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EC Healthcare
醫思健康

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2138)

SUPPLEMENTAL ANNOUNCEMENT
ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2023

Reference is made to the annual report of EC Healthcare (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 March 2023 (the “**Reporting Period**”). The Company is pleased to provide the following supplemental information to the shareholders and potential investors of the Company.

Performance Guarantee

Reference is made to (i) the announcement of the Company dated 29 November 2021 regarding the acquisition of shares in Bayley & Jackson Dental Surgeons Limited, (ii) the announcement of the Company dated 15 June 2021 regarding the acquisition of veterinary business (including the target companies (the “**Target Companies (Veterinary Business)**”) named King Equity Investments Limited (“**King Equity**”), Eternal Harvest International Limited (“**Eternal Harvest**”), Hong Kong Veterinary Imaging Centre Limited (“**HKVIC**”) and Crown Leader Limited (“**Crown Leader**”) (the “**Acquisition of Veterinary Business**”) and (iii) the announcement of the Company dated 2 November 2016 regarding the acquisition of shares in Good Union Corporation Limited and Good Union Medical Limited (collectively, the “**Acquisitions**”).

The Company is pleased to announce that, as at 23 June 2023, being the date of the annual report for the year ended 31 March 2023 (the “**2022/23 Annual Report Date**”), all relevant profit guarantees given by the relevant parties up to the year ended 31 March 2022, which were calculated based on the agreed formula, have been met. There have been no change in the terms of the profit guarantees since the respective dates of the agreement in respect of the Acquisitions.

In this connection, for the Acquisitions of Veterinary Business, (i) each of Dr. Tiang Hai Hean and Dr. Tan Shyue Wei guarantees that the net profit of King Equity for the year ended 31 March 2022 shall be no less than HK\$14,910,000 and (ii) Dr. Tiang Hai Hean guarantees that the aggregate net profit of Eternal Harvest, HKVIC and Crown Leader for the year ended 31 March 2022 shall be no less than HK\$8,140,000. According to the audited financial statements for the year ended 31 March 2022, the net profit of King Equity was HK\$10,455,428 and the aggregate net profit of Eternal Harvest, HKVIC and Crown Leader was HK\$6,509,788 respectively. Therefore, if solely based on the audited financial statements of the aforesaid companies without any adjustment, there was shortfall of (for King Equity) approximately HK\$4,455,000 and (for Eternal Harvest, HKVIC and Crown Leader) approximately HK\$1,630,000 for satisfying the profit guarantees. Nevertheless,

according to the relevant sale and purchase agreements in respect of the Acquisition of Veterinary Business dated 15 June 2021, the net profit shall be subject to various adjustments, including, inter alia, only profits and losses derived from the ordinary course of business of the Target Companies (Veterinary Business) shall be included. Before acquisition of the Target Companies (Veterinary Business) by the Company, the management personnel of the Target Companies (Veterinary Business) were paid significant amount of salaries from those companies, which exceeded the market standards. The Directors considered that those salary payments should be treated as outside the ordinary course of business and only salaries which commensurate the market levels should be taken into account in the determination of the net profits of the Target Companies (Veterinary Business). Given the aforesaid, the salary payments in the aggregate amount of (for King Equity) approximately HK\$5.23 million and (for Eternal Harvest HKVIC and Crown Leader) approximately HK\$777,000 were not taken into account in the determination of the net profit of the Target Companies (Veterinary Business) and adjustments have been made to the net profits accordingly and only salaries which were in line with the market rate were taken into account. If the aforesaid adjustments were not made, the Target Companies (Veterinary Business) were not able to meet the profit guarantee. The Directors were of the view that such adjustments were in line with the market rate and were fair and reasonable. It must be stressed that such salaries are no longer available after the acquisition of the Target Companies (Veterinary Business).

As at the 2022/23 Annual Report Date, the profit guarantees for the year ended 31 March 2023 were still subject to the final determination of the Company.

Share Schemes

Share Option Scheme

The number of share options available for grant under the share option scheme of the Company adopted on 19 February 2016 (the “**Share Option Scheme**”) was 60,707,500 as at 1 April 2022 and 57,207,500 as at 31 March 2023 respectively.

Share Award Scheme

All award shares under the share award scheme of the Company adopted on 27 June 2016 (the “**Share Award Scheme**”) was funded by existing shares of the Company. There was no grant of awards during the period from 1 April 2020 to 31 March 2023.

Co-ownership Scheme

All the participants of the co-ownership scheme of the Company adopted on 16 April 2020 (the “**Co-ownership Scheme**”) were invited to join the scheme in April 2020 and those who agreed to join the scheme have settled their respective investment amount or contribution shares before the end of May 2020. The trustee of the Co-ownership Scheme has acquired the award shares on the market during the period between July and October 2020. Other than the investment amount and/ or the contribution shares, no separate amount shall be payable on acceptance of the awards by the participants. There was no awards available for grant under the Co-ownership Scheme as at 1 April 2022 and 31 March 2023.

The maximum entitlement of (i) the employees of the Group (who are not directors of the Company) is 12,042,893 award shares (ii) the directors of the Company is 1,225,686 award shares and (iii) other connected person/ service providers of the Group is 8,686,779 award shares.

The Co-ownership Scheme was terminated at the extraordinary general meeting of the Company held on 29 May 2023.

During the Reporting Period, 476,138 awards have lapsed due to termination of employment of the relevant employee and there were no awards granted/ exercised/ vested/ cancelled.

Categories of participants	Unvested awards granted as at 1 April 2022	Awards lapsed during the Reporting Period	Awards granted/ exercised/ vested/ cancelled during the Reporting Period	Unvested awards as at 31 March 2023
Employees	8,504,763	(476,168)	-	8,028,595
Directors			-	
- Lee Heung Wing	380,500	-		380,500
- Wong Chi Cheung Gemini	436,624	-		436,624
Other connected person/ service providers	5,791,186		-	5,791,186
Total	<u>15,113,073</u>	<u>(476,168)</u>	-	<u>14,636,905</u>

The vesting period was originally from the date on which the participants contributed their respective investment amount or contribution shares, which was in around May 2020 to the date of publication of the annual results of the Company for the Reporting Date, i.e. 23 June 2023. Nevertheless, the Co-ownership Scheme was terminated on 29 May 2023.

The purchase price of award shares was determined based on the (i) HK\$5.3201, being 30-trading-day volume weighted average closing price of the Shares on the Stock Exchange, where such period ended on 24 February 2020, and (ii) the prevailing market price at the time of share purchases by the plan trustee; whichever is lower.

No shares may be issued under the Share Award Scheme and the Co-ownership Scheme during the Reporting Period. For the Share Option Scheme, the number of Shares that may be issued in respect of options granted under the Share Option Scheme represents approximately 0.45% of the weighted average number of Shares in issue for the Reporting Period.

During the meeting of the remuneration committee of the Company held on 23 June 2023, the committee has reviewed the various share schemes of the Company, and considered that there is specific matter that need to be adjusted, amended or abolished.

By Order of the Board
EC Healthcare
Raymond Siu
Company Secretary

Hong Kong, 30 November 2023

As at the date of this announcement, the executive directors of the Company are Mr. Tang Chi Fai, Mr. Lu Lyn Wade Leslie, Mr. Lee Heung Wing and Mr. Wong Chi Cheung; the non-executive director of the Company is Mr. Luk Kun Shing Ben; and the independent non-executive directors of the Company are Mr. Ma Ching Nam, Mr. Look Andrew and Mr. Au Tsun.