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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)

INSIDE INFORMATION LETTER OF INTENT IN RESPECT OF PROPOSED ACQUISITION

This announcement is made by Union Medical Healthcare Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Directors**”) of the Company (the “**Board**”) is pleased to announce that on 24 August 2016 (after trading hours), Union Chiropractic and Physiotherapy Limited (the “**Purchaser**”), a wholly-owned subsidiary of the Company, entered into a non-legally binding letter of intent (the “**LOI**”) with the vendors (the “**Vendors**”), pursuant to which the Purchaser proposed to acquire 51% equity interests in each of the target companies (the “**Target Companies**”) (the “**Proposed Acquisition**”). As at the date of this announcement, all the Target Companies are wholly-owned subsidiaries of the Vendors and are companies incorporated in Hong Kong with limited liabilities. The Vendors and the Target Companies are one of the largest groups of chiropractors, physiotherapists and other health professionals in Hong Kong which specialised in the musculoskeletal and nervous systems.

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, all the Vendors are independent third parties of and are not connected with the Company and its connected persons (as defined under the Listing Rules) as at the date of this announcement.

* *For identification purpose only*

THE LOI

Date: 24 August 2016

Parties: (i) Union Chiropractic and Physiotherapy Limited, as purchaser; and
(ii) the Vendors, as vendors

Consideration

The total consideration for the Proposed Acquisition to be paid by the Purchaser is approximately HK\$33 million (the “**Consideration**”).

The Consideration was determined after arm’s length negotiations between the Vendors and the Purchaser on normal commercial terms, and after taking into consideration the value of 51% equity interests in each of the Target Companies.

Exclusivity Period

During a period of 90 days from the date of signing of the LOI (the “**Exclusivity Period**”), the Purchaser has an exclusive right for the Proposed Acquisition in order to undertake due diligence investigation on the Target Companies and to negotiate and finalise a formal and legally binding sale and purchase agreement (the “**Sale and Purchase Agreement**”).

Should the Proposed Acquisition be proceeded, the Purchaser and the Vendors will enter into the Sale and Purchase Agreement in respect of the Proposed Acquisition. In the event that the Purchaser and the Vendors do not enter into the Sale and Purchase Agreement in respect of the Proposed Acquisition upon the expiry of the Exclusivity Period, the LOI will lapse automatically and all the obligations of the Purchaser and the Vendors shall cease.

As at the date of this announcement, the terms of the Proposed Acquisition are still under negotiation, and the Company did not enter into any formal and legally binding agreement(s) in relation to the Proposed Acquisition.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Company has endeavored in exploring opportunities for potential investments with a view of generating revenue and achieving better returns for its shareholders. Since the listing of the Company’s shares on the Stock Exchange in March 2016 and as disclosed in the annual report of the Company for the year ended 31 March 2016, the Group has been striving to enrich our product offerings and service ranges to satisfy diverse customers’ needs.

The Board believes that (a) the aggregate profit of the Target Companies will contribute positively to the financial results of the Company in the near future, and (b) the services to be provided by the Target Companies will (i) complement medical services that the Group can offer, (ii) diversify the Group's business portfolio, and (iii) provide a new source of income to the Group.

The Directors consider that the terms of the LOI are fair and reasonable, and the LOI has been entered into after arm's length negotiation and determined on normal commercial terms that are in the interests of the Company and its shareholders as a whole.

GENERAL

The Board wishes to emphasise that the Proposed Acquisition is subject to further negotiation with the Vendors and entering into of the Sale and Purchase Agreement, and the Proposed Acquisition may or may not proceed. The Proposed Acquisition, if materialises, will constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. The Company will make further announcement(s) in respect of the Proposed Acquisition as and when appropriate in accordance with the Listing Rules.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Union Medical Healthcare Limited
Lee Gabriel
Executive Director

Hong Kong, 24 August 2016

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Tang Chi Fai, Mr. Lee Gabriel, Mr. Luk Kun Shing Ben and Mr. Yeung Chin Wan; and three independent non-executive Directors, namely Mr. Ma Ching Nam, Dr. Yu Ka Fai Alexis and Mr. Look Andrew.