our Company and the greater community.

FINANCIAL REVIEW

Revenue

Our revenue increased by 31.1% to HK\$1,893.1 million for the six months ended 30 September 2022 primarily due to the significant increase in the revenue generated from medical services as a result of the increase in the number of customers and their spending under rising healthcare sentiment during the Reporting Period.

Medical Services

Medical services represents all medical services (excluding aesthetic medical services) and dental services offered by the Group. Our revenue from medical services segment represents 62.1% of the Group's total revenue (for the six months ended 30 September 2021: 55.2%) and increased significantly by 47.5% from HK\$796.3 million for the six months ended 30 September 2021 to HK\$1,174.8 million for the six months ended 30 September 2022, primarily attributable to the continued development of new medical services and broadening of services spectrum through organic expansion and acquisition of other medical establishments during the Reporting Period.

Aesthetic Medical and Beauty and Wellness Services

Aesthetic medical and beauty and wellness services represent aesthetics medical, traditional beauty, haircare and ancillary wellness services offered by the Group and the sale of skincare, healthcare and beauty products. Our revenue from aesthetic medical and beauty and wellness services represents 32.1% of the Group's total revenue (for the six months ended 30 September 2021: 42.9%) and decreased by 2.0% from HK\$619.7 million for the six months ended 30 September 2021 to HK\$607.4 million for the six months ended 30 September 2022, due to the Compulsory Closure of the Group's beauty and wellness businesses in Hong Kong and Macau as well as business disruption in Mainland China from COVID-19.

Other Services

Other services mainly represent multi-channel networking and related services and veterinary services. Our revenue from other services represents 5.8% of the total revenue (for the six months ended 30 September 2021: 1.9%) and increased by 301.9% from HK\$27.6 million for the six months ended 30 September 2021 to HK\$111.0 million for the six months ended 30 September 2022, primarily attributable to the expansion of veterinary services during the Reporting Period.

Operating Segment Information

An analysis of the Group's revenue and contribution to results by business segments of the operations for the Reporting Period is set out in note 4.

Other net income and gains

For the six months ended 30 September 2022, our other net income and gains was approximately HK\$58.4 million (for the six months ended 30 September 2021: HK\$19.0 million), representing an increase of 207.7% as compared to the same period last year, primarily due to the government grants of HK\$43.4 million (for the six months ended 30 September 2021: HK\$Nil) which mainly represent subsidies received under the Employment Support Scheme of the Hong Kong Government.

Cost of inventories and consumables

Our cost of inventories and consumables increased to HK\$258.2 million for the six months ended 30 September 2022 (for the six months ended 30 September 2021: HK\$156.7 million), representing an increase of 64.8% as compared to the same period last year, primarily attributable to an increase in the volume of medication and service consumables used, yet its proportion to the total revenue remains steady at 10.9% for the six months ended 30 September 2021 comparing to 13.6% for the six months ended 30 September 2022.

Registered Practitioner expenses

For the six months ended 30 September 2022, we incurred Registered Practitioner expenses of approximately HK\$500.8 million (for the six months ended 30 September 2021: HK\$299.2 million), representing 26.5% of the total revenue. The significant increase of 67.4% as compared to the same period last year was primarily attributable to the increase in the number of Registered Practitioners employed by the Group and the increase of medical services provided.

Employee benefit expenses

For the six months ended 30 September 2022, we incurred employee benefit expenses of approximately HK\$476.7 million (for the six months ended 30 September 2021: HK\$343.3 million), representing 25.2% of the total revenue. An increase of 38.9% as compared to the same period last year was primarily attributable to an increase in remuneration paid as a result of an increase in the number of employees and Sales Volume. As at 30 September 2022, we had 2,557 employees (excluding Registered Practitioners) (as at 30 September 2021: 2,426).

The Group is aware of the importance of talent and culture and is dedicated to retain competent and talented employees by offering them competitive remuneration packages. Their salaries and bonuses were determined with reference to their duties, work experience, performance and prevailing market practices. The Group has adopted a share option scheme, share award scheme and co-ownership plan in place to reward our employees. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong, and provides employees with medical insurance coverage.

Marketing and advertising expenses

For the six months ended 30 September 2022, the Group incurred marketing and advertising expenses of approximately HK\$96.7 million, representing 5.1% of the total revenue (for the six months ended 30 September 2021: 5.1%) and an increase of 31.9% as compared to the same period last year (for the six months ended 30 September 2021: HK\$73.3 million).

Rental and related expenses and depreciation of right-of-use assets

For the six months ended 30 September 2022, the Group incurred rental and related expenses and depreciation of right-of-use assets of approximately HK\$211.8 million (for the six months ended 30 September 2021: HK\$144.4 million), representing 11.2% of the total revenue. The increase of 46.7% as compared to the same period last year was in line with the increase in the g.f.a. of service centres and clinics from approximately 449,000 sq. ft. as at 30 September 2021 to approximately 557,000 sq. ft. as at 30 September 2022.

Credit card expenses

For the six months ended 30 September 2022, the Group incurred credit card expenses of approximately HK\$38.4 million (for the six months ended 30 September 2021: HK\$35.0 million), representing 2.0% of the total revenue and an increase of 9.9% as compared to the same period last year which was in line with the increase in Sales Volume during the Reporting Period.

Other operating expenses

For the six months ended 30 September 2022, the Group incurred other operating expenses of approximately HK\$102.6 million (for the six months ended 30 September 2021: HK\$88.0 million), representing 5.4% of the total revenue. The increase of 16.5% as compared to the same period last year was primarily due to the broadening of our services spectrum.

Profit before tax

For the six months ended 30 September 2022, the Group had profit before tax of approximately HK\$124.4 million (for the six months ended 30 September 2021: HK\$231.7 million), representing a decrease of 46.3% as compared to the same period last year.

Income tax expense

For the six months ended 30 September 2022, the Group incurred income tax expense of approximately HK\$19.2 million, representing a decrease of 46.2% as compared to the same period last year.

Profit for the period/profit margin

For the six months ended 30 September 2022, the Group recorded profit for the period of approximately HK\$105.2 million, representing a decrease of 46.3% as compared to the same period last year and a net profit margin of 5.6% (for the six months ended 30 September 2021: 13.6%), primarily due to (i) the prolonged imposition of travel restrictions and health quarantine arrangements for inbound travelers has greatly weakened our income; (ii) the compulsory closure of the Group's beauty and wellness businesses for 20 days in Hong Kong, an average of 31 days in Macau, as well as business disruption for an average of 10 days, 26 days and 122 days across Guangzhou, Shenzhen and Shanghai respectively; and (iii) the capital expenditures expended on organic expansions of our new medical facilities are yet to enter into service to generate income within the Reporting Period.

LIQUIDITY AND CAPITAL RESOURCES

Financial Resources

We continue to maintain a strong financial position with cash and cash equivalents and time deposits of HK\$709.5 million and HK\$11.0 million respectively as at 30 September 2022. Based on our steady cash inflow from operations, coupled with sufficient cash and bank balances, we have adequate liquidity and financial resources to meet the current working capital requirements as well as to fund our budgeted expansion plans in the next financial year.

As at 30 September 2022, a majority of our cash and bank balances were in Hong Kong dollar.

Use of Proceeds

The Company has carried out a placing of new shares on 8 July 2021. The net proceeds of approximately HK\$248.8 million have been raised. Please refer to the announcement dated 8 July 2021 for more details.

The net proceeds have been fully utilised as at 30 September 2022 according to the intended use previously announced by the Company. The details of the use of net proceeds are set out in the table below.

Intended use of net proceeds as announced	Planned amount to be utilised	Unutilised amount as at 31 March 2022	Actual amount utilised during the Reporting Period	Unutilised amount as at 30 September 2022
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Expand the clinic network of the Company in Hong Kong and the Greater Bay Area in the PRC	99.5	99.5	99.5	–
Mergers and Acquisitions	112.0	–	–	–
General corporate purposes	37.3	–	–	–
Total	248.8	99.5	99.5	–

SUBSEQUENT EVENTS

There were no material subsequent event after 30 September 2022 up to the date of this announcement.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

Our capital expenditures during the six months ended 30 September 2022 were primarily related to the setting up of new clinics and services centres, purchases of operation equipment, which primarily included medical, aesthetic and beauty devices, and expenditure in leasehold improvements. We have financed our capital expenditure through cash flows generated from operating activities.

Capital Commitment

The Board has approved the establishment of imaging centers and integrated medical clinics and entered into agreements to acquire certain property, plant and equipment, with aggregate capital expenditure of approximately HK\$150 million as at 30 September 2022.

NOTIFIABLE TRANSACTIONS

(a) Discloseable transaction — Subscription of Shares in Joint Venture Company for Building a New Commercial Property to be Leased and Used as Medical Centre

On 5 June 2022, Healthy Cameron Property Limited (“Healthy Cameron”) and Union (Group) Investment Limited, both being indirect wholly-owned subsidiaries of the Company, entered into a subscription agreement with Creative Profit Limited (the “JV Company”), 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 and the initial capital contribution is HK\$253,658,100 which comprises of (a) the subscription price in the amount of HK\$7,200 as consideration for the subscription shares; and (b) the shareholder’s loan in the amount of HK\$253,650,900, which is determined based on 30% of the total capitalisation of the JV Company immediately after closing. The JV Company will become an associate of the Company and its financial results will not be consolidated into the financial statements of the Company.

The JV Company currently owns and possesses the title to the property which is located in the core commercial district of Tsim Sha Tsui at Cameron Road. The JV Company 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 sq. ft. mainly as a medical centre and for other clinical use.

Healthy Cameron OpCo (HK) Limited, an indirect wholly-owned subsidiary of the Company, shall also undertake to lease all of the floor areas of the Building (as defined in the announcement of the Company dated 6 June 2022) for an initial term of 5 years at the total rentals and signage licence fees of approximately HK\$97,000,000 per annum payable monthly, with an option to renew for a further term of 5 years at the then prevailing open market rental. Healthy Cameron OpCo (HK) Limited shall have exclusive right to name and manage the building and be entitled to sublease any part of the building during the term of lease.

The subscription of shares in the joint venture was part of the Group's expansion strategy to 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. Completion of the above acquisition took place on 29 July 2022. For details, please refer to the announcements of the Company dated 6 June and 1 August 2022.

(b) Share transaction — Acquisition of additional 7.5% equity interests in a non-wholly owned subsidiary

On 30 September 2022, Team Expert Investment Limited (“Team Expert”), a wholly-owned subsidiary of the Group entered into a sale and purchase agreement with Champion Epoch Ventures Limited (“CEVL”), the sole shareholder of CEVL (the “CEVL Shareholder”), Dynamic Team Holdings Limited (“DTHL”), and the shareholders of DTHL (the “DTHL Shareholders”) to acquire 7.5% equity interests in Prime Inspire Limited (“Prime Inspire”, the “Target Company”), at a consideration of HK\$4,375,515, which shall be satisfied by allotment and issue of an aggregate of 852,922 consideration shares of the Company (the “Consideration Shares”) to CEVL Shareholder and DTHL Shareholders (together, the “Sellers”) under general mandate.

Prime Inspire is a non-wholly owned subsidiary of the Company owned as to 70% by Team Expert, 9.6% by CEVL and 20.4% by DTHL as at 30 September 2022. Upon completion of the acquisition, the Company's interests in Prime Inspire will increase from 70% to 77.5% and the financial results of which will continue to be consolidated into the accounts of the Group.

The issue price of the Consideration Shares of HK\$5.13 represents a premium of approximately 5.12% over the closing price per Share of HK\$4.88 as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement and a discount of approximately 0.08% of the average of the closing price per Share of HK\$5.134 as quoted on the Stock Exchange for the period of 5 consecutive trading days ending on the trading day immediately preceding the date of the Sale and Purchase Agreement. The Consideration Shares represent (i) approximately 0.07% of the existing issued share capital of the Company as at 30 September 2022; and (ii)

approximately 0.07% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. The aggregate nominal value of the Consideration Shares was HK\$8.529. The Consideration Shares were allotted and issued on 10 November 2022 under the general mandate granted by the Shareholders at the annual general meeting held on 23 August 2022, and was not subject to Shareholders' approval.

The Directors are optimistic about the development prospects of the Target Company and consider that an increase in stake in the Target Company through the acquisition would be in the interests of the Company and the Shareholders as a whole. The allotment and issue of the Consideration Shares to the CEVL Shareholder and the DTHL Shareholders will also align their interests with that of the Company for long term value creation for the Group.

For details, please refer to the announcement of the Company dated 30 September 2022.

(c) Discloseable transaction — Acquisition of Pioneer Evolution Limited

On 30 September 2022, Team Expert (as the purchaser), entered into a sale and purchase agreement to acquire 60% equity interests in Pioneer Evolution Limited (“Pioneer Evolution”) at a consideration of HK\$36,400,000 (the “Sale and Purchase Agreement”).

Pioneer Evolution is principally engaged in investment holding, which holds 50.54% issued share capital in Sure-Care Cayman (“Sure-Care”).

Sure-Care 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. As at 30 September 2022, Sure-Care operates 9 clinics in Hong Kong including Mong Kok, Tai Po, Causeway Bay, Tsuen Wan and Jordan with 23 full-time registered medical practitioners.

A profit guarantee arrangement is included in the Sale and Purchase Agreement. Under the arrangement, Dr. Chang Shao (the “Seller”) has agreed to give profit guarantee to each of Team Expert and the Company that the accumulated Net Profit (as defined in the announcement of the Company dated 30 September 2022) for 5 years shall be no less than HK\$70,000,000. The Seller shall compensate Team Expert for any shortfall in accordance with the Sale and Purchase Agreement. Pursuant to the Sale and Purchase Agreement, the Seller shall have the right upon exercise of an option to require Team Expert to purchase from him, (i) up to 50% interests then held by the Seller in Pioneer Evolution following the end of the year ending 31 December 2025, and (ii) up to all interests then held by the Seller in Pioneer Evolution following the end of the Profit Guaranteed Period (as defined therein) provided that the accumulated Net Profit is not less than the accumulated

Guaranteed Net Profit ending the year ending 31 December 2027 (the “Option Shares”). The consideration of the Option Shares payable by Team Expert to the Seller shall be determined by specified formulas, the aggregate of which shall be no greater than HK\$70,800,000.

The acquisition represents a good opportunity for the Group to enhance the specialty offerings in New Territories East and it was part of the Group’s expansion strategy in medical services. For details, please refer to the announcement of the Company dated 30 September 2022.

INDEBTEDNESS

Interest-bearing Bank Borrowings and Gearing Ratio

As at 30 September 2022, the Group had outstanding interest-bearing bank borrowings in the amount of HK\$397.4 million, convertible bonds of HK\$235.7 million and lease liabilities, except for those relating to the properties leased for own use, of HK\$0.2 million. The Group’s gearing ratio (which equals total debt (excluding lease liabilities relating to properties leased for own use) divided by total equity) is 26.3%.

Contingent Liabilities and Guarantees

As at 30 September 2022, the Group had no significant contingent liabilities and guarantees.

Charge over Assets

As at 30 September 2022, investment properties of HK\$197.1 million and ownership interests in land and building held for own use of HK\$32.9 million were pledged for certain bank borrowings.

Further, operation equipment of HK\$1.0 million were held under finance leases.

Foreign Currency Risk

The Group undertakes certain operating transactions in foreign currencies, which expose the Group to foreign currency risk, mainly pertaining to the risk of fluctuations in the Hong Kong dollar and U.S. dollar against Renminbi.

The Group has not used any derivative contracts to hedge against its exposure to currency risk. The management manages the currency risk by closely monitoring the movement of the foreign currency rates and considers hedging against significant foreign exchange exposure should such need arise.

Interest Rate Risk

The Group is not subject to significant interest rate risk. The Group's outstanding convertible bonds were on fixed interest rates. Nevertheless, the Group has loan facilities with floating interest rates. As at 30 September 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables remaining constant, would have decreased/increased the Group's profit after taxation and retained profits by approximately HK\$3.3 million.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, there were no significant investments held by the Company during the Reporting Period, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period. There is no plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

INTERIM DIVIDEND

The Board declared an interim dividend of 5.8 HK cents per Share, which will be payable to Shareholders whose names appear on the register of members of the Company on Friday, 6 January 2023. The interim dividend will be payable in cash and are expected to be paid on or around Friday, 20 January 2023.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining entitlement to the interim dividend, the register of members of the Company will be closed from Friday, 30 December 2022 to Friday, 6 January 2023. In order to qualify for the interim dividend, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, Central, Hong Kong for registration no later than 4:30 p.m. on Thursday, 29 December 2022.

OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules (effective from 1 January 2022). The Company has complied with all code provisions set out in the CG Code during the Reporting Period, save for the deviation from code provision C.2.1 as disclosed below.

Code Provision C.2.1

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company should be separate and should not be performed by the same individual. The roles of chairman and chief executive officer of the Company have been performed by Mr. Tang. Although the dual roles of chairman and chief executive officer is a deviation from the code provision C.2.1 of the CG Code, the Board considers that having Mr. Tang acting as both the chairman and chief executive officer of the Company provides a strong and consistent leadership to the Company and allows the Company to have more effective planning and management. Further, in view of Mr. Tang's extensive experience in the industry, personal profile and roles in the Group and the historical development of the Group, the Board considers that it is appropriate and beneficial to the business prospects of the Group that Mr. Tang continues to act as both the chairman and chief executive officer of the Company. Mr. Lu Lyn Wade Leslie, an executive Director, is the co-chief executive officer of the Company. The Board intends to regularly review the operations of the Company under Mr. Tang's leadership, and does not believe that this arrangement will have a negative influence on the balance of power between the Board and the management of the Group.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry, all the Directors confirmed that they have complied with the required standards set out in the Model Code during the Reporting Period.

Senior management, executives and staff who, because of their offices in the Company, are likely to possess inside information, have also been requested to comply with the Model Code. No incident of non-compliance with the Model Code by such employees was noted by the Company during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS

The Audit Committee, which comprises three independent non-executive Directors, has reviewed the unaudited interim condensed consolidated financial statements of the Group for the Reporting Period, and was of the opinion that the preparation of such interim results had been prepared in accordance with the relevant accounting standards and that adequate disclosures have been made in accordance with the requirements of the Listing Rules, the applicable accounting standard and all legal requirements.

The figures of the Group’s results for the six months ended 30 September 2022 in this announcement have been reviewed and agreed by the Audit Committee.

DEFINITIONS

“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules, as amended from time to time
“Chinese Medicine Practitioner(s)”	person(s) who is (are) registered as registered Chinese medicine practitioner(s) of the Chinese Medicine Council of Hong Kong under the Register of Chinese Medicine Practitioners kept in accordance with the Chinese Medicine Ordinance
“Company”	EC Healthcare 醫思健康 (formerly known as Union Medical Healthcare Limited (香港醫思醫療集團有限公司*)), an exempted Company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Compulsory Closure”	the order of closure of venues under the Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation (Cap. 599F of the Laws of Hong Kong)
“Director(s)”	the director(s) of the Company
“EBITDA”	earnings before interests, taxation, depreciation-owned property, plant and equipment and amortisation
“Greater Bay Area”	city cluster cross the Guangdong-Hong Kong-Macau region, consisting of Hong Kong, Macau and nine cities in Guangdong Province, namely, Dongguan, Foshan, Guangzhou, Huizhou, Jiangmen, Shenzhen, Zhaoqing, Zhongshan and Zhuhai
“Greater China”	Mainland China, Hong Kong, Macau and Taiwan
“Group”	the Company and its subsidiaries

“g.f.a.”	gross floor area
“Healthcare Professionals”	person(s) registered with the respective boards or councils before he/she is allowed to practise in Hong Kong under the relevant laws of Hong Kong as may be amended, supplemented or otherwise modified from time to time. The 13 healthcare professionals comprise Chinese medicine practitioners, chiropractors, dental hygienists, dentists, medical laboratory technologists, medical practitioners, midwives, nurses, pharmacists, occupational therapists, optometrists, physiotherapists and radiographers
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“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
“M&A”	merger and acquisition
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Macau Doctor(s)”	doctor(s) licensed by and registered with the department of health in Macau (澳門特別行政區政府衛生局)
“Medical Professionals”	Healthcare Professionals, excluding Registered Practitioners
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Mr. Tang”	Mr. Tang Chi Fai, the chairman, executive Director and the chief executive officer of the Company
“PRC”	the People’s Republic of China

“PRC Doctor(s)”	medical practitioner(s) with the qualification of a doctor (醫師) or assistant doctor (執業助理醫師) under the PRC Law on Medical Practitioners (中華人民共和國執業醫師法) and is practicing at a medical or healthcare institution
“Registered Practitioner(s)”	registered dentist within the meaning of the Dentists Registration Ordinance (Cap. 156), registered medical practitioner within the meaning of the Medical Registration Ordinance (Cap. 161), registered chiropractor within the meaning of the Chiropractors Registration Ordinance (Cap. 428), listed or registered Chinese medicine practitioner within the meaning of the Chinese Medicine Ordinance (Cap. 549), Macau Doctors and PRC Doctors
“Reporting Period”	six months ended 30 September 2022
“Sales Volume”	being the total sales volume generated from contracted sales entered into, and all products and services offered by the Group
“Share(s)”	ordinary share(s) in the share capital of the Company with par value of HK\$0.00001 each
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“YoY”	year-on-year
“%”	per cent.

By Order of the Board
EC Healthcare
Raymond Siu
Company Secretary

Hong Kong, 24 November 2022

As at the date of this announcement, the board of Directors comprises five executive Directors, namely 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, namely Mr. Luk Kun Shing Ben, and three independent non-executive Directors, namely Mr. Ma Ching Nam, Mr. Look Andrew and Mr. Au Tsun.