

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**EC Healthcare**  
**醫思健康**

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

## **DISCLOSEABLE TRANSACTIONS IN RELATION TO ACQUISITIONS OF VETERINARY BUSINESS**

### **THE ACQUISITIONS**

The Board is pleased to announce that on 15 June 2021 (before trading hours), the Group entered into the Agreements with the Vendor(s), pursuant to which the Group has conditionally agreed to acquire, and the Vendor(s) has conditionally agreed to sell, the Sale Shares representing 51% equity interests in the Target Companies for a total consideration of HK\$66,000,000 in cash.

The Agreements are inter-conditional on each other. Upon Completion of the Acquisitions, the Group shall own 51% of the issued share capital of the Target Companies and the Target Companies will become indirect non wholly-owned subsidiaries of the Company. The financial results of the Target Companies will be consolidated into the consolidated financial statements of the Group.

### **LISTING RULES IMPLICATIONS**

Since the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Acquisitions, which shall be aggregated pursuant to Rule 14.22 of the Listing Rules, exceeds 5% and all applicable percentage ratios are less than 25%, the Acquisitions constitute disclosable transactions for the Company under the Listing rules and are therefore 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 to the Agreements 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 15 June 2021 (before trading hours), the Group entered into the Agreements with the Vendor(s), pursuant to which the Group has conditionally agreed to acquire, and the Vendor(s) has conditionally agreed to sell, the Sale Shares representing 51% equity interests in the Target Companies for a total consideration of HK\$66,000,000 in cash.

The Agreements are inter-conditional on each other. Upon Completion of the Acquisitions, the Group shall own 51% of the issued share capital of the Target Companies and the Target Companies will become indirect non wholly-owned subsidiaries of the Company. The financial results of the Target Companies will be consolidated into the consolidated financial statements of the Group.

The principal terms of the Agreements are set out below:

#### **THE FIRST SALE AND PURCHASE AGREEMENT**

<b>Date</b>	: 15 June 2021
<b>Vendors</b>	: Dr. Tiong and Dr. Tan, each held 50% issued share capital in King Equity respectively.
<b>Purchaser</b>	: High Group, an indirect wholly-owned subsidiary of the Company.
<b>Assets to be acquired</b>	: An aggregate of 51% issued share capital in King Equity, comprising 25.5% and 25.5% from Dr. Tiong and Dr. Tan, respectively. For details of King Equity, please refer to the section headed “Information about the Vendors and the Target Companies”.
<b>Consideration and payment terms</b>	: The aggregate consideration for the acquisition of the King Equity Sale Shares is HK\$48,300,000, and shall be satisfied in cash and paid upon Completion.

#### **THE SECOND SALE AND PURCHASE AGREEMENT**

<b>Date</b>	: 15 June 2021
<b>Vendor</b>	: Dr. Tiong, who held 100%, 95% and 85% issued share capital of Eternal Harvest, HKVIC and Crown Leader, respectively.
<b>Purchaser:</b>	: High Group, an indirect wholly-owned subsidiary of the Company.
<b>Assets to be acquired</b>	: 51% issued share capital in each of Eternal Harvest, HKVIC and Crown Leader. For details of Eternal Harvest, HKVIC and Crown Leader, please refer to the section headed “Information about the Vendors and the Target Companies”.
<b>Consideration and payment terms</b>	: The consideration for the acquisitions of the Eternal Harvest Sale Shares, HKVIC Sale Shares and Crown Leader Sale Shares are HK\$17,700,000, HK\$850,000, and HK\$850,000 respectively, and shall be satisfied in cash and paid upon Completion.

#### **CONDITIONS PRECEDENT AND COMPLETION OF THE AGREEMENTS**

##### **Conditions Precedent**

Completion of each of the Agreements is conditional on the fulfilment (or waiver) of the following conditions:

- (a) the Purchaser having completed its business, financial and legal due diligence review in all aspects on the respective Target Companies and the veterinary practice of the respective Vendor(s) and the results of which are satisfactory to the Purchaser;

- (b) all requisite consents, license and approvals from any relevant government authorities, regulatory bodies, any persons or corporations with any business relationship with the respective Target Companies or the respective Vendor(s) or other relevant third parties in Hong Kong or elsewhere having been obtained;
- (c) the conditions precedent under the First Sale and Purchase Agreement (in the case of Second Sale and Purchase Agreement) and the Second Sale and Purchase Agreement (in the case of First Sale and Purchase Agreement) having been fulfilled or waived and completion of the First Sale and Purchase Agreement and the Second Sale and Purchase Agreement taking place in accordance with its terms simultaneously;
- (d) the warranties provided by the Vendor(s) under the respective Agreement remaining true and accurate and not misleading;
- (e) the shareholders' loans or the amount as due to the respective Target Companies from the relevant Vendor(s) or any balance in similar nature having been waived in form and substance satisfactory to the Purchaser; and
- (f) there has been no material adverse change of the relevant Target Companies from the date of the respective Agreement and including and up to the Completion Date.

### Completion

Subject to the fulfilment (or where applicable, waiver) of the Conditions Precedent, Completion of the Agreements shall take place on the Completion Date or such other time to be agreed by the relevant Vendor(s) and the Purchaser. Upon Completion of the Acquisitions, (i) 51%, 24.5% and 24.5% of the entire issued share capital of King Equity will be held by the Purchaser, Dr. Tiong and Dr. Tan respectively, (ii) 51% and 49% of the entire issued share capital of Eternal Harvest will be held by the Purchaser and Dr. Tiong respectively, (iii) 51%, 44% and 5% of the entire issued share capital of HKVIC will be held by the Purchaser, Dr. Tiong and the other independent third party respectively, (iv) 51%, 34% and 15% of the entire issued share capital of Crown Leader will be held by the Purchaser, Dr. Tiong and Better Gain Limited, a company wholly owned by Dr. Tan.

### Profit Guarantee

(i) Each of Dr. Tiong and Dr. Tan guarantees to each of the Purchaser and the Company that the Net Profit of King Equity; and (ii) Dr. Tiong guarantees to each of the Purchaser and the Company that the aggregate Net Profit of Eternal Harvest, HKVIC and Crown Leader ("**Profit Guarantee**"), ending each Profit Guaranteed Year shall be no less than the summation of each of the respective guaranteed net profit from Year 1 to ending that Year as set out below ("**Guaranteed Net Profit**"):

<b>Profit Guaranteed Year ending</b>	<b>Guaranteed Net Profit of King Equity</b>	<b>Aggregate Guaranteed Net Profit of Eternal Harvest, HKVIC and Crown Leader</b>
Year 1	HK\$14,910,000	HK\$8,140,000
Year 2	HK\$15,656,000	HK\$8,954,000
Year 3	HK\$16,439,000	HK\$9,849,000
Year 4	HK\$17,261,000	HK\$10,834,000
Year 5	HK\$18,124,000	HK\$11,917,000
Year 6	HK\$19,030,000	-
Year 7	HK\$19,982,000	-
<b>Total:</b>	<b>HK\$121,402,000</b>	<b>HK\$49,694,000</b>

### Profit Shortfall Payback

(i) Each of Dr. Tiong and Dr. Tan undertakes that if the Net Profit of King Equity is less than the Guaranteed Net Profit for any of the Profit Guaranteed Year ending such year; and (ii) Dr. Tiong

undertakes that if the aggregate Net Profit of Eternal Harvest, HKVIC and Crown Leader is less than the Guaranteed Net Profit for the Profit Guaranteed Year ending such year, they/he shall pay the Purchaser an amount equivalent to the Profit Shortfall Payback within 30 days after the date on which the Net Profit for the relevant Profit Guaranteed Year is determined.

#### *Compensation Payback*

In respect of each of the Profit Guarantee, in the event that, (a) the Net Profit is greater than the Guaranteed Net Profit for any of the Profit Guaranteed Year; (b) the summation of Profit Shortfall Payback paid by the Vendor(s) to the Purchaser is greater than the summation of Compensation Payback paid by the Purchaser to the Vendor(s); and (c) in the absence of fraud, wilful misconduct, gross negligence and dishonesty of the Vendor(s), the Purchaser shall pay the Vendor(s) equivalent to the summation of the Profit Shortfall Payback paid by the Vendor(s) to the Purchaser after deducting (if any) the summation of the Compensation Payback paid by the Purchaser (“**Compensation Payback**”).

### **SHAREHOLDERS’ AGREEMENTS**

According to each of the Agreements, among others, the Purchaser, the relevant Vendor(s) and the relevant Target Company shall enter into a shareholders’ agreement prior to or upon Completion, in relation to, among other matters, the affairs, business and management of the Target Company, and the relationship among the shareholders of the Target Company.

### **INFORMATION ABOUT THE VENDORS AND THE TARGET COMPANIES**

The Vendors are registered veterinary surgeons in Hong Kong. According to the information provided by Dr. Tan, he is holding 80,000 shares of the Company as at the date of this announcement. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, save as disclosed above, each of the Vendors and the Target Companies is a third party independent of the Company and its connected person (as defined under the Listing Rules).

The Target Companies are principally engaged in the provision of veterinary services in Hong Kong. As at the date of this announcement, the Target Companies operate two veterinary hospitals and two veterinary imaging centres in Hong Kong with 14 registered veterinary surgeons, each Target Company operates a veterinary hospital / veterinary imaging centre.

Set out below is the unaudited aggregate financial information of the Target Companies for the two financial years ended 31 March 2020 and 2021 prepared in accordance with SME-FRS:

	<b>For the year ended 31 March 2020 (unaudited) HK\$’000</b>	<b>For the year ended 31 March 2021 (unaudited) HK\$’000</b>
Profit before tax	8,988	24,886
Profit after tax	7,699	21,871
Net assets	8,410	30,281

### **REASONS FOR AND BENEFITS OF THE ACQUISITIONS**

The Group is the largest non-hospital medical service provider in Hong Kong (according to Frost & Sullivan’s data and based on the Group’s revenue for the calendar year of 2020), providing medical, aesthetic medical and healthcare services. The vision of the Group is to provide safe, professional and effective services within its enclosed eco-system.

According to the Census and Statistics Department, it was estimated that in 2018 there were approximately 405,200 cats and dogs kept by households in Hong Kong and approximately 241,900

households were keeping cats and dogs, representing 9.4% of all households in Hong Kong. There are 1,066 registered veterinary surgeons (as at 30 September 2020, according to the Veterinary Surgeons Board of Hong Kong) and 184 veterinary clinics (as at 23 July 2020, according to the Agriculture, Fisheries and Conservation Department) in Hong Kong.

In view of the demand for veterinary services in Hong Kong, the fragmented veterinary market in Hong Kong and the similarity between the operation of medical clinics and veterinary clinics, the Company aims to consolidate the veterinary market and promote corporatisation for veterinary business. The Company is optimistic about the prospect of the Target Companies and considers that the Acquisitions will (i) allow synergies to be achieved between the business of the Target Companies and that of the Group; (ii) diversify the Group's business portfolio; (iii) provide a new source of income to the Group; (iv) provide a new source of clientele for the Group's existing businesses; and (v) enhance the loyalty of the Group's existing customers by expanding the scope of services provided.

The terms of the Agreements, including the consideration, were determined on arm's length negotiations between the parties with reference to the business and expertise of the Target Companies, the profitability of the Target Companies, the extent of the Profit Guarantee and prospects of the Target Companies. Having considered the above, the Directors believe that the terms of the Agreements and the Acquisitions are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Since the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Acquisitions, which shall be aggregated pursuant to Rule 14.22 of the Listing Rules, exceeds 5% and all applicable percentage ratios are less than 25%, the Acquisitions constitute disclosable transactions for the Company under the Listing rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise appears, the following expressions shall have the following meaning:

“Acquisitions”	the sales of the Sale Shares by the Vendor(s) to the Purchaser pursuant to the Agreements
“Agreements”	the First Sale and Purchase Agreement and the Second Sale and Purchase Agreement
“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(s) pursuant to the respective Agreement

“Completion Date”	the 3 <sup>rd</sup> Business Day immediately following the day on which all the Conditions Precedent have been satisfied, and no later than two months after the date of the Agreements, or such later date as the Purchaser and the relevant Vendor(s) may agree
“Crown Leader”	Crown Leader Limited 鋒冠有限公司, a company incorporated under the laws of Hong Kong with limited liability. As at the date of this announcement, 85% and 15% of its entire issued share capital is held by Dr. Tiong and Better Gain Limited, a company wholly owned by Dr. Tan
“Crown Leader Sale Shares”	5,100 ordinary shares of Crown Leader, representing 51% of the entire issued share capital of Crown Leader
“Director(s)”	the director(s) of the Company
“Dr. Tan”	Dr. Tan Shyue Wei
“Dr. Tiong”	Dr. Tiong Hai Hean
“Eternal Harvest”	Eternal Harvest International Limited 溢豐國際有限公司, a company incorporated under the laws of Hong Kong with limited liability. As at the date of this announcement, 100% of the entire issued share capital is held by Dr. Tiong
“Eternal Harvest Sale Shares”	5,100 ordinary shares of Eternal Harvest, representing 51% of the entire issued share capital of Eternal Harvest
“First Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 15 June 2021 entered into between the Company, the Purchaser and the Vendors in respect of the King Equity Sale Shares
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKVIC”	Hong Kong Veterinary Imaging Center Limited 香港獸醫映像中心有限公司, a company incorporated under the laws of Hong Kong with limited liability. As at the date of this announcement, 95% and 5% of its entire issued share capital is held by Dr. Tiong and an independent third party
“HKVIC Sale Shares”	510 ordinary shares of HKVIC, representing 51% of the entire issued share capital of HKVIC
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“King Equity”	King Equity Investments Limited 亨潤投資有限公司, a company incorporated under the laws of Hong Kong with limited liability. As at the date of this announcement, 50% and 50% of its entire issued share capital is held by Dr. Tiong and Dr. Tan, respectively
“King Equity Sale Shares”	5,100 ordinary shares of King Equity, representing 51% of the entire issued share capital of King Equity
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Net Profit”	the summation of each of the net profit during the Profit Guaranteed Period from Year 1 to ending that Year, which shall be determined with reference to the audited accounts of the relevant Target Compan(ies) issued by the appointed accountants and subject to certain adjustments
“Profit Guaranteed Year”	any of a year during the profit guaranteed period commencing from the date of 1 April of a year ending the date of 31 March of the next year (both dates inclusive), save for the profit guaranteed year ending Year 1 which means the period commencing from the Completion Date to Year 1
“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
“Profit Shortfall Payback”	the Profit Shortfall times 51% to be deducted by summation of Profit Shortfall Payback paid by the relevant Vendor(s) to the Purchaser for the previous year(s)
“Purchaser” or “High Group”	High Group Corporation Limited, a company incorporated under the laws of Hong Kong with limited liability
“Sale Shares”	collectively, King Equity Sale Shares, Eternal Harvest Sale Shares, HKVIC Sale Shares and Crown Leader Sale Shares
“Second Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 15 June 2021 entered into between the Company, the Purchaser and Dr. Tiong in respect of the Eternal Harvest Sale Shares, HKVIC Sale Shares and Crown Leader Sale Shares
“SME-FRS”	the Hong Kong Small and Medium-Sized Equity Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountant
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	collectively, King Equity, Eternal Harvest, HKVIC and Crown Leader
“Vendors”	Dr. Tan and Dr. Tiong
“Year 1”	31 March 2022
“Year 2”	31 March 2023
“Year 3”	31 March 2024
“Year 4”	31 March 2025
“Year 5”	31 March 2026
“Year 6”	31 March 2027
“Year 7”	31 March 2028
“Year”	collectively, Year 1, Year 2, Year 3, Year 4, Year 5, Year 6 and Year 7 and each as a “Year”

By order of the Board  
**EC Healthcare**  
**Raymond Siu**  
*Company Secretary*

Hong Kong, 15 June 2021

*As at the date of this announcement, the board of Directors comprises four executive Directors, namely Mr. Tang Chi Fai, Mr. Lee Gabriel, Mr. Lee Heung Wing and Mr. Wong Chi Cheung; two non-executive Directors, namely Mr. Luk Kun Shing Ben and Dr. Wang Steven Dasong, and three independent non-executive Directors, namely Mr. Ma Ching Nam, Mr. Look Andrew and Mr. Lam Chi Hang Josekin.*