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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 2021**

INTERIM RESULTS HIGHLIGHTS

- Sales Volume during the period increased by 61.8% from HK\$946.8 million for the six months ended 30 September 2020 to HK\$1,532.1 million for the six months ended 30 September 2021.
- Total revenue increased by 81.1% from HK\$797.4 million for the six months ended 30 September 2020 to HK\$1,443.7 million for the six months ended 30 September 2021.
- Net profit increased by 267.8% from HK\$53.3 million for the six months ended 30 September 2020 to HK\$196.1 million for the six months ended 30 September 2021.
- Basic earnings per share for the six months ended 30 September 2021 amounted to 14.2 HK cents (six months ended 30 September 2020: 4.4 HK cents).
- The Board declared an interim dividend of 10.2 HK cents per Share, which will be payable in cash.

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 2020 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	2021 HK\$ (Unaudited)	2020 HK\$ (Unaudited)
REVENUE	5	1,443,680,390	797,366,815
Other net income and gains	6	18,986,797	17,481,537
Cost of inventories and consumables		(156,653,021)	(92,963,685)
Registered practitioner expenses		(299,167,785)	(148,759,287)
Employee benefit expenses		(343,259,619)	(228,684,847)
Marketing and advertising expenses		(73,310,063)	(50,394,849)
Rental and related expenses		(30,432,942)	(27,530,921)
Depreciation — right-of-use assets		(113,940,167)	(80,026,661)
Depreciation — owned property, plant and equipment		(43,859,092)	(36,662,929)
Amortisation of intangible assets		(30,400,663)	(8,954,121)
Credit card expenses		(34,965,966)	(21,929,148)
Finance costs	7	(18,331,646)	(9,104,666)
Other expenses		(88,029,753)	(49,461,521)
Share of profits less losses of joint ventures		796,811	496,199
Share of profit of an associate		604,938	—
PROFIT BEFORE TAX	8	231,718,219	60,871,916
Income tax	9	(35,653,463)	(7,567,999)
PROFIT FOR THE PERIOD		196,064,756	53,303,917
Attributable to:			
Equity shareholders of the Company		160,207,600	43,928,321
Non-controlling interests		35,857,156	9,375,596
PROFIT FOR THE PERIOD		196,064,756	53,303,917
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		<i>HK cents</i>	<i>HK cents</i>
	10		
Basic		14.2	4.4
Diluted		14.0	4.4

<i>Notes</i>	2021 HK\$ (Unaudited)	2020 HK\$ (Unaudited)
PROFIT FOR THE PERIOD	196,064,756	53,303,917
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>(443,089)</u>	<u>(765,698)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>195,621,667</u>	<u>52,538,219</u>
Attributable to:		
Equity shareholders of the Company	159,764,511	43,162,623
Non-controlling interests	<u>35,857,156</u>	<u>9,375,596</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>195,621,667</u>	<u>52,538,219</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	<i>Notes</i>	As at 30 September 2021 HK\$ (Unaudited)	As at 31 March 2021 HK\$ (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	826,921,625	792,004,597
Investment properties	11	186,300,000	186,300,000
Goodwill		572,475,597	477,355,992
Intangible assets		481,478,532	511,627,295
Interest in joint ventures		50,998,785	53,204,474
Interest in an associate		604,938	–
Rental and other deposits	13	90,910,337	66,890,894
Prepayments and other receivables	13	141,867,521	169,304,410
Financial assets at fair value through profit or loss	14	95,631,288	92,510,888
Deferred tax assets		<u>30,207,152</u>	<u>26,547,997</u>
Total non-current assets		<u>2,477,395,775</u>	<u>2,375,746,547</u>
CURRENT ASSETS			
Inventories		59,494,942	39,524,076
Trade receivables	12	202,199,796	178,984,435
Prepayments, deposits and other receivables	13	228,119,812	191,106,358
Deferred costs	5	97,426,686	63,181,589
Financial assets at fair value through profit or loss	14	2,156,093	2,884,868
Tax recoverable		3,239,439	3,239,439
Time deposits with original maturity over 3 months	15	1,072,716	4,751,078
Cash and cash equivalents	15	<u>1,471,447,032</u>	<u>931,063,153</u>
Total current assets		<u>2,065,156,516</u>	<u>1,414,734,996</u>
CURRENT LIABILITIES			
Trade payables	16	41,603,576	46,657,207
Other payables and accruals	17	221,538,847	168,446,521
Bank borrowings		85,151,997	287,348,215
Lease liabilities		228,790,642	207,452,990
Deferred revenue	5	603,695,696	562,535,941
Current tax payable		<u>81,873,244</u>	<u>44,786,208</u>
Total current liabilities		<u>1,262,654,002</u>	<u>1,317,227,082</u>
NET CURRENT ASSETS		<u>802,502,514</u>	<u>97,507,914</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,279,898,289</u>	<u>2,473,254,461</u>

	<i>Notes</i>	As at 30 September 2021 HK\$ (Unaudited)	As at 31 March 2021 HK\$ (Audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		74,742,866	74,747,338
Lease liabilities		249,165,821	294,787,392
Other payables	<i>17</i>	220,115,116	220,115,116
Provision for reinstatement costs	<i>17</i>	13,000,000	13,000,000
Convertible bonds		226,533,484	239,818,973
		<hr/>	<hr/>
Total non-current liabilities		783,557,287	842,468,819
		<hr/>	<hr/>
NET ASSETS		2,496,341,002	1,630,785,642
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Share capital	<i>18</i>	11,771	10,710
Reserves		2,107,671,520	1,268,734,402
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company		2,107,683,291	1,268,745,112
Non-controlling interests		388,657,711	362,040,530
		<hr/>	<hr/>
TOTAL EQUITY		2,496,341,002	1,630,785,642
		<hr/>	<hr/>

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 2021 and 2020 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 2021, 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 2021. 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 2021.

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 HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

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) Aesthetics medical, beauty and wellness and sale of skincare, healthcare and beauty products; and
- (c) Multi-channel networking.

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 an associate and joint ventures and financial assets at fair value through profit or loss. 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)/gain 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 profit of an associate and head office and other corporate expenses are excluded from such measurement.

For the six months ended 30 September

	Medical		Aesthetic medical, beauty and wellness and sale of skincare, healthcare and beauty products		Multi-channel networking		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Reportable segment revenue	758,432,894	361,353,031	657,629,569	406,491,400	32,614,896	34,089,495	1,448,677,359	801,933,926
Less: Inter-segment revenue	-	-	-	-	(4,996,969)	(4,567,111)	(4,996,969)	(4,567,111)
Revenue from external customers	<u>758,432,894</u>	<u>361,353,031</u>	<u>657,629,569</u>	<u>406,491,400</u>	<u>27,617,927</u>	<u>29,522,384</u>	<u>1,443,680,390</u>	<u>797,366,815</u>
Segment result	91,365,774	36,853,972	118,756,747	21,679,780	3,463,022	3,334,964	213,585,543	61,868,716
Bank interest income							882,137	667,092
Other interest income							177,633	-
Unrealised and realised (loss)/gain on financial assets at fair value through profit or loss, net							(1,608,775)	7,989,829
Rental income from investment properties							2,333,943	2,551,506
Share of profits less losses of joint ventures							796,811	496,199
Share of profit of an associate							604,938	-
Others							14,945,989	(12,701,426)
Consolidated profit before tax							<u>231,718,219</u>	<u>60,871,916</u>
As at 30 September 2021/ 31 March 2021								
Reportable segment assets	2,139,126,000	1,817,646,992	1,986,314,580	1,542,034,889	81,420,607	95,899,432	4,206,861,187	3,455,581,313
Reportable segment liabilities	<u>794,517,416</u>	<u>696,993,360</u>	<u>849,869,275</u>	<u>844,124,073</u>	<u>56,571,097</u>	<u>54,877,084</u>	<u>1,700,957,788</u>	<u>1,595,994,517</u>

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 is as follows:

	For the six months ended	
	30 September	
	2021	2020
	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)	(Unaudited)
Revenue		
Medical services	758,432,894	361,353,031
Aesthetic medical services	399,888,868	248,610,702
Beauty and wellness services	218,560,687	135,682,991
Skincare, healthcare and beauty products	39,180,014	22,197,707
Multi-channel networking and related services	27,617,927	29,522,384
	<u>1,443,680,390</u>	<u>797,366,815</u>
Disaggregated by geographical location of customers		
— Hong Kong	1,311,164,800	720,928,810
— Macau	52,771,030	17,496,763
— Mainland China	79,744,560	58,941,242
	<u>1,443,680,390</u>	<u>797,366,815</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
	2021	2021
	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)	(Audited)
Deferred revenue	(603,695,696)	(562,535,941)
Deferred costs	<u>97,426,686</u>	<u>63,181,589</u>

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	
	2021	2020
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Bank interest income	882,137	667,092
Other interest income	177,633	–
Unrealised fair value (loss)/gain on financial assets at fair value through profit or loss, net	(1,608,775)	7,989,918
Realised loss on disposals of financial assets at fair value through profit or loss, net	–	(89)
Rental income from investment properties	2,333,943	2,551,506
Gain on disposals and write-off of property, plant and equipment	11,085,427	83,045
Others	6,116,432	6,190,065
	<u>18,986,797</u>	<u>17,481,537</u>

7. FINANCE COSTS

	For the six months ended 30 September	
	2021	2020
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Interests on bank borrowings and overdrafts	2,471,509	3,758,934
Interests on convertible bonds	9,517,011	–
Interests on lease liabilities	6,343,126	5,345,732
	<u>18,331,646</u>	<u>9,104,666</u>

8. PROFIT BEFORE TAX

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

	For the six months ended	
	30 September	
	2021	2020
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Auditors' remuneration	1,500,000	1,500,000
Depreciation		
— owned property, plant and equipment	43,859,092	36,662,929
— right-of-use assets	113,940,167	80,026,661
Amortisation of intangible assets	30,400,663	8,954,121
Impairment loss on other receivables	2,671,997	6,315,942
Foreign exchange differences, net	908,587	106,516
Rental income from investment properties less direct outgoings of HK\$266,002 (six months ended 30 September 2020: HK\$279,096)	(2,067,941)	(2,272,410)
Utilities	10,405,744	5,787,033
Legal and professional fees	6,259,396	4,183,350
Repairs and maintenance expenses	8,675,193	7,788,005
IT development and office expenses	6,556,241	3,775,278
Laundry and cleaning expenses	3,768,873	2,699,167
Bank charges	2,003,751	922,661
Insurance expenses	2,770,670	1,520,940
Supplies and consumables	4,632,939	2,137,435

Note: During the six months ended 30 September 2020, government subsidies of HK\$34,126,018 was received under the Employment Support Scheme and presented in net basis with registered practitioner expenses and employee benefit expenses.

9. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	For the six months ended	
	30 September	
	2021	2020
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Current — Hong Kong		
Provision the period	34,291,955	11,288,512
Current — Outside Hong Kong		
Provision for the period	5,025,135	2,865,610
Deferred tax	(3,663,627)	(6,586,123)
Tax charge for the period	35,653,463	7,567,999

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 2020: 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	
	2021	2020
	HK\$	HK\$
	(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>160,207,600</u>	<u>43,928,321</u>
	For the six months ended 30 September	
	2021	2020
Weighted average number of ordinary shares for the purpose of calculating basic earnings per Share	<u>1,128,110,817</u>	<u>1,000,018,913</u>

(b) Diluted earnings per Share

The calculation of the diluted earnings per Share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$160,207,600. The weighted average number of ordinary shares of 1,142,322,338 used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per Share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options and warrants into ordinary shares.

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 2021, 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\$71,976,030 (six months ended 30 September 2020: HK\$14,552,793). 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 2021, additions of property, plant and equipment amounted to approximately HK\$93,743,116 (six months ended 30 September 2020: HK\$36,984,592).

12. TRADE RECEIVABLES

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

	As at 30 September 2021 <i>HK\$</i> (Unaudited)	As at 31 March 2021 <i>HK\$</i> (Audited)
Within 1 month	159,367,886	136,673,536
1 to 3 months	31,113,502	29,063,353
Over 3 months	11,718,408	13,247,546
	<u>202,199,796</u>	<u>178,984,435</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 and multi-channel networking and related services. The credit period is generally 1 to 120 days for the credit card settlements from the respective financial institutions and other institutional customers.

As at 30 September 2021, none of the trade receivables were individually determined to be impaired (31 March 2021 (audited): Nil).

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2021 <i>HK\$</i> (Unaudited)	As at 31 March 2021 <i>HK\$</i> (Audited)
Prepayments	181,409,393	167,084,735
Deposits	114,126,407	90,698,184
Other receivables	165,361,870	169,518,743
	460,897,670	427,301,662
Portion classified as non-current		
— Rental and other deposits	(90,910,337)	(66,890,894)
— Prepayments and other receivables	(141,867,521)	(169,304,410)
Current portion	<u>228,119,812</u>	<u>191,106,358</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 AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets at fair value through profit or loss of the Group disclosed as current assets are unlisted fund investments at fair value in Hong Kong.

The financial assets at fair value through profit or loss of the Group disclosed as non-current assets are unlisted equity investments.

15. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	As at 30 September 2021 <i>HK\$</i> (Unaudited)	As at 31 March 2021 <i>HK\$</i> (Audited)
Cash at bank and in hand	1,471,447,032	931,063,153
Time deposits with original maturity over 3 months	1,072,716	4,751,078
	1,472,519,748	935,814,231
Less: Time deposits with original maturity over 3 months	(1,072,716)	(4,751,078)
Cash and cash equivalents	<u>1,471,447,032</u>	<u>931,063,153</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying period from one day to one year 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.

Included in cash and cash equivalents, HK\$24,645,232 (31 March 2021 (audited): HK\$32,789,836) are denominated in Renminbi and deposited with the banks in the Mainland China. These deposits are not freely convertible and the remittance of funds out of the Mainland China is subject to exchange restrictions imposed by the Government of the PRC.

16. TRADE PAYABLES

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

	As at 30 September 2021 <i>HK\$</i> (Unaudited)	As at 31 March 2021 <i>HK\$</i> (Audited)
Within 1 month	32,141,788	25,870,911
1 to 2 months	5,494,435	8,144,681
2 to 3 months	3,352,375	9,024,764
Over 3 months	614,978	3,616,851
	<u>41,603,576</u>	<u>46,657,207</u>

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

17. OTHER PAYABLES AND ACCRUALS

	As at 30 September 2021 <i>HK\$</i> (Unaudited)	As at 31 March 2021 <i>HK\$</i> (Audited)
Other payables and accruals	439,583,963	386,491,637
Provision for reinstatement costs	<u>15,070,000</u>	<u>15,070,000</u>
	454,653,963	401,561,637
Portion classified as non-current		
— Provision for reinstatement costs	(13,000,000)	(13,000,000)
— Other payables	<u>(220,115,116)</u>	<u>(220,115,116)</u>
Current portion	<u>221,538,847</u>	<u>168,446,521</u>

Other payables are non-interest-bearing and have an average payment term of three months.

18. SHARE CAPITAL AND DIVIDENDS

(a) Dividends

	For the six months ended	
	30 September 2021 <i>HK\$</i>	2020 <i>HK\$</i>
Interim, declared — 10.2 HK cents (for the six months ended 30 September 2020: 3.0 HK cents)	<u>120,069,393</u>	<u>30,912,498</u>

At a Board meeting held on 29 November 2021, the Directors declared an interim dividend of 10.2 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 2022.

(b) Share capital

	Number of shares	<i>HK\$</i>
Authorised		
Ordinary shares of HK\$0.00001 each	<u>38,000,000,000</u>	<u>380,000</u>
Ordinary shares, issued and fully paid		
At 31 March 2021	1,071,015,803	10,710
Exercise of share option	6,514,000	65
Issuance of shares	<u>99,621,104</u>	<u>996</u>
At 30 September 2021	<u>1,177,150,907</u>	<u>11,771</u>

The holders of ordinary shares are entitled to receive dividends as 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.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group's Sales Volume and total revenue were HK\$1,532.1 million and HK\$1,443.7 million respectively, representing an increase of 61.8% and 81.1% from the Sales Volume and total revenue for the six months ended 30 September 2020, respectively.

The net profit attributable to equity shareholders of the Company increased by 264.7% from HK\$43.9 million for the six months ended 30 September 2020 to HK\$160.2 million for the six months ended 30 September 2021. The EBITDA of the Group increased by 181.3% from HK\$114.9 million for the six months ended 30 September 2020 to HK\$323.3 million for the six months ended 30 September 2021⁽¹⁾. Basic earnings per Share amounted to 14.2 HK cents as compared to 4.4 HK cents for the previous period.

The Board resolved to declare an interim dividend of 10.2 HK cents per Share, which will be payable in cash.

Note:

1. EBITDA equals earnings before interests, taxation, depreciation-owned property, plant and equipment and amortisation. EBITDA is not a standard measure under HKFRS. The Company's management believes that EBITDA, as a proxy of operating cash flow generated by the Group's businesses, provide investors with useful supplementary information to assess the performance of the Group.

The following table sets out the reconciliation of the EBITDA and profit before tax for the periods indicated:

	For the six months ended	
	30 September	
	2021	2020
	HK\$	HK\$
Profit before tax	231,718,219	60,871,916
Finance costs	18,331,646	9,104,666
Depreciation-owned property, plant and equipment	43,859,092	36,662,929
Amortisation of intangible assets	30,400,663	8,954,121
Less: Bank and other interest income (note 6 to the financial statements)	(1,059,770)	(667,092)
EBITDA	<u>323,249,850</u>	<u>114,926,540</u>

BUSINESS OVERVIEW

The Group continued to be the largest non-hospital medical service provider in Hong Kong². We are also the largest medical aesthetic service provider in Hong Kong². We have evolved to provide a full spectrum of medical and healthcare services to create sustainable value to our stakeholders.

The Group's key competitive advantage is attributable to its superior capability in IT Knowhow, top of class services and premium brand positioning.

Demand for healthcare services increased post COVID-19 as people become more health-conscious. Medical services continue to be the key growth driver of the Group. During the Reporting Period, revenue contributed by medical services increased by 109.9% from the same period of last year to HK\$758.4 million, accounted for 52.5% of the Group's revenue.

We are well-positioned to expand the coverage of medical disciplines. As at 30 September 2021, including 15 clinics in the Mainland China, we were operating 91 clinics and service centres occupying an aggregate floor area of approximately 449,000 sq. ft. with 176 full-time and exclusive Registered Practitioners covering 23 medical disciplines across Hong Kong, Mainland China and Macau.

Despite the difficult business environment under the outbreak of COVID-19, we continued to expand by acquisitions and organic growth during the Reporting Period, including but not limited to the following key developments:

- (i) With the excellent performance of the Group's two advanced imaging centres in Mong Kok and Yuen Long which were set up in December 2018 and July 2020 respectively, the Group expanded the advanced imaging centre network and commenced operation of its third imaging centre in Tsim Sha Tsui in May 2021.
- (ii) In June 2021, the Company entered into a strategic collaboration memorandum with a subsidiary of China Medical System Holdings Limited, including but not limited to (a) setting up and operating an aesthetic medical drugs and products marketing and distribution centre initially in Hong Kong; and (b) exploring to set up an aesthetic medical training and education platform for Registered Practitioners.
- (iii) In July 2021, the Group has expanded its flagship service centre at Langham Place Office Tower in Mong Kok to nine floors, with a newly leased floor with g.f.a of approximately 17,900 square feet. The newly leased floor is for the Group's businesses of aesthetic medical and medical specialist services, including but not limited to the Group's first ophthalmology centre and a new obstetrics and gynaecology centre.
- (iv) In July 2021, the Group completed the acquisition of 51% equity interest in a company operating a physiotherapy centre in Central with 7 registered physiotherapists.

² According to the independent research conducted by Frost and Sullivan in terms of revenue in 2019 and 2020

- (v) In July 2021, the Company signed a memorandum of understanding with Prenetics Limited (“Prenetics”) for a proposed strategic partnership in relation to a “healthomics collaboration”, which focuses on assembling health data resources from the Company and innovative genetics and diagnostic testing services from Prenetics to create the future of medicine, steering the development in preventive medicine, precision medicine, drug discovery and health policies of governments.
- (vi) In August and September 2021, the Group completed two acquisitions of 51% equity interest in certain companies providing veterinary service in Hong Kong. After completion of these acquisitions, the Group had seven veterinary hospitals and two veterinary imaging centres, with 29 full time registered veterinarians.

Due to the uncertain geo-political tension, we expect the operation environment shall continue to be challenging in the near future. However, we are confident that our business model and adaptability will facilitate the Group to thrive during recovery from the pandemic.

Business Analysis

Medical services continue to be the Group’s growth driver.

The table below sets forth our customer demographics based on revenue during the Reporting Period:

	For the six months ended 30 September 2021
Based on treatment delivered	
Number of Individual Customers	102,420
Number of New Customers	44,758
Number of Existing Customers	57,662
Contribution to treatment delivered	
Number of New Customers	30%
Number of Existing Customers	70%

The table below sets forth the average spending of our customers by key business segments based on sales volume during the Reporting Period:

	For the six months ended		
	30 September		
	2021	2020	Change
Number of Customers			
Medical	78,037	63,661	22.6%
Aesthetic Medical	26,217	19,523	34.3%
Wellness and Beauty	37,084	22,208	70.2%
Average Spending per Customer (HKD)			
Medical	10,705	6,600	62.2%
Aesthetic Medical	16,695	16,419	1.7%
Wellness and Beauty	5,141	7,071	(27.3)%

The increase in the number of customers for the medical, aesthetic medical and wellness and beauty segments during the Reporting Period are mainly due to (i) the acquisition of medical assets in the second half of the last financial year; (ii) strong demand on medical services offered by the Group in conjunction with the organic growth of the Group; (iii) improving local consumption sentiment and a full-fledged recovery of the retail sector as a result of the pandemic remains well under control as well as the launch of consumption voucher scheme by the Hong Kong Government; and (iv) relaxation of social distance measure.

The increase in average spending of medical segment is mainly due to the increase in public health consciousness and therefore more domestic budget was allocated to health-screening and related preventive medical services and led to an increase in average spending.

The average spending for aesthetic medical segment remains stable during the current period.

The decrease in average spending per customer for the wellness and beauty segment is mainly due to the increase in sales from hair beauty services which diluted the average spending.

During the Reporting Period, the refunds and settlement resulting from the material unfavourable customer feedback represents only 0.03% (for the six months ended 30 September 2020: 0.06%) of the Group's total revenue.

Our Professionals and Other Staff

We continued to be the trusted partner for the medical experts. As at 30 September 2021, we had 176 full-time and exclusive Registered Practitioners, 167 Medical Professionals*, 324 relationship managers and 411 Trained Therapists. We have part-time Registered Practitioners including but not limited to anaesthesiology, pathology and endocrinology. The following table summarises our full-time and exclusive Registered Practitioners distribution as at 30 September 2021:

Type of full-time and exclusive Registered Practitioners	Location	Number of Registered Practitioners
Registered medical practitioners on the General Registry	Hong Kong	17
Registered medical practitioners on the Specialist Registry		
Cardiology	Hong Kong	2
Cardio-thoracic Surgery	Hong Kong	1
Family Medicine	Hong Kong	1
Gastroenterology & Hepatology	Hong Kong	3
General Surgery	Hong Kong	7
Geriatric Medicine	Hong Kong	2
Medical Oncology	Hong Kong	1
Neurosurgery	Hong Kong	2
Orthopaedic & Traumatology	Hong Kong	10
Obstetrics & Gynaecology	Hong Kong	10
Otorhinolaryngology	Hong Kong	2
Ophthalmology	Hong Kong	1
Paediatrics	Hong Kong	8
Paediatric Surgery	Hong Kong	1
Plastic Surgery	Hong Kong	2
Psychiatry	Hong Kong	1
Radiology	Hong Kong	5
Urology	Hong Kong	1
Chinese medicine practitioners	Hong Kong	5
Chiropractors	Hong Kong	35
Dentists	Hong Kong	13
Veterinarians	Hong Kong	29
Mainland China Doctors	Mainland China	13
Macau Doctors	Macau	4
		176

* Medical Professionals represent Healthcare Professionals which exclude full-time and exclusive Registered Practitioners.

OUTLOOK AND STRATEGIES

Medical services are essential to individuals. With medical efficacy as the foundation, we are committed to offering the top notch consumer experiences. We contemplate and formulate our strategies for growth in a fast moving healthcare market environment with rapid technological advancements, studying the development of long-term trends on a global scale.

Multi-pronged Growth Strategy

We have been actively meeting with existing and potential business partners from different sectors covering property, pharmaceutical, insurance, telecom and information technology in order to formulate and implement our expansion plan.

Through digitalization and the enclosed eco-system, we allow our customers to have a full range of integrated medical and beauty services.

We are actively exploring partnerships in Hong Kong and Mainland China to form strategic alliances to broaden the breadth and depth of our healthcare and wellness service offerings.

FINANCIAL REVIEW

Revenue

Our revenue increased by 81.1% to HK\$1,443.7 million for the six months ended 30 September 2021 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 during the Reporting Period.

Medical Services

Medical services represents all medical, preventive and health management services (excluding aesthetic medical services and any beauty and wellness Services) offered by the Group. Our revenue from medical services represents 52.5% of our total revenue (for the six months ended 30 September 2020: 45.3%) and increased significantly by 109.9% from HK\$361.4 million for the six months ended 30 September 2020 to HK\$758.4 million for the six months ended 30 September 2021, 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 Services

Aesthetic medical services represent medical aesthetics and dental services offered by the Group. Our revenue from aesthetic medical services represents 27.7% of our total revenue (for the six months ended 30 September 2020: 31.2%) and increased significantly by 60.8% from HK\$248.6 million for the six months ended 30 September 2020 to HK\$399.9 million for the six months ended 30 September 2021, primarily attributable to the improving local consumption sentiment amid a full-fledged recovery of the retail sector in Hong Kong during the Reporting Period.

Beauty and Wellness Services

Beauty and wellness services represent traditional beauty, haircare and ancillary wellness services. Our revenue from beauty and wellness services represents 15.1% of our total revenue (for the six months ended 30 September 2020: 17.0%) and increased significantly by 61.1% from HK\$135.7 million for the six months ended 30 September 2020 to HK\$218.6 million for the six months ended 30 September 2021, primarily attributable to the same reasons as disclosed in the paragraph headed “Aesthetic Medical Services” above.

Skincare, healthcare and beauty products

Our revenue from the sale of skincare, healthcare and beauty products increased by 76.5% from HK\$22.2 million for the six months ended 30 September 2020 to HK\$39.2 million for the six months ended 30 September 2021.

Multi-channel networking and related services

Our revenue from multi-channel networking and related services represents 1.9% of our total revenue (for the six months ended 30 September 2020: 3.7%) and decreased by 6.5% from HK\$29.5 million for the six months ended 30 September 2020 to HK\$27.6 million for the six months ended 30 September 2021.

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 2021, our other net income and gains was approximately HK\$19.0 million (for the six months ended 30 September 2020: HK\$17.5 million), representing an increase of 8.6% when compared to the same period last year, primarily due to an increase in realised gain on disposal of property, plant and equipment during the Reporting Period.

Cost of inventories and consumables

Our cost of inventories and consumables increased to HK\$156.7 million for the six months ended 30 September 2021 (for the six months ended 30 September 2020: HK\$93.0 million), representing an increase of 68.5% when 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 total revenue remains steady at 10.9% for the six months ended 30 September 2020 comparing to 11.7% for the six months ended 30 September 2021.

Registered Practitioner expenses

For the six months ended 30 September 2021, we incurred Registered Practitioner expenses of approximately HK\$299.2 million (for the six months ended 30 September 2020: HK\$148.8 million), representing 20.7% of the total revenue. The significant increase of 101.1% when 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 2021, we incurred employee benefit expenses of approximately HK\$343.3 million (for the six months ended 30 September 2020: HK\$228.7 million), representing 23.8% of the total revenue. An increase of 50.1% when 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 2021, we had 2,426 employees (excluding Registered Practitioners) (as at 30 September 2020: 1,625).

The Group is aware of the importance of human resources 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 also participates in the Mandatory Provident Fund Scheme in Hong Kong, and provides employees with medical insurance coverage.

Certain share options have been granted. The Company confirms that all grantees of share options under the “employees and consultants” comprises employees of the Group at the material times of the grants.

Marketing and advertising expenses

For the six months ended 30 September 2021, the Group incurred marketing and advertising expenses of approximately HK\$73.3 million, representing 5.1% of the total revenue (for the six months ended 30 September 2020: 6.3%) and an increase of 45.5% as compared to the same period last year (for the six months ended 30 September 2020: HK\$50.4 million).

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

For the six months ended 30 September 2021, the Group incurred rental and related expenses and depreciation of right-of-use assets of approximately HK\$144.4 million (for the six months ended 30 September 2020: HK\$107.6 million), representing 10.0% of the total revenue. The increase of 34.2% when 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 319,000 sq. ft. as at 30 September 2020 to approximately 449,000 sq. ft. as at 30 September 2021.

Credit card expenses

For the six months ended 30 September 2021, the Group incurred credit card expenses of approximately HK\$35.0 million (for the six months ended 30 September 2020: HK\$21.9 million), representing 2.4% of the total revenue and an increase of 59.4% when 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 2021, the Group incurred other operating expenses of approximately HK\$88.0 million (for the six months ended 30 September 2020: HK\$49.5 million), representing 6.1% of the total revenue. The increase of 78.0% when 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 2021, the Group had profit before tax of approximately HK\$231.7 million (for the six months ended 30 September 2020: HK\$60.9 million), representing an increase of 280.7% when compared to the same period last year.

Income tax expense

For the six months ended 30 September 2021, the Group incurred income tax expense of approximately HK\$35.7 million, representing an increase of 371.1% when compared to the same period last year.

Profit for the period/profit margin

For the six months ended 30 September 2021, the Group recorded profit for the period of approximately HK\$196.1 million, representing an increase of 267.8% when compared to the same period last year and a net profit margin of 13.6% (for the six months ended 30 September 2020: 6.7%), primarily due to (i) an increase in sales arising from strong demand for the medical services offered by the Group and improving local consumption sentiment amid a full-fledged recovery of the retail sector in Hong Kong during the Reporting Period as compared with the same period last year; (ii) an increase in operational efficiency in the long-established business during the Reporting Period as compared with the same period last year; and (iii) positive synergies arisen from the acquisition of medical assets in the second half of the last financial year.

LIQUIDITY AND CAPITAL RESOURCES

Financial Resources

We continue to maintain a strong financial position with cash and cash equivalents and time deposits of HK\$1,471.4 million and HK\$1.1 million respectively as at 30 September 2021. 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 its budgeted expansion plans in the next financial year.

As at 30 September 2021, a majority of our cash and bank balances were in Hong Kong dollar.

Issuance of Convertible Bonds and Warrants

On 18 November 2020, the Company entered into the subscription agreements with each of Goldman Sachs Asia Strategic II Pte. Ltd (“GS”), Waven World Limited (“GAW”) and OAP III (HK) Limited (“OrbiMed”), pursuant to which:

- (1) GS has conditionally agreed to subscribe for convertible bonds in the aggregate principal amount of HK\$234,000,000 at initial conversion price of HK\$5.69 per conversion share and warrants in the aggregate amount of HK\$273,000,000 at initial subscription price of HK\$6.17 per warrant share;
- (2) OrbiMed has conditionally agreed to subscribe for convertible bonds in the aggregate principal amount of HK\$31,200,000 at initial conversion price of HK\$5.69 per conversion share and warrants in the aggregate amount of HK\$36,400,000 at initial subscription price of HK\$6.17 per warrant share;
- (3) GAW has conditionally agreed to subscribe for convertible bonds in the aggregate principal amount of HK\$39,000,000 at initial conversion price of HK\$5.21 per conversion share.

The Directors believe the introduction of each of GS and GAW as a strategic investor to the Group shall empower the Group’s access to global resources in business development and financing and the increased investment from OrbiMed as an existing shareholder to the Company would be an appropriate means of fund raising for the Company.

Based on the closing price of HK\$5.28 per share of the Company on the date of the subscription agreements, the conversion shares have (i) an aggregate nominal value of approximately HK\$540.94, and (ii) a market value of HK\$285.6 million, and the warrant shares have (i) an aggregate nominal value of approximately HK\$501.46, and (ii) a market value of HK\$264.8 million.

Details of the subscriptions were set out in the Company’s announcement dated 18 November 2020 and circular dated 9 January 2021. The completion of the subscription of the convertible bonds took place (i) on 5 February 2021 for GS and GAW and (ii) on 8 February 2021 for OrbiMed. The net price, after deducting such fees, costs and expenses, was approximately HK\$5.61 per conversion share.

GS has exercised all warrants in the aggregate amount of HK\$273 million and the allotment of 44,246,353 new shares upon exercise of the warrants took place on 23 July 2021. The net proceeds were approximately HK\$272.2 million and the net issue price is approximately HK\$6.15 per warrant share.

As at 30 September 2021, the use of net proceeds was as follows:

Intended use of net proceeds as announced	Planned amount to be utilised <i>HK\$ million</i>	Utilised amount up to 31 March 2021 <i>HK\$ million</i>	Actual amount utilised during the Reporting Period <i>HK\$ million</i>	Unutilised amount as at 30 September 2021 <i>HK\$ million</i>	Expected timeline of full utilisation
Net proceeds from the issuance of convertible bonds					
Expand the clinic network of the Company in Hong Kong and the Greater Bay Area in the PRC	121.3	65.0	15.0	41.3	By March 2022
Mergers and Acquisitions	136.4	–	102.2	34.2	By March 2022
General working capital	45.5	45.5	–	–	
Total	<u>303.2</u>	<u>110.5</u>	<u>117.2</u>	<u>75.5</u>	
Net proceeds from the allotment of new shares upon exercise of warrants					
Expand the clinic network of the Company in Hong Kong and the Greater Bay Area in the PRC	108.9	–	–	108.9	By December 2023
Mergers and Acquisitions	122.5	–	–	122.5	By December 2023
General working capital	40.8	–	40.8	–	
Total	<u>272.2</u>	<u>–</u>	<u>40.8</u>	<u>231.4</u>	

The net proceeds were used according to the intended use previously announced by the Company and the Directors do not intend to change the intended use of the net proceeds.

Placing of new shares under general mandate

On 16 April 2021, the Company and the placing agent entered into a placing agreement, pursuant to which the Company agreed to place through the placing agent an aggregate of 29,636,000 placing shares on a best effort basis at the placing price of HK\$7.8 per placing share. The closing price of the Company's shares was HK\$7.68 on the date of the placing agreement and the aggregate nominal value of the placing shares was HK\$296.40. The placing

was completed on 28 April 2021 and all 29,636,000 placing shares have been successfully placed by the placing agent to Dr. Cheng Chi Kong, Adrian JP (as his personal investment) and Aspex Master Fund (“Aspex”). The net proceeds were approximately HK\$231.0 million with net issue price of approximately HK\$7.79 per placing share.

The Directors believe that the placing will introduce strategic investors to the Group to (i) empower the Group’s development in Hong Kong and Mainland China through leveraging the places’ resources in real estate and capital markets; and (ii) optimise the shareholders base of the Company. The Company intends to apply the net proceeds in full from the placing for (i) expansion of clinic network of the Group in Hong Kong and the Greater Bay Area in the PRC; (ii) mergers and acquisitions; and (iii) general corporate purposes of the Group. The net proceeds were used according to the intended use previously announced by the Company. For further details, please refer to the announcements of the Company dated 19 April 2021 and 28 April 2021. As at 30 September 2021, 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 <i>HK\$ million</i>	Actual amount utilised during the Reporting Period <i>HK\$ million</i>	Unutilised amount as at 30 September 2021 <i>HK\$ million</i>
Placing of new shares under general mandate expand the clinic network of the Company in Hong Kong and the Greater Bay Area in the PRC; Mergers and Acquisitions; and General corporate purposes	<u>231.0</u>	<u>231.0</u>	<u>–</u>

Placing of existing shares and the top-up subscription of new shares under general mandate

On 8 July 2021, the Company, Union Medical Care Holding Limited (“Seller”) and the placing agent entered into an agreement of placing of existing shares and top-up subscription, pursuant to which (i) the placing agent agreed to act as an agent of the Seller to procure Mr. Cheng Chi Kong, Adrian JP and Aspex (collectively, “Purchasers”), on a best effort basis, to purchase a total of 27,972,413 shares at placing price of HK\$14.50 per share; and (ii) the Seller conditionally agreed to subscriber for, and the Company conditionally agreed to allot and issue to the Seller, a total of 17,213,793 new shares at the subscription price of HK\$14.50 per share. The closing price of the Company’s shares was HK\$14.94 on the date of the agreement and the aggregate nominal value of the subscription shares of HK\$172.14. The placing of existing shares and the top-up subscription of new shares under general mandate were completed on 9 July 2021 and 19 July 2021, respectively. The net proceeds were approximately HK\$248.8 million, pursuant to which a total of 17,213,793 new shares were allotted and issued at net issue price of approximately HK\$14.46 per share.

The Directors believe that the placing will enable the Group to have a stronger relationship with the strategic investors to (i) empower the Group's development in Hong Kong and Mainland China through leveraging on the Purchasers' resources in real estates and capital markets; and (ii) optimise the shareholders base of the Company. The Company intends to apply the net proceeds in full from the placing for (i) expansion of clinic network of the Group in Hong Kong and the Greater Bay Area in the PRC; (ii) mergers and acquisitions; and (iii) general corporate purposes of the Group. The net proceeds were used according to the intended use previously announced by the Company. The remaining unutilised amount will be fully utilised by December 2023 and the Directors do not intend to change the intended use of the net proceeds. For further details, please refer to the announcements of the Company dated 8, 14 and 20 July 2021. As at 30 September 2021, 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	Actual amount utilised during the Reporting Period	Unutilised amount as at 30 September 2021	Expected timeline of full utilisation
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
Placing of existing shares and the top-up subscription of new shares under general mandate				
Expand the clinic network of the Company in Hong Kong and the Greater Bay Area in the PRC	99.5	–	99.5	by December 2023
Mergers and Acquisitions	112.0	–	112.0	by December 2023
General corporate purposes	37.3	37.3	–	
Total	<u>248.8</u>	<u>37.3</u>	<u>211.5</u>	

SUBSEQUENT EVENTS

On 5 November 2021, the Company entered into a conditional sale and purchase agreement to acquire 70% equity interest in Premier Medical Group (BVI) Limited, at the consideration of HK\$100.0 million, owned by 16 registered medical practitioners. Premier Medical Group (BVI) Limited is principally engaged in the operation of 5 medical service centres in Hong Kong with over 30 registered medical practitioners offering 18 medical specialties and allied health services. For details, please refer to the announcement of the Company dated 8 November 2021.

On 29 November 2021, the Company entered a conditional sale and purchase agreement to acquire 55% equity interest in Bayley & Jackson Dental Surgeons Limited, at a consideration of HK\$129.4 million, which shall be satisfied (i) as to HK\$119.4 million in cash; and (ii) approximately HK\$10.0 million by the allotment and issue of consideration shares. Bayley & Jackson Dental Surgeons Limited is principally engaged in the operation of seven dental clinics in Hong Kong with 32 practicing dentists. For details, please refer to the announcement of the Company dated 29 November 2021.

Mr. Lee Gabriel resigned as executive director and chief operating officer of the Company with effect from 1 October 2021 and Ms. Wong Ka Ki Ada was appointed as executive director, chief strategy officer and chief investment officer of the Company with effect from 11 October 2021.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

Our capital expenditures during the six months ended 30 September 2021 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

As at 30 September 2021, we did not have any capital commitments in respect of acquisition of property, plant and equipment.

DISCLOSEABLE TRANSACTIONS IN RELATION TO ACQUISITIONS OF VETERINARY BUSINESS

On 15 June 2021, High Group Corporation Limited (“High Group”), being an indirectly wholly-owned subsidiary of the Company (as the purchaser), entered into the first sale and purchase agreement with the sellers, Dr. Tiong Hai Hean (“Dr. Tiong”) and Dr. Tan Shyue Wei (“Dr. Tan”), each held 50% share capital in King Equity Investments Limited (“King Equity”) respectively to acquire an aggregate of 51% issued share capital in King Equity, comprising 25.5% and 25.5% from Dr. Tiong and Dr. Tan, respectively. The aggregate consideration for the acquisition of the 51% issued share capital in King Equity is HK\$48,300,000.

On 15 June 2021, High Group entered into the second sale and purchase agreement with the seller, Dr. Tiong, who held 100%, 95% and 85% issued share capital of Eternal Harvest International Limited (“Eternal Harvest”), Hong Kong Veterinary Imaging Center Limited (“HKVIC”) and Crown Leader Limited (“Crown Leader”) respectively to acquire 51% issued share capital in each of Eternal Harvest, HKVIC and Crown Leader. The consideration for the acquisitions of the 51% issued share capital in Eternal Harvest, HKVIC and Crown Leader are HK\$17,700,000, HK\$850,000, and HK\$850,000 respectively.

(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, ending each profit guaranteed year shall be no less than such designated guaranteed amount respectively from the year ending 31 March 2022 to the year ending 31 March 2028. If the target amount is not met, the relevant guarantors shall pay a shortfall to the purchaser, subject to any compensation payback by the purchaser to them.

Completion of the above acquisitions took place on 20 August 2021. For further details of the transactions and the profit guarantee, please refer to the announcements of the Company dated 15 June 2021 and 20 August 2021.

INDEBTEDNESS

Interest-bearing Bank Borrowings and Gearing Ratio

As at 30 September 2021, the Group had outstanding interest-bearing bank borrowings in the amount of HK\$85.2 million, convertible bonds of HK\$226.5 million and lease liabilities, except for those relating to the properties leased for own use of HK\$33.6 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 13.8%.

Contingent Liabilities and Guarantees

As at 30 September 2021, the Group had no significant contingent liabilities and guarantees.

Charge over Assets

As at 30 September 2021, investment properties of HK\$186.3 million and ownership interests in land and building held for own use of HK\$34.2 million were pledged for certain bank borrowings.

Further, operation equipment of HK\$40.2 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 has no significant interest rate risk. The Group currently does not have specific policies in place to manage our interest rate risk and have not entered into interest rate swaps arrangement to mitigate the interest rate risk, but will closely monitor the interest rate risk in the future.

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 10.2 HK cents per Share, which will be payable to Shareholders whose names appear on the register of members of the Company on Friday, 7 January 2022. The interim dividend will be payable in cash and are expected to be paid on or around Friday, 21 January 2022.

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 Tuesday, 4 January 2022 to Friday, 7 January 2022. 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 Monday, 3 January 2022.

OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied with all applicable code provisions as set out in the CG Code, save and except for deviation from code provision A.2.1 which states that the roles of chairman and chief executive officer of the Company should be separate and should not be performed by the same individual.

During the Reporting Period and up to 22 August 2021, 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 by Mr. Tang is a deviation from the code provision A.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 role 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. The Board regularly reviewed the operations of the Company under Mr. Tang's leadership, and did not consider that this arrangement would have a negative influence on the balance of power between the Board and the management of the Group. Despite the aforesaid, for better corporate governance, Mr. Lu Lyn Wade Leslie was appointed as co-chief executive officer of the Company on 23 August 2021.

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 in respect of this announcement of the Group's results for the six months ended 30 September 2021 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
“Company”	EC Healthcare 醫思健康, 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
“Director(s)”	the director(s) of the Company
“EBITDA”	earnings before interests, taxation, depreciation-owned property, plant and equipment and amortisation
“GAW”	Waven World Limited, a company incorporated in the British Virgin Islands with limited liability owned by Gaw Capital Partners
“Greater Bay Area”	city cluster across 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
“GS”	Goldman Sachs Asia Strategic II Pte. Ltd., a company incorporated in Singapore with limited liability, Stonebridge 2020, L.P., a limited partnership registered and existing under the laws of Delaware and Stonebridge 2020 Offshore Holdings II, L.P., an exempted limited partnership registered and existing under the laws of the Cayman Islands
“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
“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
“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)
“Mainland China 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
“Medical Professionals”	Healthcare Professionals, excluding full-time and exclusive 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, an executive Director and the chief executive officer of the Company
“OrbiMed”	OAP III (HK) Limited, a company incorporated in Hong Kong with limited liability
“PRC”	the People’s Republic of China

“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), registered veterinary surgeons within the meaning of the Veterinary Surgeons Registration Ordinance (Cap. 529), Macau Doctors and Mainland China Doctors
“Reporting Period”	six months ended 30 September 2021
“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
“Trained Therapists”	our employees who have completed mandatory internal training developed by our Doctors to provide quasi-medical services and/or traditional beauty services under our internal licensing programme
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board
EC Healthcare
Raymond Siu
Company Secretary

Hong Kong, 29 November 2021

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. Lam Chi Hang Josekin.