

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Union Medical Healthcare Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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  
IN RELATION TO THE ACQUISITION OF  
FURTHER 24% EQUITY INTEREST IN TARGET GROUP  
INVOLVING THE ISSUE OF  
CONSIDERATION SHARES AND UNLISTED WARRANTS  
TO A CONNECTED PERSON UNDER SPECIFIC MANDATE  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**

**ALTUS CAPITAL LIMITED**

Unless the context otherwise requires, capitalised terms used in this cover shall have the same meanings as defined in this circular.

A notice convening the EGM to be held at Level 50, Langham Place Office Tower, 8 Argyle Street, Mongkok, Hong Kong on Tuesday, 25 August 2020 at 10:00 a.m. is set out on pages 50 to 52 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.umhgp.com](http://www.umhgp.com).

Whether or not you are able to attend the EGM, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the completed form of proxy to the Hong Kong branch share registrar of the Company, Link Market Services (Hong Kong) Pty Ltd. at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

**PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING**

To safeguard the health and safety of the staff and Shareholders, the Group has implemented the following measures:

- all individuals shall be subject to compulsory body temperature check before entering into the venue of the EGM and anyone with a body temperature higher than 37.3 degree Celsius will not be given access to the venue;
- all individuals are required to wear appropriate face masks at all times during the EGM;
- alcohol rubs/hand sanitizers will be provided at the venue of the EGM;
- maintaining proper distance between seats; and
- no refreshments will be served at the EGM.

\* For identification purposes only

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Sellers pursuant to the Sale and Purchase Agreement
“Announcement”	announcement of the Company dated 17 July 2020 with respect to the Acquisition
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“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
“Completion Date”	31 August 2020 or such later date as the Purchaser and the Sellers may agree in writing
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration Shares”	the 22,524,000 new Shares in total to be issued by the Company at the Issue Price to the Sellers
“Core Connected Persons”	has the meaning ascribed to it under Rule 1.01 of the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, to approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate), notice of which is set out on pages 50 to 52
“First Seller”	Dr. Chu Chun Pu, the legal and beneficial owner of 2,280 shares in the Target Company, representing 22.80% 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

## DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all the Independent Non-Executive Directors, formed for the purpose of advising the Shareholders on, among other things, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Independent Financial Adviser”	Altus Capital Limited, a licensed corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Independent Non-Executive Directors”	the independent non-executive Directors of the Company, namely, Ma Ching Nam, Look Andrew and Lam Chi Hang Josekin
“Independent Shareholders”	Shareholders other than those who have a material interest in the Sale and Purchase Agreement and transactions contemplated thereunder (including the grant of the Specific Mandate), and are not required to abstain from voting on the relevant resolution at the EGM
“Issue Price”	HK\$4.20 per Consideration Share
“Last Trading Day”	16 July 2020, being the last trading day immediately prior to the entering into of the Sale and Purchase Agreement
“Latest Practicable Date”	5 August 2020, being the last practicable date prior to the printing of this circular of the purpose of ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

## DEFINITIONS

“NYMG Group”	the following subsidiaries of the Target Company as agreed by the Purchaser and the Sellers whose financial performances are guaranteed by the Sellers pursuant to the Profit Guarantee, and each member as a “NYMG Group Member”: (i) New York Medical Group (Pain Center) Limited, (ii) New York Medical Group Tsimshatsui Limited, (iii) New York Medical Group Central Limited, (iv) New York Medical Group Kwun Tong Limited, (v) New York Medical Group North Point Limited, (vi) New York Medical Group Wanchai Limited, (vii) New York Medical Group Quarry Bay Limited, (viii) New York Medical Group Tsuen Wan Limited, (ix) New York Medical Group Shatin Limited, (x) New York Medical Group Midlevels Limited and (xi) New York Medical Group (HO) Limited
“Profit Guarantee”	has the meaning ascribed thereto in the paragraph headed “THE SALE AND PURCHASE AGREEMENT — Profit Guarantee” in the section headed “Letter from the Board” of this circular
“Purchaser”	Union (Group) Investment Limited, an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Sale and Purchase Agreement”	the agreement dated 17 July 2020 entered into among the Company, the Purchaser and each of the Sellers in respect of the Acquisition
“Sale Shares”	2,400 ordinary shares of the Target Company, representing 24.00% of the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement, comprising (i) 2,280 shares held by the First Seller and (ii) 120 shares held by the Second Seller
“Second Seller”	Dr. Lin Fu Chieh, the legal and beneficial owner of 120 shares in the Target Company, representing 1.20% of the total number of issued shares of the Target Company
“Sellers”	the First Seller and the Second Seller collectively
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company with par value of HK\$0.00001 each
“Shareholder(s)”	registered holder(s) of the issued Share(s)

## DEFINITIONS

“Specific Mandate”	the specific mandate to allot and issue the Consideration Shares, the Warrants and the Warrant Shares, which is subject to approval by the Independent Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Target Company”	Hong Kong Pain and Wellness Solution Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	Target Company and its subsidiaries, and each member as a “Target Group Member”
“Warrant(s)”	the 10,000,000 unlisted warrants to be issued by the Company to the Sellers, entitling the holder(s) thereof to subscribe for up to a maximum number of 10,000,000 Warrant Shares
“Warrant Exercise Price”	the sum payable by the Warrantholder(s) for each Warrant Share upon exercise of the subscription rights attaching to the Warrant, which shall initially be HK\$4.20 subject to adjustments provided in the warrant instrument
“Warrant Share(s)”	the Shares(s) which may fall to be allotted and issued upon exercise of the subscription right attaching to the Warrant
“%”	per cent.



## 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)**

*Executive Directors:*

Tang Chi Fai (*Chairman and Chief Executive Officer*)  
Lee Gabriel  
Lee Heung Wing  
Wong Chi Cheung

*Registered office:*

Cricket Square, Hutchins Drive  
P.O. Box 2681,  
Grand Cayman KY1-1111  
Cayman Islands

*Non-executive Directors:*

Luk Kun Shing Ben  
Wang Steven Dasong

*Principal place of business:*

L50, Langham Place Office Tower,  
8 Argyle Street,  
Mong Kok, Hong Kong

*Independent non-executive Directors:*

Ma Ching Nam  
Look Andrew  
Lam Chi Hang Josekin

10 August 2020

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF  
FURTHER 24% EQUITY INTEREST IN TARGET GROUP  
INVOLVING THE ISSUE OF  
CONSIDERATION SHARES AND UNLISTED WARRANTS  
TO A CONNECTED PERSON UNDER SPECIFIC MANDATE**

### INTRODUCTION

Reference is made to the announcement of the Company dated 20 July 2020 in relation to the Acquisition and the issue of Consideration Shares and Warrants.

\* *For identification purposes only*

## LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information in relation to the Acquisition and the proposed issue of Consideration Shares and Warrant as the settlement of consideration; (ii) the recommendations of the Independent Board Committee and the letter of advice from Altus Capital Limited to the Independent Board Committee and the Independent Shareholders; (iii) the notice of the EGM; and (iv) other information as required under the Listing Rules.

### THE SALE AND PURCHASE AGREEMENT

On 17 July 2020, 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 consideration of HK\$106.2 million comprise (i) the allotment and issue of 22,524,000 Consideration Share at the Issue Price of HK\$4.20 per Consideration Share, and (ii) issue of 10,000,000 Warrants by the Company to the Sellers, subject to the terms and conditions as set out in the Sale and Purchase Agreement.

Immediately prior to the Completion, the Target Company is held by the Purchaser, a medical practitioner providing services to the Target Company, the First Seller and the Second Seller as to 51.00%, 25.00%, 22.80% and 1.20%, respectively. Upon Completion, the said medical practitioner will continue to hold 25.00% of the Target Company and the Purchaser will hold 75.00% equity interest of the Target Company and the financial information of the Target Group shall continue to be consolidated into the consolidated financial statements of the Group.

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

<b>Date:</b>	17 July 2020
<b>Parties:</b>	(1) the Company; (2) the Purchaser; (3) First Seller; and (4) Second Seller.

### Consideration

The total consideration payable by the Purchaser to the Sellers for the Sale Shares is payable in the following manner:

- (a) by the allotment and issue of the Consideration Shares at the Issue Price by the Company and the respective amount of Consideration Shares to be allotted and issued to each of the Sellers as set out in the table below; and
- (b) by the issue of the Warrants by the Company and the respective amount of Warrants to be issued to each of the Sellers as set out in the table below.



## LETTER FROM THE BOARD

### Consideration Shares and Warrants

First Seller	21,397,800	Consideration Shares and 9,500,000	Warrants
Second Seller	1,126,200	Consideration Shares and 500,000	Warrants
<b>Total:</b>	<b>22,524,000</b>	<b>Consideration Shares and 10,000,000</b>	<b>Warrants</b>

### 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 net assets value of the Target Company and prospects of the Target Company, (ii) the medical capability and Profit Guarantee of the Sellers, and (iii) the expertise of the management of the Target Company.

As at the Latest Practicable Date, services of the Target Group are offered across 21 clinics and service centres in Hong Kong via 24 chiropractors and 4 registered medical practitioners on orthopaedic and traumatology. Given the growing demand for the provision of chiropractic, orthopaedic, pain and wellness services in Hong Kong, the Target Group is expanding its business by opening new clinics in Kowloon East and Yuen Long, which are expected to commence operation by the end of 2020. Having considered the above, the Board considers that the Target Group has well-established business in Hong Kong and has a good business prospect. The Board also noted that the Target Group recorded an increase of 38.21% and 13.06% in its net profit after tax and net asset value, respectively, for the year ended 31 March 2020 and considered such growth to be satisfactory. Considering (i) the extensive experience of the management of the Target Group in operating a sizable clinic chain offering such services in Hong Kong, and (ii) the medical capability of the Sellers, who are chiropractors with more than 10 years of experience providing services to the Target Group, the Board considered that the Target Group will continue to achieve remarkable performance.

The Consideration Shares of HK\$94.6 million represents 24% of approximately 11.60 times P/E multiples of the unaudited profit after taxation of the Target Group for the year ended 31 March 2020 of HK\$34.0 million. The total consideration of HK\$106.2 million represents 24% of approximately 13.01 times P/E multiples of the unaudited profit after taxation of the Target Group for the year ended 31 March 2020 of HK\$34.0 million. Moreover, if the Warrants are fully exercised by the Sellers at the Initial Warrant Exercise Price, the Company will receive a maximum of HK\$42.0 million in cash.

Having considered the above and coupled with (i) the Profit Guarantee provided by the Sellers; and (ii) the Company was trading at 13.10 times P/E multiples as at the Last Trading Day and the possible cash inflow upon exercise of the Warrants, the Directors (including the Independent Non-Executive Directors, whose views have been set out in the section headed "Letter from the Independent Board Committee" of this circular) consider that the consideration of HK\$106.2 million is fair and reasonable.

## LETTER FROM THE BOARD

### The Consideration Shares

The Consideration Shares represent approximately 2.25% of the issued share capital of the Company as at the Latest Practicable Date and approximately 2.20% of the issued share capital of the Company as enlarged by the Consideration Shares (assuming there will be no change in the total number of issued Shares of the Company between the Latest Practicable Date and the allotment and issue of the Consideration Shares).

The Issue Price of HK\$4.20 per Consideration Share was negotiated on an arm's length basis between the parties of the Sale and Purchase Agreement and determined with reference to the average of the prevailing market prices of the Shares as quoted on the Stock Exchange, and it represents:

- (i) a premium of approximately 4.22% to the closing price of HK\$4.03 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;
- (ii) a discount of approximately 1.18% to the closing price of HK\$4.25 per Share per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 2.44% to the closing price of HK\$4.10 per Share per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Directors (including the Independent Non-Executive Directors, whose views have been set out in the section headed "Letter from the Independent Board Committee" of this circular) consider that the Issue Price 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 Precedents**" 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 and not misleading in all respects;
- (c) approval being obtained from the Shareholders in accordance with the Listing Rules approving the transactions contemplated by the Sale and Purchase Agreement and the specific mandates for the issue of the Consideration Shares, Warrants and Warrant Shares; and

## LETTER FROM THE BOARD

- (d) the Stock Exchange granting listing of and permission to deal in the Consideration Shares and the Warrant Shares and not subsequently revoked prior to Completion.

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).

### Completion

Subject to the fulfilment (or where applicable, waiver) of the Conditions Precedent, Completion shall take place at 4:00 p.m. (Hong Kong time) on the Completion Date or such other time to be agreed by the Sellers and the Purchaser.

### Profit Guarantee

Each of the First Seller and the Second Seller jointly and severally guarantees to each of the Company and the Purchaser (“**Profit Guarantee**”) that the aggregate net profit of all NYMG Group Members (“**Aggregate Net Profit**”) for the five years ending 31 March 2025 shall be no less than approximately HK\$188.0 million (“**Guaranteed Net Profit**”), representing an approximate compound annual growth rate of 20% of the aggregate net profit of all NYMG Group Members for five years ending 31 March 2025, with reference to the unaudited net profit of the NYMG Group for the year ended 31 March 2020.

In the event that the Aggregate Net Profit is less than the Guaranteed Net Profit, each of the First Seller and the Second Seller jointly and severally 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 is determined.

<b>Amount Payable by</b>	<b>Formula for calculating the profit shortfall compensation mentioned above</b>
The First Seller	$(\text{Guaranteed Net Profit} - \text{Aggregate Net Profit}) \times 49\% \times 95\%$
The Second Seller	$(\text{Guaranteed Net Profit} - \text{Aggregate Net Profit}) \times 49\% \times 5\%$

## LETTER FROM THE BOARD

There is no cap on the maximum amount of profit shortfall compensation payable by the Sellers under the Profit Guarantee. If the NYMG Group records an aggregate net loss for the five years ending 31 March 2025 (“**Aggregate Net Loss**”), the amount of the Aggregate Net Loss will substitute the amount of the Aggregate Net Profit in the formula above. For illustrative purpose, the formula for calculating the profit shortfall compensation in case of a net loss is set out below:

<b>Amount Payable by</b>	<b>Formula for calculating the profit shortfall compensation in case of net loss</b>
The First Seller	$(\text{Guaranteed Net Profit} + \text{Aggregate Net Loss}) \times 49\% \times 95\%$
The Second Seller	$(\text{Guaranteed Net Profit} + \text{Aggregate Net Loss}) \times 49\% \times 5\%$

Reference is made to the announcement of the Company dated 23 September 2016. The Group first acquired 51% equity interest in certain NYMG Group Members pursuant to the sale and purchase agreement dated 23 September 2016 (“**2016 SPA**”). The sellers of the 2016 SPA provided a profit guarantee for the aggregated net profit of such NYMG Group Members for the three years ended 31 March 2019. Thereafter, the NYMG Group undergone certain corporate restructuring and became wholly-owned subsidiaries of the Target Company. As disclosed in the Company’s annual report for the year ended 31 March 2019, all profit guarantees under the 2016 SPA have been met. Given the good track record of the financial performance of the NYMG Group and the growing demand for the provision of chiropractic, orthopaedic, pain and wellness services in Hong Kong, the Board considered that Guaranteed Net Profit is justifiable and there is a reasonable probability that the NYMG Group would be able to achieve the Guaranteed Net Profit.

Moreover, despite the outbreak of COVID-19 since January 2020 and the social unrest in Hong Kong during the second half of 2019, the NYMG Group remained profitable and growing. The Board is of the view that this demonstrates the Sellers’ abilities and managerial experience to manage the NYMG Group during difficult economic and social conditions and believes that the Sellers are capable to manage the NYMG Group through different business cycles and to achieve the Profit Guarantee. Taking into account of the above, the Board considers it to be reasonable to expect the Sellers to be able to minimize the shortfall (if any) between the Aggregate Net Profit and the Guaranteed Net Profit and, accordingly, limit their exposure to potential profit shortfall compensation.

Given the longstanding business relationship between the Sellers and the Company, the Board considered the Sellers to be creditworthy. Based on the searches conducted against each of the Sellers by an independent third party on 4 August 2020, the Sellers were not subject to any bankruptcy petitions and the Board considered that each of the Sellers to have the financial ability to satisfy their payment obligations under the Profit Guarantee. Having considered that the Sellers may sell the Consideration Shares and Warrant Shares as an alternative to obtain funding in the unlikely event that they do not have sufficient funds to honour their obligations under the Profit Guarantee, the Board is of the view that each of the Sellers will be able to make full compensation payment to the Purchaser in the event that the Guaranteed Net Profit is not met.

## LETTER FROM THE BOARD

The Company will comply with Rule 14A.63 of the Listing Rules regarding the announcement and annual report disclosure requirements in relation to the Profit Guarantee as and when appropriate.

### ISSUE OF THE WARRANTS

According to the Sale and Purchase Agreement, the Company and the Sellers shall execute a warrant instrument at Completion in respect of the issue of the Warrants to the Sellers. The terms of the Warrants have been negotiated on an arm's length basis and the principal terms of which are summarised below:

<b>Issuer:</b>	the Company
<b>Number of Warrants:</b>	10,000,000 Warrants exercisable into 10,000,000 Warrant Shares
<b>Warrant Exercise Price:</b>	The initial Warrant Exercise Price is HK\$4.20 per Warrant Share i.e. the amount payable on the exercise of each Warrant, subject to adjustments as summarized below.

The Warrant Exercise Price set out above was determined based on the arm's length negotiations between the Company and the Sellers, taking into account of the prevailing market price of the Shares. The Directors (including the Independent Non-Executive Directors, whose views have been set out in the section headed "Letter from the Independent Board Committee" of this circular) consider that the terms of the Warrants, including the Warrant Exercise Price, are on normal commercial terms and are fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

<b>Adjustment to the Warrant Exercise Price:</b>	The Warrant Exercise Price shall from time to time be adjusted upon the occurrence of certain events in relation to the Company including the following: <ul style="list-style-type: none"><li>(i) an alteration of the number of the Shares by reason of consolidation or subdivision;</li><li>(ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or contributed surplus account); or</li></ul>
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## LETTER FROM THE BOARD

(iii) a capital distribution being made by the Company to the Shareholders, or a grant by the Company to Shareholders of rights to acquire for cash assets of the Company or any of its subsidiaries.

**Exercise Period:**

Each Warrant carries the right to subscribe for one (1) Warrant Share at the Warrant Exercise Price. The subscription rights attaching to the Warrants (“**Subscription Rights**”) may be exercised at any time between a period from the Completion Date and the last day of the fifth year period following from the Completion Date (both days inclusive) (the “**Exercise Period**”).

Any Subscription Rights which have not been exercised during the Exercise Period will thereafter lapse and the Warrants will cease to be valid for any purpose.

**Exercise of the Subscription Rights:**

Subject to the conditions below, the Warrantholders shall have rights, in his absolute discretion, to subscribe the Warrant Shares at the relevant Warrant Exercise Price no more than or equal to 20% of the Warrants in each one-year period from the Completion Date or the anniversary of the Completion Date (as the case maybe) during the Exercise Period.

The Warrantholder or his designated nominee shall not be entitled to exercise the subscription rights attaching to the Warrants to the extent that immediately after such exercise: (i) there will not be sufficient public float of the Shares as required under the Listing Rules; or (ii) the Warrantholder or his designated nominee, whether alone or together with parties acting in concert with him, would be obliged to make a general offer under the Code on Takeovers and Mergers in force from time to time.

## LETTER FROM THE BOARD

**Rights to dividend:**

If the record date for entitlement to the payment of any dividend or other distribution in respect of any Warrant Shares in respect of which the Warrantholder is exercising his Subscription Rights represented by the Warrants (the “**Subscribed Securities**”) falls on or after the date of exercise but before the date on which the Warrantholder is registered in the register of members of the Company in respect of such Subscribed Securities, with the effect that the Warrantholder is not entitled to such dividend or distribution, the Company shall forthwith on demand of the Warrantholder pay to the Warrantholder an amount equal to such dividend or other distribution to which the Warrantholder would have been entitled had he been a holder of record of such Subscribed Securities on that record date.

**Right of the Warrantholder on liquidation of the Company:**

In the event of a voluntary winding-up of the Company, the Warrantholders shall be entitled to exercise the Subscription Rights represented by the Warrants not later than two business days prior to the proposed Shareholders’ meeting to approve the voluntary winding-up, and the Company shall no later than the day immediately prior to the date of the proposed Shareholders’ meeting, issue such number of Warrant Shares which fall to be issued pursuant to the exercise of the Subscription Rights represented by such Warrant.

If an effective resolution is passed during the Exercise Period for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholder, or some person designated by them for such purpose by special resolution, shall be a party or in conjunction with which a proposal is made to the Warrantholder and is approved by special resolution, the terms of such scheme of arrangement or (as the case may be) proposal will be binding on all the Warrantholder.

If the Company is wound up, all Subscription Rights which have not been exercised at the commencement of the winding-up will lapse.

**Transferability:**

The Warrants are non-transferable no matter in whole or in part to any person or entity.

## LETTER FROM THE BOARD

**Non-redeemable Warrants:** Each Warrant outstanding as at the last day of the Exercise Period is not redeemable by the Company and the Company has no obligation to purchase or otherwise acquire the outstanding Warrant at any time.

**Listing:** No listing of the Warrants will be sought on the Stock Exchange or other stock exchanges.

### Warrant Shares and Warrant Exercise Price

Upon full exercise of the Warrants, a maximum of 10,000,000 Warrant Shares will be issued, representing approximately 1.00% of the issued share capital of the Company as at the date of the Latest Practicable Date and approximately 0.99% of the issued share capital of the Company as enlarged by the Warrant Shares (assuming there will be no change in the total number of issued Shares of the Company between the Latest Practicable Date and the allotment and issue of the Warrant Shares).

The Warrant Exercise Price of HK\$4.20 was negotiated on an arm's length basis between the Company and the Sellers and determined with reference to the average of the prevailing market prices of the Shares as quoted on the Stock Exchange, and represents:

- (i) a premium of approximately 4.22% to the closing price of HK\$4.03 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement; and
- (ii) a discount of approximately 1.18% to the closing price of HK\$4.25 per Share per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 2.44% to the closing price of HK\$4.10 per Share per Share as quoted on the Stock Exchange on the Latest Practicable Date.

### Value of the Warrants

The Company has engaged Asset Appraisal Limited (the “**Independent Valuer**”), a valuation firm which is a third party independent of the Company and its connected persons, to assess the fair value of the Warrants by making reference to the binomial option pricing model (the “**Binomial Model**”). Based on the Binomial Model, the fair value of the Warrants is assessed at HK\$11.6 million. The assumptions and parameters used in determining the valuation of the Warrants are set out as follows:

#### *Assumptions*

1. Risk free rate represents the yields to maturity of respective Hong Kong Exchange Fund Note as 17 July 2020, being the date of the Sale and Purchase Agreement, released by Hong Kong Monetary Authority.
2. Based on the historical dividend payout record of the Company, it is expected that the dividend yield is 5.707%.



## LETTER FROM THE BOARD

3. Volatility is the annualized standard deviation of the continuously compounded rates of return on the daily average adjusted share price of the Company.
4. The risk free rate, dividend yield, volatility will stay constant throughout the remaining life of the Warrants.

### *Parameters*

1. the underlying stock price of HK\$4.03 per Share, being the closing price of the Share as quoted on the Stock Exchange on 17 July 2020, being the date of the Sale and Purchase Agreement;
2. the Warrant Exercise Price of HK\$4.20;
3. the exercise period, being the 5-year period commencing on the date of the issue of the Warrants ending on 16 July 2025 assuming the issue of the Warrants took place on 17 July 2020;
4. the contractual Warrants life of 5 years;
5. a risk free rate of 0.070%;
6. an expected volatility of 48.573%; and
7. an expected annualized dividend yield of 5.707%.

The Directors (including the Independent Non-Executive Directors, whose views have been set out in the section headed “Letter from the Independent Board Committee” of this circular) consider that the Warrant Exercise Price is fair and reasonable.

### **EFFECT OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY**

As at the Latest Practicable Date, the Company had 1,003,027,195 Shares in issue. For reference and illustration purposes only, the following table sets out the effect of the allotment and issuance of the Consideration Shares and the Warrant Shares on the shareholding structure of the Company assuming that (i) the Completion having taken place; (ii) 22,524,000 Consideration Shares will be allotted and issued pursuant to the Sale and Purchase Agreement; (iii) 10,000,000 Warrant Shares will be allotted and issued after the full exercise of the Warrants at the initial Warrant Exercise Price; and (iv) there is no change in the shareholding structure of the Company.

## LETTER FROM THE BOARD

Shareholders	As at the Latest Practicable Date		Immediately upon the allotment and issuance of the Consideration Shares		Immediately upon the allotment and issuance of (i) the Consideration Shares and (ii) the Warrant Shares after the exercise of the Warrants at the initial Warrant Exercise Price in full (For illustration only) <sup>3</sup>	
	<i>Number of shares</i>	%	<i>Number of shares</i>	%	<i>Number of shares</i>	%
	Number of shares	%	Number of shares	%	Number of shares	%
Tang Chi Fai (“Mr. Tang”) <sup>1</sup>	728,988,230	72.68	728,988,230	71.08	728,988,230	70.40
Core Connected Persons of the Company	16,007,851	1.59	16,007,851	1.56	16,007,851	1.55
The First Seller	<u>2,288,317</u>	<u>0.23</u>	<u>23,686,117</u>	<u>2.31</u>	<u>33,186,117</u>	<u>3.20</u>
	<b><u>747,284,398</u></b>	<b><u>74.50</u></b>	<b><u>768,682,198</u></b>	<b><u>74.95</u></b>	<b><u>778,182,198</u></b>	<b><u>75.15</u></b>
OrbiMed Asia Partners III, L.P. <sup>2</sup>	63,806,686	6.36	63,806,686	6.22	63,806,686	6.16
The Second Seller	453,099	0.05	1,579,299	0.15	2,079,299	0.20
Other public Shareholders	<u>191,483,012</u>	<u>19.09</u>	<u>191,483,012</u>	<u>18.67</u>	<u>191,483,012</u>	<u>18.49</u>
	<b><u>255,742,797</u></b>	<b><u>25.50</u></b>	<b><u>256,868,997</u></b>	<b><u>25.05</u></b>	<b><u>257,368,997</u></b>	<b><u>24.85</u></b>
<b>Total issued shares</b>	<b><u>1,003,027,195</u></b>	<b><u>100.00</u></b>	<b><u>1,025,551,195</u></b>	<b><u>100.00</u></b>	<b><u>1,035,551,195</u></b>	<b><u>100.00</u></b>

*Notes:*

1. Out of the 728,988,230 Shares which Mr. Tang was interested in, (i) 5,103,000 were held by Mr. Tang as the beneficial owner, (ii) 2,654,000 Shares were held by his spouse, Ms. Yau Ming Li, and (iii) 721,231,230 Shares were held by Union Medical Care Holding Limited, a company wholly owned by Mr. Tang.
2. According to the information in the disclosure of interests form of OrbiMed Advisors III Limited (“Orbi A III”), Orbi A III holds 100% of the issued share capital of OrbiMed Asia GP III, L.P. (“Orbi A GP”); and Orbi A GP holds 2% of the issued share capital of OrbiMed Asia Partners III, L.P. Orbi A III and Orbi A GP were therefore deemed to be interested in the Shares of the Company which are owned by OrbiMed Asia Partners III, L.P. under Part XV of the SFO.
3. As illustrated in the shareholding table above, assuming that there is no change in the shareholding structure of the Company since the Latest Practicable Date, immediately upon the allotment and issuance of (i) the Consideration Shares and (ii) the Warrant Shares after the exercise of the Warrants at the initial Warrant Exercise Price in full, the Company will not be able to satisfy the minimum public float requirement under the Listing Rules. The Company would like to remind the Shareholders that such shareholding scenario has been included in this circular for illustration purpose only and will not occur since pursuant to the warrant instrument, the Warrant holders shall not be entitled to exercise the Subscription Rights attaching to the Warrants if immediately after such exercise there will not be sufficient public float of the Shares as required under the Listing Rules.

## **LETTER FROM THE BOARD**

### **REASONS AND BENEFITS FOR THE ACQUISITION**

The Target Group continued to achieve a remarkable performance in the chiropractic, orthopaedic, pain and wellness services and generate recurrent income for the Group. Taking into account of the remarkable business development and financial performance of the Target Group which contributed considerable profits to the Group, the further acquisition of 24% equity interest in the Target Group represents a tremendous opportunity for the Company to further increase and concentrate its stake in the Target Group. The Acquisition can enable the Group to realise a good investment opportunity and utilise its financial resources efficiently.

By issuing Warrants as part of the consideration for the Acquisition which the Sellers could only exercise not more than 20% of the Warrants in each year during the Exercise Period, it will not have an immediate impact on the cash flow of the Company and will not result in an immediate dilution of the shareholdings of the existing Shareholders. Further, as the Sellers are medical professionals providing services to the Target Group, the Warrants may provide incentive to the Sellers to continue to contribute to the success of the Target Group. The Board also considers that the Company could raise funds at the time when the Warrants are exercised. Accordingly, the Board considers that the terms of the Warrants are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the above reasons, the Directors (including the Independent Non-Executive Directors, whose views have been set out in the section headed “Letter from the Independent Board Committee” of this circular) believe that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

None of the Directors have a material interest in the Sale and Purchase Agreement, nor are they required to abstain from voting on the relevant resolution of the Board approving the Acquisition.

### **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 an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date and is an investment holding company.

### **INFORMATION ABOUT THE SELLERS AND THE TARGET GROUP**

The First Seller is a medical professional and a substantial shareholder of the Target Company, a subsidiary of the Company, and the spouse of a director of certain subsidiaries of the Group, and therefore a connected person of the Company.

The Second Seller is a medical professional and a third party independent of the Company and its connected persons.

Both of the Sellers are chiropractors who have been providing services to the Target Group for over 10 years.

## LETTER FROM THE BOARD

The Target Group is principally engaged in the provision of chiropractic, orthopaedic, pain and wellness services. As at the Latest Practicable Date, services of the Target Group are offered across 21 clinics and service centres in Hong Kong via 24 chiropractors and 4 registered medical practitioners in orthopaedic and traumatology. The table below sets out the unaudited consolidated financial information of the Target Group for the years ended 31 March 2019 and 31 March 2020:

	<b>For the year ended 31 March</b>	
	<b>2019</b>	<b>2020</b>
	<b>(unaudited)*</b>	<b>(unaudited)</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Profit before taxation	28.8	40.4
Profit after taxation	24.6	34.0
Net asset value	31.4	35.5

\* *The unaudited consolidated financial information represents the aggregate audited financial information of each of the companies comprising the Target Group.*

Each of the Sellers was one of the founding members of the Target Company. The original subscription price for the Sale Shares paid by the Sellers, in aggregate, was approximately US\$2,400 (equivalent to approximately HK\$18,720).

### **SPECIFIC MANDATE**

Pursuant to Rule 13.36 (2) of the Listing Rules, the Warrants, the Warrant Shares and the Consideration Shares will be allotted and issued under the Specific Mandate.

### **APPLICATION FOR LISTING**

Applications will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and the Warrant Shares which may fall to be allotted and issued upon exercise of the Subscription Rights, respectively. The Consideration Shares and the Warrant Shares, when allotted and issued on Completion, will rank *pari passu* in all respects with the existing Shares in issue.

### **LISTING RULES IMPLICATIONS**

As at the Latest Practicable Date, the First Seller is the substantial shareholder of the Target Company, a subsidiary of the Company, and the spouse of a director of certain subsidiaries of the Group, the First Seller is therefore a connected person of the Company. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 15.02(1) of the Listing Rules, the Warrant Shares to be issued on exercise of the Warrants must not, when aggregated with all other equity securities remain to be issued on exercise of any other subscription rights, if all such rights were immediately

## LETTER FROM THE BOARD

exercised, whether or not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the Warrants are issued. Options granted under share option schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of such limit.

As at the Latest Practicable Date, save for the 15,097,500 share options granted pursuant to a share option scheme adopted by the Company on 19 February 2016, the Company did not have any other outstanding options or warrants with subscription rights outstanding and not yet exercised. Upon exercising the Warrants at the initial Warrant Exercise Price in full, the issue of the 10,000,000 Warrant Shares will not exceed the 20% limit pursuant to Rule 15.02(1) of the Listing Rules.

### EGM

The EGM will be convened and held on 25 August 2020, Tuesday at 10:00 a.m. for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to allot and issue the Consideration Shares, the Warrants and the Warrant Shares). As at the Latest Practicable Date, each of the First Seller and the Second Seller holds 2,288,317 Shares and 453,099 Shares, respectively. Accordingly, each of the First Seller and the Second Seller and their respective associates will abstain from voting on resolution at the EGM.

Save as disclosed above and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries as at the Latest Practicable Date, no Director or other Shareholders has any material interest in the Acquisition and is required to abstain from voting on the proposed resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the EGM.

A form of proxy at the EGM is enclosed herewith. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy and return it to the office of the Company's Hong Kong branch share registrar, Link Market Services (Hong Kong) Pty Ltd. at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting in person at the EGM, or any adjournment thereof, should you so wish.

According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Therefore, the resolution put to the vote at the EGM will be taken by way of poll.

Notice of the EGM is set out on pages 50 to 52 of this circular. The register of shareholders of the Company will be closed from 19 August 2020 to 25 August 2020 (both days inclusive), during which period no transfer of Shares will be effected, in order to determine the identity of the shareholders who are entitled to attend and vote at the EGM. To be entitled to attend and vote at the EGM, all transfer documents accompanied by the relevant

## LETTER FROM THE BOARD

share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Link Market Services (Hong Kong) Pty Ltd. at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong for registration no later than 4:30 p.m. on 14 August 2020.

### RECOMMENDATIONS

While the entering into of the Sale and Purchase Agreement is not in the ordinary and usual course of business of the Group, the Directors (including the Independent Non-Executive Directors, having taken into account, amongst other things, the advice of Altus Capital Limited, whose views have been included in the section headed "Letter from the Independent Board Committee" in this circular) are of the view that (i) the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder and (ii) the grant of the Specific Mandate are fair and reasonable, on normal commercial terms and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders vote in favour of the relevant resolution to be proposed at the EGM to approve (i) the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder and (ii) the granting of Specific Mandate to issue and allot the Consideration Shares, the Warrants and the Warrant Shares.

### GENERAL

Your attention is drawn to (a) the letter from the Independent Board Committee set out on page 21 of this circular which contains its recommendation to the Independent Shareholders in relation to (i) the Acquisition and (ii) the grant of the Specific Mandate; (b) the letter from Altus Capital Limited set out on page 23 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of (i) the Acquisition and (ii) the grant of the Specific Mandate; and (c) additional information set out in the appendices to this circular.

Yours faithfully  
For and on behalf of the Board of  
**Union Medical Healthcare Limited**  
**Lee Gabriel**  
*Executive Director*



**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)**

*To the Independent Shareholders,*

10 August 2020

Dear Sir or Madam,

**CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF  
FURTHER 24% EQUITY INTEREST IN TARGET GROUP  
INVOLVING THE ISSUE OF  
CONSIDERATION SHARES AND UNLISTED WARRANTS  
TO A CONNECTED PERSON UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated 10 August 2020 (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

We, being the Independent Non-Executive Directors, have been appointed by the Board to form the Independent Board Committee and advise you in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of Specific Mandate) and to recommend whether or not the Independent Shareholders should vote on the resolution in respect of the same to be proposed at the EGM.

Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to (i) the “Letter from the Board” set out on page 5 of the Circular; (ii) the “Letter from the Independent Financial Adviser” set out on page 23 of the Circular to the Independent Board Committee and the Independent Shareholders which contains its advice to you and us in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of Specific Mandate), as well as the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendation; and (iii) the additional information as set out in the Appendix to the Circular.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Having taken into account the principal reasons and factors considered by, and the advice of, Altus Capital Limited as set out in the “Letter from the Independent Financial Adviser” in the Circular, although the entering into of the Sale and Purchase Agreement is not in the ordinary and usual course of business of the Group, we are of the opinion that (i) the terms of Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the terms of the Warrants and the granting of the Specific Mandate to issue and allot the Warrants, the Warrant Shares and the Consideration Shares are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned and in the interest of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

Yours faithfully,  
**Independent Board Committee**

**Ma Ching Nam**  
*Independent Non-Executive  
Director*

**Look Andrew**  
*Independent Non-Executive  
Director*

**Lam Chi Hang Josekin**  
*Independent Non-Executive  
Director*



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the connected transaction in relation to the Sale and Purchase Agreement and the transaction contemplated thereunder (including the grant of the Specific Mandate), which has been prepared for the purpose of incorporation in this circular.*

# ALTUS.

**Altus Capital Limited**  
21 Wing Wo Street  
Central, Hong Kong

10 August 2020

*To the Independent Board Committee and the Independent Shareholders*

**Union Medical Healthcare Limited**  
L50, Langham Place Office Tower  
8 Argyle Street, Mong Kok,  
Hong Kong

Dear Sirs or Madam,

### **CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF FURTHER 24% EQUITY INTEREST IN THE TARGET GROUP INVOLVING THE ISSUE OF CONSIDERATION SHARES AND UNLISTED WARRANTS TO A CONNECTED PERSON UNDER SPECIFIC MANDATE**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition as contemplated under the Sale and Purchase Agreement. Details of the Acquisition are set out in the “Letter from the Board” contained in the circular of the Company dated 10 August 2020 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein or required by the context.

On 17 July 2020, 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 consideration of approximately HK\$106.2 million will be settled by (i) the allotment and

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

issuance of 22,524,000 Consideration Shares at the Issue Price of HK\$4.20 per Consideration Share, amounting to approximately HK\$94.6 million; and (ii) the issuance of 10,000,000 Warrants with a valuation of approximately HK\$11.6 million, by the Company to the Sellers.

### LISTING RULES IMPLICATIONS

As the First Seller is the substantial shareholder of the Target Company, a subsidiary of the Company, and the spouse of a director of certain subsidiaries of the Group, the First Seller is a connected person of the Company. As such, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 15.02(1) of the Listing Rules, the Warrant Shares to be issued on exercise of the Warrants must not, when aggregated with all other equity securities remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the Warrants are issued. Options granted under share option schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of such limit.

As at the Latest Practicable Date, given the First Seller is a connected person of the Company and is considered as being interested in the Acquisition, the First Seller and his associate will abstain from voting on the propose resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the EGM. Save as disclosed above and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries as at the Latest Practicable Date, no Director or other Shareholders has any material interest in the Acquisition and is required to abstain from voting on the proposed resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the Independent Non-Executive Directors, namely Mr. Ma Ching Nam, Mr. Look Andrew and Mr. Lam Chi Hang Josekin, has been formed to advise the Independent Shareholders as to whether (i) the terms of Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned and in the interests of the Company as a whole; (ii) the terms of the Warrants and the granting of the Specific Mandate to issue and allot the Warrants, the Warrant Shares and the Consideration Shares are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the proposed resolution at the EGM, taking into account the recommendation of the Independent Financial Adviser.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether (i) the terms of Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned and in the interests of the Company; (ii) the terms of the Warrants and the granting of the Specific Mandate to issue and allot the Warrants, the Warrant Shares and the Consideration Shares are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the proposed resolution at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

We had acted as the independent financial adviser for the Company with regards to the connected transactions involving the purchase of Shares to satisfy the settlement of grant of award shares and the potential grant of award shares to connected participants, details of which are set out in the circular of the Company dated 31 March 2020. Save for the aforesaid transaction, we have not acted as independent financial adviser or financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the transactions contemplated under the Sale and Purchase Agreement (including the grant of the Specific Mandate) is at market level and not conditional upon successful passing of the resolution to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling shareholder(s) or connected person(s).

### BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the Sale and Purchase Agreement; (ii) the annual report of the Company for the year ended 31 March 2020 (the “**2020 Annual Report**”); (iii) the annual report of the Company for the year ended 31 March 2019 (the “**2019 Annual Report**”); (iv) the announcement of the Company dated 23 September 2016, amongst other things, the acquisition of 51% equity interest in the target companies (the “**First Acquisition Announcement**”); and (v) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of the EGM. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group. The Company will notify the Shareholders of any material change after the Latest Practicable Date and after the despatch of the Circular.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our recommendation, we have considered the principal factors and reasons set out below:

#### **1. Background information of the Group, the Purchaser, the Sellers and the Target Group**

##### ***1.1 Information the Group and the Purchaser***

The Group is a non-hospital medical service provider in Hong Kong principally engaged in (i) medical services (excluding aesthetic medical services and any beauty and wellness services); (ii) aesthetic medical services, comprising medical aesthetics and dental services; (iii) beauty and wellness services, comprising traditional beauty, haircare and ancillary wellness services; and (iv) sale of skincare, healthcare and beauty products.

The Purchaser, a company incorporated in Hong Kong with limited liability, is an indirect wholly-owned subsidiary of the Company and is an investment holding company. Immediately before the Completion, the Purchaser held 51.0% of the Target Company.

##### ***1.2 Information on the Sellers and the Target Group***

Both Sellers are chiropractors who have been providing services to the Target Group for over 10 years. The First Seller is a medical professional and the legal and beneficial owner of 22.8% of the total number of issued shares of the Target Company, a non-wholly own subsidiary of the Company as at the date of the Sale and Purchase Agreement. He is also the spouse of a director of certain subsidiaries of the Group, and therefore a connected person of the Company. The Second Seller is a medical professional and a third party independent of the Company and its

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

connected persons, which is the legal and beneficial owner of 1.2% of the total number of issued shares of the Target Company as at the date of the Sale and Purchase Agreement.

The Target Group is principally engaged in the provision of chiropractic, orthopaedic, pain and wellness services. As at the Latest Practicable Date, services of the Target Group are offered across 21 clinics and service centres in Hong Kong via 24 chiropractors and four registered medical practitioners in orthopaedic and traumatology. The table below sets out the unaudited consolidated financial information of the Target Group for the two years ended 31 March 2020:

	<b>For the year ended 31 March</b>	
	<b>2019</b> (unaudited) <sup>Note</sup> <i>HK\$ million</i>	<b>2020</b> (unaudited) <i>HK\$ million</i>
Profit before taxation	28.8	40.4
Profit after taxation	24.6	34.0
Net asset value	31.4	35.5

*Note:* The unaudited consolidated financial information represents the aggregate audited financial information of each of the companies comprising the Target Group.

As mentioned in the First Acquisition Announcement, the Group acquired shareholding interests in the NYMG Group in 2016 as the Board believed that (a) the aggregate profits of the NYMG Group will contribute positively to the financial results of the Company; and (b) the services provided by the NYMG Group will (i) complement medical services that the Group offer, (ii) diversify the Group's business portfolio, and (iii) provide a new source of income to the Group. As mentioned in the 2019 Annual Report, all profit guarantees for the acquisition of the NYMG Group as disclosed in the First Acquisition Announcement has been met.

Subsequent to the Group's acquisition of the 51.0% equity interest in the NYMG Group in 2016 ("**2016 Acquisition**"), the Group have reorganised the chiropractic services acquired from NYMG Group with its other orthopedic and pain and wellness services into the Target Group. We note that the NYMG Group's profit after taxation increased over 5.6 times from approximately HK\$6.0 million for the year ended 31 March 2016 (as disclosed in the First Acquisition Announcement) to approximately HK\$34.0 million for the year ended 31 March 2020 for the Target Group (as shown in the table above). We understand from the Management that the NYMG Group contributed significant proportion to the Target Group's growth and therefore the Group is satisfied with the growth of the NYMG Group and Target Group since the 2016 Acquisition.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 1.3 Financial information of the Group

Set out below is a table summarising certain key financial information extracted from the 2020 Annual Report:

*Extract of Consolidated Statement of Profit or Loss*

	For the year ended 31 March	
	2019	2020
	(HK\$ million)	(HK\$ million)
Revenue	1,852.5	1,948.5
Profit before taxation	450.1	360.5
Profit for the year	384.5	310.3

The Group recorded revenue of approximately HK\$1,948.5 million for the year ended 31 March 2020 (2019: approximately HK\$1,852.5 million), representing an increase of 5.2% from the previous year. The increase in revenue was primarily attributable to the significant increase in the revenue generated from medical services as a result of the increase in the number of active clients and their spending during the year ended 31 March 2020. During the year ended 31 March 2020, medical services was the key growth driver. Revenue contributed by medical services increased by approximately 19.2% from approximately HK\$522.8 million for the previous year to approximately HK\$623.3 million for the year ended 31 March 2020.

Profit before tax and profit for the year for the year ended 31 March 2020 was approximately HK\$360.5 million (2019: approximately HK\$450.1 million) and HK\$310.3 million (2019: approximately HK\$384.5 million) respectively. The decrease in the net profit and net profit margin were mainly due to (i) the outbreak of COVID-19 whereby certain service centers were temporarily closed in accordance with local regulations for a period ranging three to eight weeks; (ii) social unrest in Hong Kong since June 2019 which affected the Group's operations; and (iii) the cost incurred in the development of new businesses.

### 1.4 Outlook of the Group

According to the 2020 Annual Report, the Directors recognised the essentiality of medical service to individuals and the importance of patient satisfaction towards the sustainable growth of the Group. The Group has been actively acquiring different companies as a strategy to achieve its growth target. In 2019, the Group has acquired several high-potential companies including (i) a paediatric clinic; (ii) a child development assessment and therapy centre; and (iii) a digital marketing company.

The outbreak of COVID-19 has affected the business of the Group. In particular, certain service centres of the Group was temporarily closed for a period ranging from three to eight weeks as imposed by the health authorities in Hong Kong, Macau and mainland China in an attempt to contain the spreading of the virus. Such centres resumed operations from 8 May 2020 onwards. To ease operational

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pressure brought about by the pandemic, the Group had applied for the government subsidies with total amounts of approximately HK\$30.8 million in Hong Kong, mainland China and Macau.

Going forward, the Group remains committed to broaden its breadth and depth of healthcare and wellness services offerings and expand its market share by identifying potential acquisition targets as well as partnership opportunities in Hong Kong and mainland China. The Management believes notwithstanding COVID-19's adverse impact on the overall economy, the resultant rise in health consciousness and awareness suggests it to be an opportune time to continue with the Group's expansion strategy and will continue to monitor and deploy its financial resources effectively.

### **2. Reason for and benefits of the Acquisition**

Since the 2016 Acquisition, the Target Group has achieved a remarkable performance in the chiropractic, orthopaedic, pain and wellness services and generate recurrent income for the Group. For the year ended 31 March 2020, the Target Group recorded an increase in profit after taxation to approximately HK\$34.0 million from approximately HK\$24.6 million for the year ended 31 March 2019, representing an increase of approximately 38.2%.

Furthermore, we note that the 2016 Acquisition was conducted at the time to primarily (i) diversify the Group's business portfolio; and (ii) complement the Group's medical services. Based on our understanding from the Management, since the 2016 Acquisition, the Group had provided support in various area such as IT and marketing to the Target Group on top of the Target Group's experienced management team. The Target Group's scale of operational expansion and improving financial results since the 2016 Acquisition validates such acquisition decision.

Upon the Completion, the Sellers will remain with and continue to provide their expertise to the Target Group. The Sellers will also become the Shareholders of the Company and therefore their interests will be better aligned with the Group as compared to the 2016 Acquisition.

As mentioned in the section headed "1.4 Outlook of the Group" in this letter, the Group has been actively identifying potential acquisition to achieve its growth target. Taking into account of the established business relationship and historical financial performance of the Target Group which contributed approximately 11.0% of the Group's total profit for the year ended 31 March 2020, the further acquisition of 24.0% equity interest in the Target Group represents an opportunity for the Company to further increase its stake and consolidate additional profits from the Target Group. The Acquisition, with the Profit Guarantee (as defined below) and the issuance of Warrants (as further elaborated under the sections headed "3.3 Profit guarantee" and "3.4 The Warrants and Warrants Shares" under in this letter) can enable the Group to realise a good investment opportunity, utilise its financial resources efficiently and retain the expertise support of the Sellers.

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Given the uncertainties brought about the outbreak of COVID-19, we also noted that the consideration will be fully settled by in the form of Consideration Shares and Warrants where there will be (i) no cash outflow for the Group upon Completion; and (ii) cash inflow for the Group of HK\$42.0 million if the Warrants are fully exercised by the Sellers. Thereby the Group can reserve more working capital in preparation for the uncertain economic environment, whilst achieving the potential earning enhancement from the Acquisition.

Having considered the above reasons, although the entering into the Sale and Purchase Agreement is not in the ordinary and usual course of business of the Group, we are of the view that the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Independent Shareholders as a whole.

### 3. Principal terms of the Sale and Purchase Agreement

On 17 July 2020, 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 consideration of approximately HK\$106.2 million will be settled by (i) the allotment and issuance of 22,524,000 Consideration Shares at the Issue Price of HK\$4.20 per Consideration Share, amounting to approximately HK\$94.6 million; and (ii) the issuance of 10,000,000 Warrants with a valuation of approximately HK\$11.6 million, by the Company to the Sellers.

For further details of the principal terms, please refer to the “Letter from the Board” in the Circular.

#### 3.1 *The consideration*

The consideration was determined on arm’s length negotiations between the Purchaser and the Sellers with reference to (i) the business, net assets value and prospects of the Target Group, (ii) the medical capability and Profit Guarantee of the Sellers, and (iii) the expertise of the management of the Target Group.

##### 3.1.1 *Comparable companies analysis on the consideration*

To assess the fairness and reasonableness of the consideration, we have conducted a comparable analysis against listed companies on the Stock Exchange engaging in similar business of the Target Group (the “**Comparable Companies**”). The comparable analysis focuses on the P/E multiples of the Comparable Companies. Given the Target Group is engaged in the non-hospital medical services industry, an asset-light industry, earnings, instead of its revenue or book-value, is the most appropriate metric that reflects non-hospital medical services provider’s value. Hence, we consider the P/E analysis an appropriate method over P/B analysis or price to sales analysis.



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In selecting the Comparable Companies, our selection criteria are companies that (i) are listed on the Main Board of the Stock Exchange; (ii) not a biotech company as defined under Chapter 18A of the Listing Rules; (iii) engage in providing medical and medical related services; and (iv) generated profits in the most recent financial year.

Independent Shareholders should note that despite of the aforesaid criteria, the business and scale of operation of the Target Group are not exactly the same as those of the Comparable Companies, and we have not conducted any in-depth investigation into the business and operations of the Comparable Companies.

The Comparable Companies below have been selected based on the above criteria, and have been identified through our research using public information. We believe it is an exhaustive list based on these criteria.

<b>Company name</b>	<b>Stock code</b>	<b>P/E <sup>(Note 1)</sup></b>
Jinxin Fertility Group Limited <sup>(Note 2)</sup>	1951	55.7
C-MER Eye Care Holdings Limited	3309	192.1 <sup>(Note 4)</sup>
Hygeia Healthcare Holdings Co Ltd	6078	262.4 <i>(Notes 5&amp;6)</i>
China Resources Medical Holdings Company Limited <sup>(Note 2)</sup>	1515	15.0
Hospital Corporation of China Limited	3869	8.1
Honliv Healthcare Management Group Co Ltd	9906	18.6 <sup>(Note 5)</sup>
UMP Healthcare Holdings Ltd	722	52.1
Human Health Holdings Limited	1419	9.1
The Group	2138	13.1
The Target Group <sup>(Note 3)</sup>	—	13.0
	<b>Maximum</b>	262.4
	<b>Minimum</b>	8.1
	<b>Average</b>	76.6
	<b>Median</b>	35.4

*Source: HKExnews website*

*Notes:*

1. P/E ratio is calculated based on the respective market capitalisation as at the Last Trading Day sourced from the website of the HKExnews divided by their respective earnings reported in the respective companies' latest published annual report.
2. Some of the Comparable Companies has a reporting currency in Renminbi (RMB). For illustration purpose, an exchange rate of RMB1:HK\$1.1093 was used for the above table.
3. The implied P/E ratio of the Target Group is calculated based on the unaudited profit after taxation and the consideration of its 24.0% equity interests.

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4. We note that the P/E ratio of C-MER Eye Care Holdings Limited has been exceptionally high as compared to the other Comparable Companies and the Group. We noted it has recorded a growth in revenue of approximately 34.2% for the year ended 31 December 2019 as compared to the previous year. Hence, the growth prospect of the company may be one of the reasons of the extremely high P/E ratio.
5. We noted these companies were listed recently and we have adjusted for the listing expenses when calculating the P/E ratio.
6. Based on the company's prospectus dated 16 June 2020, we noted the implied P/E ratio upon listing after considering (i) the maximum offer price per share of HK\$18.5; and (ii) profit for the year ended 31 December 2019 after adjusted for listing expenses, was approximately 166.6 times. We are not aware of any other reasons for the extremely high P/E ratio.

As shown in the table above, the P/E multiples of the Comparable Companies range from approximately 262.4 times to 8.1 times, with the mean and median being approximately 76.6 times and 35.4 times respectively. The P/E multiple of the Target Group is approximately 13.0 times, which falls within the range of those of the Comparable Companies but is much lower than their mean and median.

From a P/E multiples analysis standpoint, the consideration is attractive to the Group as the price is generally lower than those of the Comparable Companies and slightly lower than that of the Company (13.1 times). In addition, we noted the potential growth prospect as indicated in the Profit Guarantee (for details, please refer to the section headed "3.3 Profit Guarantee" under in this letter) will result in an even lower forward P/E ratio if materialised. Hence, we consider that the consideration is fair and reasonable as far as the Company and the Independent Shareholders are concerned.

### ***3.2 The Issue Price***

As stated in the "Letter from the Board", the Issue Price was arrived at after arm's length negotiation between the parties of the Sale and Purchase Agreement and was determined with reference to the average of the prevailing market prices of the Shares as quoted on the Stock Exchange, and it represents:

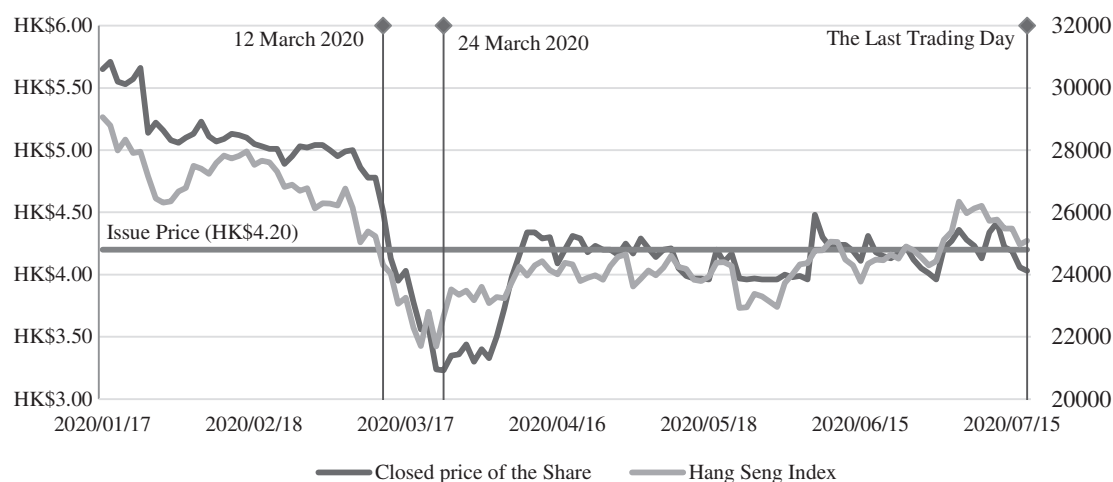
- (i) a premium of approximately 4.22% to the closing price of HK\$4.03 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;
- (ii) a discount of approximately 1.18% to the closing price of HK\$4.25 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 2.44% to the closing price of HK\$4.10 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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### 3.2.1 Analysis of historical price performance of the Share

Set out below is a chart showing the movement of the closing prices during the period from 17 January 2020, being six months before the Last Trading Day, up to the Last Trading Day (the “**Review Period**”) to illustrate the general trend, level of movement of the closing prices of the Shares. The length of the Review Period was determined to capture the latest market conditions after the outbreak of COVID-19 in mainland China and Hong Kong in late January 2020 and the global outbreak subsequently.

#### Historical daily closing price of the Shares and the Hang Seng Index



### 3.2.2 The Shares' trading price

Over the Review Period, the highest and lowest closing price of the Shares as quoted on the Stock Exchange were HK\$5.71 and HK\$3.23 on 20 January 2020 and 24 March 2020 respectively. The average closing price of the Shares over Review Period was approximately HK\$4.37. As shown in the graph, the closing price of the Shares over the Review Period have been highly correlated to the overall market performance (as shown by the Hang Seng Index performance), the fluctuation of which was predominately driven by COVID-19 related development since end-January 2020.

During the period from January 2020 to early-March 2020, the closing price of the Share was generally on a decline after the outbreak of COVID-19 in mainland China and Hong Kong. On 12 March 2020, due to the worsening circumstances globally, the World Health Organisation announced COVID-19 outbreak a pandemic, which subsequently lead to many prominent stock exchanges including the Hong Kong recording a sharp decline in its overall market value. The closing price of the Share reached its lowest closing price at HK\$3.23 on 24 March 2020 during the Review Period.

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In early-April 2020, as the market sentiment improves, prominent stock exchanges including the Hong Kong gradually recovered and the Share's closing price slowly picked up corresponding to the overall market recovery. Since then, the Share's closing price has risen to above HK\$4.00 and started to hover between HK\$3.96 and HK\$4.20. As at the Last Trading Day and Latest Practicable Date, the closing price of the Share was HK\$4.06 and HK\$4.10 respectively.

The Issue Price is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period and represent a premium of approximately 3.4% and 2.44% to the closing price of the Share as at the Last Trading Day and Latest Practicable Date respectively.

### 3.2.3 Comparable Issues analysis

In order to assess the fairness and reasonableness of the Issue Price, we have further reviewed recent transactions and conducted a comparable analysis through identifying companies listed on the Main Board of the Stock Exchange which announced an issuance of consideration shares during the period from 17 April 2020, being three months before the Last Trading Day, up to the Last Trading Day. On such basis, we have identified eight comparable companies, including the Group (the “**Consideration Shares Comparables**”), which we consider an exhaustive list of relevant comparable companies based on the abovementioned criteria.

It should be noted that the Consideration Shares Comparables may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company. Circumstances leading the Consideration Shares Comparables to issue consideration shares may differ from that of the Company. The analysis is meant to be used as a general reference to similar types of transactions in Hong Kong to reflect recent market sentiment, and we consider them to be one of the appropriate basis to assess the fairness and reasonableness of the Issue Price.

Date of announcement	Company name	Stock code	Issue price (HK\$)	Premium/(discount) of the issue price over/(to) (%)	
				Closing price for the last 5 consecutive trading days on the last trading day prior to/on the date of the relevant announcement	Closing price preceding last trading day prior to/on the date of the relevant announcement
23-Apr-20	CA Cultural Technology Group Limited	1566	2.7575	(1.52)	0.20
14-May-20	Planetree International Development Limited	613	1.0	29.90	10.10
18-May-20	The Company	2138	4.2	5.80	4.00
25-May-20	Green Leader Holdings Group Limited	61	0.013	8.30	0.00
4-Jun-20	Jiyi Holdings Limited	1495	0.65	(7.14)	(5.25)
17-Jun-20	Xinming China Holdings Limited	2699	1.0	(4.76)	(4.76)
18-Jun-20	Differ Group Holdings Company Limited	6878	0.4	(12.09)	(11.31)

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Date of announcement	Company name	Stock code	Issue price (HK\$)	Premium/(discount) of the issue price over/(to) (%)	
				Closing price on the last trading day prior to/on the date of the relevant announcement	Closing price for the last 5 consecutive trading days preceding last trading day prior to/on the date of the relevant announcement
14-Jul-20	Man Sang International Limited	938	0.37	(9.76)	(9.09)
	The Company	2138	4.2	4.20	(1.18)
			Max	29.90	10.10
			Min	(12.09)	(11.31)
			Mean	1.44	(1.92)
			Median	(3.14)	(2.38)

*Source: HKExnews website*

As shown in the above table, we note that (i) premium of the Issue Price to the closing price of the Shares on the date of the Sale and Purchase Agreement of approximately 4.20% is (a) higher than the median discount approximately 3.14%; and (b) higher than the mean premium of approximately 1.40% respectively; and (ii) discount of the Issue Price to the average closing price of the Shares for the last 5 consecutive trading days up to and including the Last Trading Day of approximately 1.18% is lower than the median discount and mean discount of approximately 2.38% and 1.92% respectively.

Considering (i) the Issue Price is within range of the closing prices of the Shares in the Review Period; and (ii) the Issue Price, relative to the Share's closing price on its Last Trading Day and last 5 consecutive trading days is at a higher premium/lower discount as compared to the Shares Comparables and is within the market range, we are of the view that the Issue Price is fair and reasonable as far as the Company and the Independent Shareholders are concerned.

### **3.3 Profit Guarantee**

Each of the First Seller and the Second Seller jointly and severally guarantees (the "**Profit Guarantee**") to each of the Company and the Purchaser that the aggregate net profit of all NYMG Group Members ("**Aggregate Net Profit**") for the five years ending 31 March 2025 shall be no less than approximately HK\$188.0 million ("**Guaranteed Net Profit**"), representing an approximate compound annual growth rate ("**CAGR**") of 20.0% of the aggregate net profit of all NYMG Group Members for five years ending 31 March 2025, with reference to the unaudited net profit of the NYMG Group for the year ended 31 March 2020.

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In the event that the Aggregate Net Profit is less than the Guaranteed Net Profit, each of the First Seller and the Second Seller jointly and severally 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 is determined.

<b>Amount Payable by</b>	<b>Formula for calculating the profit shortfall compensation mentioned above</b>
The First Seller	$(\text{Guaranteed Net Profit} - \text{Aggregate Net Profit}) \times 49.0\% \times 95.0\%$
The Second Seller	$(\text{Guaranteed Net Profit} - \text{Aggregate Net Profit}) \times 49.0\% \times 95.0\%$

If the NYMG Group records an aggregate net loss for the five years ending 31 March 2025 (“**Aggregate Net Loss**”), the amount of the Aggregate Net Loss will substitute the amount of the Aggregate Net Profit in the formula above. For illustrative purpose, the formula for calculating the profit shortfall compensation in case of a net loss is set out below:

<b>Amount Payable by</b>	<b>Formula for calculating the profit shortfall compensation in case of net loss</b>
The First Seller	$(\text{Guaranteed Net Profit} + \text{Aggregate Net Loss}) \times 49.0\% \times 95.0\%$
The Second Seller	$(\text{Guaranteed Net Profit} + \text{Aggregate Net Loss}) \times 49.0\% \times 95.0\%$

We note that a similar profit guarantee arrangement is included in other acquisitions of the Group including the 2016 Acquisition and an acquisition by the Company of a target company owned by independent third parties as detailed in the announcement of the Company dated 18 May 2020.

As the existing majority shareholders of the NYMG Group, the Management continues to believe in the future growth prospects of the NYMG Group. The encouraging performance and growth trajectory since the 2016 Acquisition give the Management confidence on the Sellers’ experience and expertise. The Profit Guarantee is agreed between both parties as an achievable target with reference to NYMG Group’s growth potential and its management’s capability. Meanwhile, it also serves as a minimum return on investment for the Company, in other words, an additional safety net in the unlikely event where performance does not meet expectation. The Management are of the view, and we concur, that it is in the Company’s and Shareholders’ interests in the long term to reap the rewards from its investment through NYMG Group meeting the Profit Guarantee as opposed to compensation on shortfall from the Profit Guarantee.

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Moreover, despite the outbreak of COVID-19 and social unrest in Hong Kong, the NYMG Group remained profitable and growing, which further demonstrates the Sellers' ability and managerial experience to manage the NYMG Group during difficult economic conditions. The Management therefore believes the Sellers' are capable to manage the NYMG Group through different business cycles and achieve the Profit Guarantee. Taking into account the above, it is reasonable to expect the Sellers, with managerial and business experience, to minimise the discrepancies between the actual aggregated net profit and the Profit Guarantee and limit their exposure to potential compensation. For illustration purpose only, if the NYMG Group is unable to record any net profits for five years ending 31 March 2025, the potential compensation to be paid by the Sellers is approximately HK\$92.1 million (i.e. HK\$188.0 million  $\times$  49.0%).

Considering (i) the profit guarantee arrangement in the 2016 Acquisition has been exceeded, which is in essence the same as the proposed arrangement; (ii) the Target Group had achieved a CAGR of approximately 58.0% from 2015 to 2020 (profit after tax increased from approximately HK\$3.5 million for the year ended 31 March 2015 to approximately HK\$34.0 million for the year ended 31 March 2020), which is more than doubled the guaranteed CAGR under the Profit Guarantee for the five years ending 31 March 2025; (iii) the Sellers will receive the Consideration Shares (which are valued at approximately HK\$94.6 million with an Issue Price of HK\$4.20) from the Acquisition; which in itself can cover the potential compensation amount without monetising the Sellers' other assets; (iv) the First Seller will upon Completion continue to manage and practice at the NYMG Group, and his spouse is a director of certain subsidiaries of the Group, which together with their shareholding interest in the Company, help to align their interests to the benefit of the NYMG Group's (and in turn the Group's) long term growth; (v) the Warrants to be issued to the Sellers will provide further incentives for them to maintain their expertise support to the NYMG Group; and (vi) as mentioned above, it is reasonable to expect the Sellers to be able to limit their exposure to potential compensation, the Directors are of the view, and we concur, that (i) the NYMG Group possesses the ability and incentive to meet the Profit Guarantee; and (ii) the Sellers possesses the ability to honour their compensation obligations.

Hence, we consider that the Profit Guarantee and the compensation formula is in line with the Group's business practice, beneficial to the Group and is fair and reasonable as far as the Company and the Independent Shareholders are concerned.

### ***3.4 The Warrants and Warrants Shares***

According to the Sale and Purchase Agreement, the Company and the Sellers shall execute a warrant instrument at Completion in respect of the issue of the Warrants to the Sellers. The terms of the Warrants have been negotiated on an arm's length basis.

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The initial Warrant Exercise Price is HK\$4.20 per Warrant Share, hence, subject to adjustments, the amount payable on the exercise of the Warrants is HK\$42.0 million. Each Warrant carries the right to subscribe for one (1) Warrant Share at the Warrant Exercise Price. The subscription rights attaching to the Warrants (“**Subscription Rights**”) may be exercised at any time between a period from the Completion Date and the last day of the fifth year period following from the Completion Date (both days inclusive) (the “**Exercise Period**”). Subject to the conditions, the Warrantheolders shall have rights, in his absolute discretion, to subscribe the Warrant Shares at the relevant Warrant Exercise Price no more than or equal to 20.0% of the Warrants can be exercised in each one-year period from the Completion Date or the anniversary of the Completion Date (as the case maybe) during the Exercise Period. Any Subscription Rights which have not been exercised during the Exercise Period will thereafter lapse and the Warrants will cease to be valid for any purpose. The Warrants are non-transferable no matter in whole or in part to any person or entity.

For further details of the terms of the Warrants and Warrants Shares, please refer to “Letter from the Board” in the Circular.

### *3.4.1 Warrant Exercise Price*

We note that the Warrant Exercise Price is the same as the Issue Price and lower than the average closing price of the Shares during the Review Period (i.e. HK\$4.37). We understand from the Management that the Warrant, with an Exercise Period matching that of the Profit Guarantee, is a means to provide incentives to the Sellers to maintain their expertise support to the NYMG Group. For further details of the significance of the Seller’s expertise support, please refer to the section headed “2. Reasons for and benefits of the Acquisition” above in this letter.

### *3.4.2 Other terms of the Warrants*

The five-year Exercise Period corresponds to the period of the Profit Guarantee and prevents a further dilution on the shareholdings to the Independent Shareholders of the Group immediately after the Completion. The Subscription Rights will also lapse after the five-year Exercise Period and transfer of the Warrants is prohibited during the period.

The exercise of the Subscription Rights is also subject to restrictions and is not allowed to be exercised when (i) there will not be sufficient public float of the Shares as required under the Listing Rules; or (ii) the Warrantheolder or his designated nominee, whether alone or together with parties acting in concert with him, would be obliged to make a general offer under the Code on Takeovers and Mergers in force from time to time.

The above terms can safeguard the interests of the Independent Shareholders by (i) preventing an immediate and further dilution in its shareholdings; and (ii) prevents the exercise of Subscription Rights from breaching the public float



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requirements in the Listing Rules or materially affecting its capital structure. For details of the potential dilution effect, please refer to the section headed “4. Effect of the Acquisition on the shareholding structure of the Company” below in this letter.

### *3.4.3 Valuation of the Warrants*

As mentioned in the Circular, the value of the Warrants is assessed at approximately HK\$11.6 million. For further details on the valuation, please refer to the “Letter from the Board” in the Circular.

The value of the Warrants is assessed at approximately HK\$11.6 million and the amount will be recognised as an expense to the Company over the exercisable period of the Warrants (i.e. five years) with no cash outlay. Moreover, if the Warrants are fully exercised by the Sellers, the Company will receive up to a maximum of HK\$42.0 million. For further details on the financial impact, please refer to the paragraph headed “5. Potential financial effects as a result of the Acquisition” below in this letter.

### *3.4.4 Conclusion*

Considering (i) the Company will receive additional cash inflow to the Company if the Warrants are fully exercised by the Sellers; (ii) the Warrants will provide incentives for the Sellers to maintain their expertise support in the future which will enhance the growth prospect of the Group; and (iii) the Independent Shareholders’ interests are sufficiently safeguarded by the terms of the Warrants; we consider that the terms of the Warrants and Warrants Shares and the valuation of the Warrants to be reasonable when considered in totality with the Acquisition.

### *3.5 Section conclusion*

Consider the above analysis covering (i) the consideration; (ii) the Issue Price; (iii) the Profit Guarantee; (iv) the terms and conditions of the Warrants; and (v) the issuance of the Consideration Shares at the Issue Price will not trigger any cash outflow as further explained in the section headed “5. Potential financial effects as a result of the Acquisition” below in this letter, we are of the view that the terms of the Sale and Purchase Agreement (including the grant of the Specific Mandate) are on normal commercial terms, are fair and reasonable as far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole.

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### 4. Effect of the Acquisition on the shareholding structure of the Company

As at the Latest Practicable Date, the Company had 1,003,027,195 Shares in issue. For reference and illustration purposes only, the following table sets out the effect of the allotment and issuance of the Consideration Shares and the Warrant Shares on the shareholding structure of the Company assuming that (i) the Completion having taken place; (ii) 22,524,000 Consideration Shares will be allotted and issued pursuant to the Sale and Purchase Agreement; (iii) 10,000,000 Warrant Shares will be allotted and issued after the full exercise of the Warrants at the initial Warrant Exercise Price; and (iv) there is no change in the shareholding structure of the Company.

Shareholders	As at the date of the Latest Practicable Date		Immediately upon the allotment and issuance of the Consideration Shares		Immediately upon the allotment and issuance of (i) the Consideration Shares and (ii) the Warrant Shares after the exercise of the Warrants at the initial Warrant Exercise Price in full (For illustration only <sup>3</sup> )	
	Number of shares	%	Number of shares	%	Number of shares	%
Tang Chi Fai (“Mr. Tang”) <sup>1</sup>	728,988,230	72.68	728,988,230	71.08	728,988,230	70.40
Core Connected Persons of the Company	16,007,851	1.59	16,007,851	1.56	16,007,851	1.55
The First Seller	<u>2,288,317</u>	<u>0.23</u>	<u>23,686,117</u>	<u>2.31</u>	<u>33,186,117</u>	<u>3.20</u>
	<b>747,284,398</b>	<b>74.50</b>	<b>768,682,198</b>	<b>74.95</b>	<b>778,182,198</b>	<b>75.15</b>
OrbiMed Asia Partners III, L.P. <sup>2</sup>	63,806,686	6.36	63,806,686	6.22	63,806,686	6.16
The Second Seller	453,099	0.05	1,579,299	0.15	2,079,299	0.20
Other public Shareholders	<u>191,483,012</u>	<u>19.09</u>	<u>191,483,012</u>	<u>18.68</u>	<u>191,483,012</u>	<u>18.49</u>
	<b>255,741,797</b>	<b>25.50</b>	<b>256,868,997</b>	<b>25.05</b>	<b>257,368,997</b>	<b>24.85</b>
<b>Total issued shares</b>	<b><u>1,003,027,195</u></b>	<b><u>100.00</u></b>	<b><u>1,025,551,195</u></b>	<b><u>100.00</u></b>	<b><u>1,035,551,195</u></b>	<b><u>100.00</u></b>

*Notes:*

- Out of the 728,988,230 Shares which Mr. Tang was interested in, (i) 5,103,000 were held by Mr. Tang as the beneficial owner; (ii) 2,654,000 Shares were held by his spouse, Ms. Yau Ming Li; and (iii) 721,231,230 Shares were held by Union Medical Care Holding Limited, a company wholly owned by Mr. Tang.
- According to the information in the disclosure of interests form of OrbiMed Advisors III Limited (“Orbi A III”), Orbi A III holds 100% of the issued share capital of OrbiMed Asia GP III, L.P. (“Orbi A GP”); and Orbi A GP holds 2% of the issued share capital of OrbiMed Asia Partners III, L.P. Orbi A III and Orbi A GP were therefore deemed to be interested in the Shares of the Company which are owned by OrbiMed Asia Partners III, L.P. under Part XV of the SFO.
- As illustrated in the shareholding table above, assuming that there is no change in the shareholding structure of the Company since the Latest Practicable Date, immediately upon the allotment and issuance of (i) the Consideration Shares and (ii) the Warrant Shares after the exercise of the Warrants at the initial Warrant Exercise Price in full, the Company will not be able to satisfy the minimum public float requirement under the Listing Rules. The Company would like to remind the Shareholders that such shareholding scenario has been included in this

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

circular for illustration purpose only and will not occur since pursuant to the warrant instrument, the Warrantholders shall not be entitled to exercise the Subscription Rights attaching to the Warrants if immediately after such exercise there will not be sufficient public float of the Shares as required under the Listing Rules.

Taking into account that (i) the entering into the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole; (ii) the consideration under the Sale and Purchase Agreement is fair and reasonable as far as the Company and the Independent Shareholders are concerned; (iii) the Issue Price is fair and reasonable as far as the Company and the Independent Shareholders are concerned; (iv) the Profit Guarantee is fair and reasonable as far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole; (v) the terms of the Warrants and Warrants Shares are justifiable; and (vi) the consideration for the Acquisition does not affect the Group's cash position, we consider the potential dilution effect on the shareholding interests of the other Shareholders to be justifiable.

### **5. Potential financial effects as a result of the Acquisition**

#### *Effect on the earnings attributable to the equity shareholders of the Group*

As at the date of this Circular, the Group owns 51.0% equity interest in the Target Group. According to the 2020 Annual Report, the Group recorded revenue of approximately HK\$1,948.5 million and profit of approximately HK\$310.3 million for the year ended 31 March 2020. As set out in "1.2 Information on the Sellers and the Target Group" above, the unaudited net profit for the year ended 31 March 2020 was HK\$34.0 million. As mentioned in the section headed "2. Reasons for and benefits of the Acquisition" in this letter, the Acquisition would increase the Group's equity interest in the Target Group and thereby enhance the earnings attributable to the equity shareholders of the Group.

As mentioned in the "Letter from the Board" in this Circular, the value of the Warrants is assessed at approximately HK\$11.6 million and the amount will be recognised as an expense to the Company and amortised over the exercisable period of the Warrants (i.e. five years). However, in the event where the Warrants are fully exercised by the Seller, the Company will receive a total cash inflow of HK\$42.0 million.

#### *Effect on the Group's cash and working capital*

As mentioned in the section headed "The Sale and Purchase Agreement" in the "Letter from the Board", the consideration for the Acquisition is payable by the allotment and issuance of Consideration Shares and the issuance of Warrants by the Company. As such, it is expected that the cash position of the Group will not be affected as the consideration does not involve a cash payment.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Effect on net asset value (“NAV”) attributable to the equity shareholders*

According to the 2020 Annual Report, the NAV was approximately HK\$1,169.5 million as at 31 March 2020. Given that the Group owns 51.0% equity interest in the Target Group prior to the Acquisition, the assets and liabilities of the Target Group have been consolidated to the Group’s consolidated financial statements prior to the Acquisition. It is expected that, upon the completion of the Acquisition, the Group’s equity interest in the Target Group will increase to 75.0%. As a result, the NAV attributable to the equity shareholders will increase in proportion to the increase in equity interests of the Group in the Target Group.

### **RECOMMENDATION**

Having considered the above principal factors and reasons, although the entering into of the Sale and Purchase Agreement is not in the ordinary and usual course of business of the Group, we are of a view that (i) the terms of Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the terms of the Warrants and the granting of the Specific Mandate to issue and allot the Warrants, the Warrant Shares and the Consideration Shares are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**

**Jeanny Leung**  
*Executive Director*

**Charlotte Khoo**  
*Executive Director*

*Ms. Jeanny Leung (“Ms. Leung”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*Ms. Charlotte Khoo (“**Ms. Khoo**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. Ms. Khoo has over eight years of experience in corporate finance and advisory in Hong Kong, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Ms. Khoo is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### 2.1 Disclosure of Interests of Directors and Chief Executives in Equity and Debt Securities

As at the Latest Practicable Date, the interests and short positions of each Director, chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered into the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) to be notified to the Company and the Stock Exchange are set out below.

### 2.2 Directors’ and Chief Executive’s interests (long positions) and short positions in Shares, underlying shares and debentures of the Company

Name of Director	Number of Shares interested in (Long Position)	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date <sup>(Note 1)</sup>
Mr. Tang Chi Fai (“ <b>Mr. Tang</b> ”)	728,988,230 <sup>(Note 2)</sup>	72.68%
Mr. Lee Gabriel (“ <b>Mr. Lee</b> ”)	10,726,000 <sup>(Note 3)</sup>	1.24%
Mr. Wong Chi Cheung	2,436,624 <sup>(Note 4)</sup>	0.22%
Mr. Lee Heung Wing	2,580,500 <sup>(Note 5)</sup>	0.26%
Mr. Luk Kun Shing Ben	2,587,500	0.26%
Mr. Ma Ching Nam	300,000 <sup>(Note 6)</sup>	0.03%
Mr. Lam Chi Hang Josekin	27,000	0.003%

*Notes:*

1. As at the Latest Practicable Date, the total number of issued Shares was 1,003,027,195.
2. Out of the 728,988,230 Shares which Mr. Tang was interested in, (i) 5,103,000 were held by Mr. Tang as the beneficial owner, (ii) 2,654,000 shares were held by his spouse, Ms. Yau Ming Li, and (iii) 721,231,230 shares were held by Union Medical Care Holding Limited, a company wholly owned by Mr. Tang.
3. Out of 10,726,000 Shares which Mr. Lee was interested in, (i) Mr. Lee held 1,862,000 Shares as the beneficial owner and was interested in 7,475,000 share options of the Company, (ii) 80,000 Shares were held by his spouse, Ms. Fan Yui Sze, and (iii) 1,309,000 Shares were held by Nice Empire Limited, a company wholly-owned by Mr. Lee.
4. Mr. Wong Chi Cheung held 436,624 Shares and was interested in 2,000,000 share options of the Company granted under the Share Option Scheme.
5. Mr. Lee Heung Wing held 380,500 Shares and was interested in 2,200,000 share options of the Company granted under the Share Option Scheme.
6. Mr. Ma Ching Nam was interested in 300,000 share options of the Company granted under the Share Option Scheme.

### 2.3 Directors' and Chief Executive's interests (long positions) and short positions in shares, underlying shares and debentures of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity	Number of shares interested in the associated corporation (Long Position)	Number of shares of the associated corporation held under equity derivatives	Approximate percentage of the total issued capital of the associated corporation as at the Latest Practicable Date
Mr. Tang	Union Medical Care Holding Limited	Beneficial Owner	2 <sup>(Note 1)</sup>	—	100%

*Notes:*

1. The 2 shares in which Mr. Tang was interested in were ordinary shares of Union Medical Care Holding Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives of the Company and their respective associates had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken

or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered into the register referred to therein; or were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

## 2.4 Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group:

Name of Shareholder	Capacity	Number of Shares and underlying Shares held (Long Position)	Approximate percentage of total issued share capital of the Company as at the Latest Practicable Date <i>(Note 1)</i>
Union Medical Care Holding Limited <i>(Note 2)</i>	Beneficial Owner	721,231,230	71.91%
Ms. Yau Ming Li <i>(Note 3)</i>	Interest of spouse	728,988,230	72.68%
OrbiMed Advisors III Limited <i>(Note 4)</i>	Interest in controlled corporations	63,806,686	6.36%
OrbiMed Asia GP III, L.P. <i>(Note 4)</i>	Interest of a controlled corporation	63,806,686	6.36%
OrbiMed Asia Partners III, L.P.	Beneficial Owner	63,806,686	6.36%

*Notes:*

- As at the Latest Practicable Date, the total number of issued Shares was 1,003,027,195.
- Mr. Tang and Union Medical Care Holding Limited are the controlling shareholders of the Company. Union Medical Care Holding Limited is wholly-owned by Mr. Tang.
- Ms. Yau Ming Li is the spouse of Mr. Tang, and Ms. Yau was therefore deemed to be interested in the shares of the Company in which Mr. Tang was interested under Part XV of the SFO.
- According to the information in the disclosure of interests form of OrbiMed Advisors III Limited (“Orbi A III”), Orbi A III holds 100% of the issued share capital of OrbiMed Asia GP III, L.P. (“Orbi A GP”); and Orbi A GP holds 2% of the issued share capital of OrbiMed Asia Partners III, L.P.. Orbi A III and Orbi A GP were therefore deemed to be interested in the Shares of the Company which are owned by OrbiMed Asia Partners III, L.P. under Part XV of the SFO.



Save as disclosed herein, as at the Latest Practicable Date, there was no other person so far as is known to the Directors and chief executives of the Company (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group.

### **2.5 Directors' interest as a director or employee of a company which has a discloseable interest or short position in the Shares and underlying Shares of the Company**

As at the Latest Practicable Date, so far as is known to the Directors of the Company, no Director was a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## **3. MATERIAL ADVERSE CHANGES**

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2020, being the date to which the latest published audited accounts of the Group were made up.

## **4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

## **5. DIRECTORS' INTEREST IN THE GROUP'S ASSETS**

As at the Latest Practicable Date:

- (A) none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and
- (B) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group and subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

## 6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) was interested directly or indirectly in any business, apart from their interest in the Company, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## 7. EXPERT AND CONSENT

The qualifications of the expert who has given the opinion and advice, contained or referred to in this circular is as follows:

<b>Name</b>	<b>Qualification</b>
Altus Capital Limited	A licensed corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Altus Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusions of its letter dated 10 August 2020 and references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, Altus Capital Limited did not have (i) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) any direct or indirect interest in any assets which have, since 31 March 2020 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

## 8. MISCELLANEOUS

- (A) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business in Hong Kong is at L50 Langham Place Office Tower, 8 Argyle Street, Mong Kok, Hong Kong.
- (B) The Company's Hong Kong branch share registrar and transfer office is Link Market Services (Hong Kong) Pty Ltd. at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong.
- (C) The company secretary of the Company is Siu Chun Pong Raymond, a solicitor qualified in Hong Kong with over 14 years of experiences in corporate finance and regulatory compliance.
- (D) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

The Sale and Purchase Agreement is available for inspection by Shareholders during normal business hours at the principal place of business of the Company in Hong Kong at L50 Langham Place Office Tower, 8 Argyle Street, Mong Kok, Hong Kong for a period of 14 days from the date of this circular.

## NOTICE OF EGM



# 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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Union Medical Healthcare Limited (the “**Company**”) will be held at Level 50, Langham Place Office Tower, 8 Argyle Street, Mongkok, Hong Kong on Tuesday, 25 August 2020 at 10:00 a.m. for the following purposes. Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated 10 August 2020 (the “**Circular**”).

#### ORDINARY RESOLUTION

1. “**THAT:**

- (A) the conditional Sale and Purchase Agreement (a copy of which is tabled at the EGM and marked “**A**” and signed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (B) the warrant instrument to be executed between the Company and the Sellers at Completion (the “**Warrant Instrument**”) (a copy of which is tabled at the EGM and marked “**B**” and signed by the chairman of the EGM for identification purpose) in respect of the issue of Warrants at an initial warrant exercise price of HK\$4.20 each entitling the holders thereof to subscribe for up to the maximum number of 10,000,000 Warrant Shares and the transactions contemplated thereunder be and are hereby approved and confirmed;
- (C) the issuance and allotment of 22,524,000 Consideration Shares to the Sellers pursuant to the terms of the Sale and Purchase Agreement be and are hereby approved;
- (D) the creation and issue of the Warrants, and the issuance and allotment of up to a maximum number of 10,000,000 Warrant Shares, by the Company to the Sellers in accordance with the Sale and Purchase Agreement and the Warrant Instrument be and is hereby approved, confirmed and ratified;

## NOTICE OF EGM

- (E) subject to and conditional upon the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares and the Warrant Shares, the Directors be and are hereby granted the Specific Mandate and any one Director be and is hereby specifically authorised to exercise all the powers of the Company to (i) create and issue the Warrants and (ii) issue, allot and credit as fully paid, the Consideration Shares and the Warrant Shares, on and subject to the terms and conditions of the Sale and Purchase Agreement and the Warrant Instrument, provided that such authority granted to the Directors shall be in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and
- (F) any one Director (or any two Directors in the case of execution of documents under seal) be and is hereby authorised to, on behalf of the Company, do all such acts and things, to sign and execute such documents or agreements or deeds and take all such actions as he may in his absolute discretion consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with (i) the Sale and Purchase Agreement and the Warrant Instrument and the respective transactions contemplated thereunder; and (ii) the Specific Mandate.”

\* *For identification purposes only*

Yours faithfully  
For and on behalf of the Board of  
**Union Medical Healthcare Limited**  
**Lee Gabriel**  
*Executive Director*

Hong Kong, 10 August 2020

*Notes:*

1. All resolutions (except for procedural and administrative matters) at the EGM will be taken by poll pursuant to the Listing Rules. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his/her/its proxy to attend and vote on his/her/its behalf. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the above meeting. A proxy need not be a Shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
3. In case of joint registered holders of a Share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of Shareholders of the in respect of the Shares.

## NOTICE OF EGM

4. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the offices of the Company's branch share registrar in Hong Kong, Link Market Services (Hong Kong) Pty Ltd. at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong not less than 48 hours before the time for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the EGM or any adjournment thereof should he so wish and in such event, the form of proxy shall be deemed to be revoked.
5. The register of shareholders of the Company will be closed from 19 August 2020 to 25 August 2020 (both days inclusive), during which period no transfer of Shares will be effected, in order to determine the identity of the Shareholders who are entitled to attend and vote at the EGM. To be entitled to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Link Market Services (Hong Kong) Pty Ltd. at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong for registration no later than 4:30 p.m. on 14 August 2020.
6. If a black rainstorm warning signal is in force or a tropical cyclone warning signal number 8 or above remains hoisted at 8:00 a.m. on 25 August 2020, the above meeting will be postponed. Shareholders of the Company are requested to read the website of the Company at [www.umhgp.com](http://www.umhgp.com) for details of alternative meeting arrangements. If shareholders of the Company have any queries concerning the alternative meeting arrangements, please call the Company at (852) 3975 4798 during business hours from 9:30 a.m. to 6:30 p.m. on Monday to Friday, excluding public holidays.
7. The EGM will be held as scheduled when an amber or red rainstorm warning signal is in force.
8. Shareholders of the Company should make their own decision as to whether they would attend the above meeting under bad weather conditions bearing in mind their own situation and if they should choose to do so, they are advised to exercise care and caution.
9. To safeguard the health and safety of the staff and Shareholders, the Group has implemented the following measures:
  - all individuals shall be subject to compulsory body temperature check before entering into the venue of the EGM and anyone with a body temperature higher than 37.3 degree Celsius will not be given access to the venue;
  - all individuals are required to wear appropriate face masks at all times during the EGM;
  - alcohol rubs/hand sanitizers will be provided at the venue of the EGM;
  - maintaining proper distance between seats; and
  - no refreshments will be served at the EGM.

Subject to the development of COVID-19, the Company may implement further changes to the arrangement of the meeting.

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