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Union Medical Healthcare Limited

香港醫思醫療集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2138)

CONNECTED TRANSACTION ACQUISITION OF FURTHER 45% EQUITY INTEREST IN THE TARGET COMPANY

The Board is pleased to announce that on 8 March 2021 (after trading hours), the Company, the Purchaser (an indirect wholly-owned subsidiary of the Company), and the Sellers entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has agreed to purchase, and the Sellers have agreed to sell, the Sale Shares at the consideration of HK\$9,815,000 in cash.

As at the date of this announcement, the Purchaser, the First Seller and the Second Seller are the legal and beneficial owners of 51%, 39% and 10% of the total issued shares of the Target Company, respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Sellers are substantial shareholders and directors of the Target Company, which is a non wholly-owned subsidiary of the Company. Therefore they are connected persons of the Company. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all the applicable percentage ratios (as defined in the Listing Rules) are more than 0.1% but less than 5%, the Acquisition is only subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under the Listing Rules.

Completion of the Acquisition is conditional upon the fulfilment of the conditions set out under the paragraph headed "Conditions precedent" in this announcement, which may or may not be fulfilled. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares and other securities of the Company.

INTRODUCTION

On 8 March 2021, the Company, the Purchaser (an indirect wholly-owned subsidiary of the Company), and the Sellers entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has agreed to purchase, and the Sellers have agreed to sell, the Sale Shares subject to the terms and upon the conditions as set out in the Sale and Purchase Agreement.

THE SALE AND PURCHASE AGREEMENT

The key terms of the Sale and Purchase Agreement are set out as follows:

Date: 8 March 2021

Parties: (1) the Company;
(2) the Purchaser;
(3) First Seller; and
(4) Second Seller.

Assets to be acquired

The assets to be acquired include (i) 36% of the shares in the Target Company from the First Seller and (ii) 9% of the shares in the Target Company from the Second Seller.

The subsequent sale of the Sale Shares will be subject to the pre-emptive rights of the other shareholders of the Target Company.

Consideration

The total consideration of the Acquisition shall be HK\$9,815,000. The consideration shall be paid by the Purchaser in cash upon completion, as to HK\$7,852,000 to the First Seller and as to HK\$1,963,000 to the Second Seller.

Basis of consideration

The consideration was determined on arm's length negotiations between the Purchaser and the Sellers with reference to (i) the business of the Target Company, the overall net profit of the Target Company for the two years ended 31 March 2020 and prospects of the Target Company, (ii) the Profit Guarantee (as defined below) given by the Sellers, and (iii) the expertise of the management of the Target Company. The Directors consider that the consideration is fair and reasonable.

Conditions precedents

Completion of the Sale and Purchase Agreement is conditional upon satisfaction (or otherwise waived by the Purchaser) of the following conditions ("**Conditions Precedent**") and each as a "**Condition**

Precedent”):

- (a) all requisite consents, license and approvals from any relevant government authorities, regulatory bodies or other relevant third parties in Hong Kong or elsewhere which are required or appropriate for the Acquisition having been obtained;
- (b) the warranties, representations and/or undertakings provided by each of the Sellers under the Sale and Purchase Agreement remaining true and accurate in all respects; and
- (c) all requirements under the Listing Rules for the entering into of the Sale and Purchase Agreement and the transactions contemplated hereunder have been complied with.

Each of the Sellers shall use his best endeavour to procure the fulfilment of the Conditions Precedent set out in Conditions Precedent (a) and (b) and above shall furnish such information, supply such document, give such undertakings and do all such acts and things as may reasonably be required in connection with the fulfilment of the Conditions Precedent.

The Purchaser may in its absolute discretion at any time waive in writing Condition Precedent (b) set out above (or any part thereof).

In the event that any of the Conditions Precedent are not fulfilled or waived by the Purchaser on or prior to 31 March 2021 or such later date as may be agreed between the Purchaser and the Sellers in writing, the Sale and Purchase Agreement shall become null and void and be of no further effect whatsoever and all the obligations and liabilities of the parties hereunder shall cease and determine (save for the rights of the parties hereto to claim the others in respect of any antecedent breaches or any rights or remedies which shall have accrued prior thereto).

Completion

Subject to the fulfilment (or where applicable, waiver) of the Conditions Precedent, Completion shall take place on 31 March 2021 or such other date to be agreed by the Sellers and the Purchaser.

As at the date of this announcement, the Purchaser is the legal and beneficial owner of 51% of the total issued shares of the Target Company. Upon Completion, the Purchaser will hold 96% equity interest in the Target Company and the financial information of the Target Company shall continue to be consolidated into the consolidated financial statements of the Group.

Profit Guarantee

Each of the First Seller and the Second Seller guarantees to each of the Company and the Purchaser (“**Profit Guarantee**”) that the aggregate net profit of the Target Company (“**Aggregate Net Profit**”) for the eight years ending 31 March 2029 shall be no less than HK\$12 million (“**Guaranteed Net Profit**”). The Profit Guarantee is considered to have been satisfied even if the Target Company achieves the Guaranteed Net Profit before the year ending 31 March 2029.

In the event that the Aggregate Net Profit is less than the Guaranteed Net Profit, regardless of the

underlying reasons resulting such shortfall, each of the First Seller and the Second Seller undertakes that they shall pay a profit shortfall compensation in accordance with the formula set forth below to the Purchaser within thirty (30) days after the date on which the Aggregate Net Profit for the eight years ending 31 March 2029 is determined.

Amount Payable by	Formula for calculating the profit shortfall compensation mentioned above
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The First Seller	$(\text{Guaranteed Net Profit} - \text{Aggregate Net Profit}) \times 36\%$
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The Second Seller	$(\text{Guaranteed Net Profit} - \text{Aggregate Net Profit}) \times 9\%$
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REASONS AND BENEFITS FOR THE ACQUISITION

The business of the Target Company aligns with that of the Company. After the Acquisition, the Sellers will become management of the aesthetic business of the Group and are responsible for strategic development of the aesthetic business. The staff members of the Target Company will also merge with the Group and will create operation efficiency.

The Company is optimistic about the prospect of the Target Company and believe that it will provide satisfactory return to the Company. The Company also considers that synergies can be achieved between the business of the Target Company and that of the Group.

Having considered the above reasons, the Directors (including the independent non-executive Directors) believe that the terms of the Sale and Purchase Agreement are fair and reasonable, are on normal commercial terms or better, and that the Acquisition is in the ordinary and usual course of the Company's business, and is in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE GROUP

The Group is principally engaged in the provision of medical and healthcare services.

The Purchaser, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of the Company as at the date of this announcement and is an investment holding company.

INFORMATION ABOUT THE SELLERS AND THE TARGET COMPANY

The Sellers are substantial shareholders and directors of the Target Company, which is a non wholly-owned subsidiary of the Company. Therefore, they are connected persons of the Company.

The Target Company is principally engaged in the provision of aesthetic medical services, specializing in cosmetic laser and skin rejuvenation treatments. Its clinics are located in Central and Mong Kok.

The table below sets out the financial information of the Target Company for the years ended 31 March 2019 and 31 March 2020 according to the audited financial statements of the Target Company compiled in accordance with Hong Kong Financial Reporting Standards, and the financial information of the Target Company for the six months ended 30 September 2020 according to the unaudited management

accounts of the Target Company compiled in accordance with Hong Kong Financial Reporting Standards:

	For the six months ended 30 September	For the year ended 31 March	
	2020 HK\$ (unaudited)	2020 HK\$ (audited)	2019 HK\$ (audited)
Profit/(loss) before taxation	2,538,335	(5,482,548)	10,381,122
Profit/(loss) after taxation	2,119,510	(5,462,611)	10,091,153
Net asset value	(461,561)	(2,581,070)	2,881,541

Note: the normalised net profit of the Target Company for the year ended 31 March 2020 shall be HK\$1.9 million after taking up corporate recharge adjustment.

The Target Company was incorporated by the Sellers and the Purchaser in Hong Kong. The First Seller subscribed for 39% of the total issued shares of the Target Company at the cost of HK\$39. The Second Seller subscribed for 10% of the total issued shares of the Target Company at the cost of HK\$10.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Sellers are substantial shareholders and directors of the Target Company, which is a non wholly-owned subsidiary of the Company. Therefore they are connected persons of the Company. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all the applicable percentage ratios (as defined in the Listing Rules) are more than 0.1% but less than 5%, the Acquisition is only subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under the Listing Rules.

Lee Gabriel and Lee Heung Wing are directors of the Company and the Target Company, therefore they have material interest in the Acquisition. Lee Gabriel and Lee Heung Wing, both being executive Directors, have abstained from voting on the board resolution approving the Acquisition. Save as disclosed above, none of the Directors has a material interest in the Acquisition.

Completion of the Acquisition is conditional upon the fulfilment of the conditions set out under the paragraph headed "Conditions precedent" in this announcement, which may or may not be fulfilled. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares and other securities of the Company.

DEFINITIONS

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Sellers pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“Company”	Union Medical Healthcare Limited, a company incorporated in the Cayman Islands with limited liability
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“First Seller”	Arnold Jonathan Che Teng Young, the legal and beneficial owner of 39% of the total number of issued shares of the Target Company as at the date of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Jade Master International Limited, a wholly-owned subsidiary of the Company as at the date of this announcement
“Sale and Purchase Agreement”	the agreement dated 8 March 2021 entered into among the Company, the Purchaser and each of the Sellers in respect of the Acquisition
“Sale Shares”	45% of the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement, comprising (i) 36% shares held by the First Seller and (ii) 9% shares held by the Second Seller
“Second Seller”	Tan Ho Yin, Timothy, the legal and beneficial owner of 10% of the total number of issued shares of the Target Company
“Sellers”	the First Seller and the Second Seller collectively
“Shareholder(s)”	registered holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Target Company”	Young Aesthetics Medical Limited, a company incorporated Hong Kong with limited liability

“%”

per cent.

By Order of the Board of
Union Medical Healthcare Limited
Raymond Siu
Company Secretary

Hong Kong, 8 March 2021

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Tang Chi Fai, Mr. Lee Gabriel, Mr. Lee Heung Wing and Mr. Wong Chi Cheung, and 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.

*For identification purpose only