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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 Announcement
Update on Tax Audit

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

Reference is made to the disclosures (“**Relevant Disclosures**”) under the section headed “Business - Legal Proceedings, Claims, and Compliance - Non-compliance Incidents - Inland Revenue Ordinance - Late Filing of Profits Tax Returns” of the prospectus of the Company dated 1 March 2016.

As set out in the Relevant Disclosures, during the three years ended 31 March 2013, 2014 and 2015 and for the six months ended 30 September 2015, certain of the Group companies had been the subject of a tax audit (the “**Tax Audit**”) conducted by the Inland Revenue Department of Hong Kong (the “**IRD**”). The Group since then had various correspondences and discussions with the IRD and submitted settlement proposal, on a without prejudice basis, to the IRD for consideration. In addition, after considering the advice from the Group’s tax advisor and based on the facts and circumstances subsisting at the relevant time, the Company made tax provisions in the aggregate amount of approximately HK\$23.5 million in its consolidated financial statements for the corresponding potential tax liabilities based on the Group’s best estimation of the possible outcome of the Tax Audit and the IRD’s assessment of the Group’s settlement proposal (the “**Tax Provisions**”).

The board (the “**Board**”) of the directors (the “**Director**”) of the Company wishes to inform and

update the shareholders and investors of the Company that, the Group has recently received 2 letters from the IRD (the “**Letters**”) relating to Union Honor International Enterprise Limited and Union (Group) Investment Limited (the “**Relevant Subsidiaries**” and each the “**Relevant Subsidiary**”). The IRD agrees not to commence proceedings against the Relevant Subsidiary under section 80(2) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**IRO**”) relating to the Tax Audit if the Relevant Subsidiary agrees to pay to the IRD the required sums specified in the Letters (such sums, in aggregate, amount to approximately HK\$12.2 million) (the “**Offer**”). Having considered the views of the Group’s tax advisor, the Tax Provisions made, the previous discussions with the IRD and in order to avoid further protracted exchange of correspondences with the IRD, which may not be in the best interest of the Company from the commercial perspective, the Board has decided to proceed with the Offer as specified in the Letters to resolve the case.

The Directors are of the view that, with the Offer having been accepted and the relevant amount paid to the IRD by the Relevant Subsidiaries, (i) the Tax Audit in respect of each of the Relevant Subsidiaries is now considered as fully and finally settled; (ii) except with the Offer, the Directors are not aware of any further allegations by, or concerns from, the IRD in relation to the performance of the related obligations of the Relevant Subsidiaries of the Company as mentioned in the Relevant Disclosures under the IRO; and (iii) the Relevant Subsidiaries and their directors would not be subject to any further legal proceedings under section 80(2) of the IRO relating to the Tax Audit of the Relevant Subsidiaries. Given that the Group has made the Tax Provisions, the Company will write back such excess of the Tax Provision in the sum of approximately HK\$11.3 million to its consolidated income statement for the financial year ended 31 March 2017.

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

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

Hong Kong, 9 May 2017

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

**For identification purpose only*