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Union Medical Healthcare Limited

香港醫思醫療集團有限公司*

(Incorporated in Cayman Island with limited liability)

(Stock Code: 2138)

DISCLOSEABLE TRANSACTION ACQUISITION OF THE TARGET COMPANY AND ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE ACQUISITION

On 14 December 2020, the Company, the Purchaser, an indirect wholly-owned subsidiary of the Company, the Seller and the Seller's Guarantor entered into the Sale and Purchase Agreement, pursuant to which, among others, the Purchaser has conditionally agreed to purchase, and the Seller have conditionally agreed to sell, the First Tranche Sale Shares, representing 75% of the issued share capital of the Target Company, for the total consideration of HK\$337,500,000 comprising (i) cash consideration in the amount of HK\$229,500,000 to be payable to the Seller, and (ii) the Consideration Shares with value of HK\$108,000,000 to be allotted and issued to the Seller, subject to the terms and conditions of the Sale and Purchase Agreement. Upon the First Tranche Completion, the Target Company will become a subsidiary of the Company and the financial statements of the Target Company will be consolidated into the Group.

In addition, it is expected that the Company will enter into the Retention Documents with the Purchaser, the Seller and each of the Key Personnel on or before the First Tranche Completion as the due execution of the Retention Documents constitutes one of the First Tranche Conditions Precedent. Pursuant to the Retention Documents, among others, (i) upon the First Tranche Completion, the Seller and the Purchaser will transfer the Retention Shares to the Key Personnel; (ii) the Key Personnel will irrevocably grant the Call Option to the Purchaser; and (iii) the Purchaser will irrevocably grant the Put Option to the Key Personnel, subject to the terms and conditions as set forth in the Retention Documents.

Further, subject to terms and condition of the Sale and Purchase Agreement, the Purchaser shall purchase and the Seller shall sell the Final Tranche Sale Shares at the Final Tranche Consideration.

Upon Completion, the Purchaser will hold 97% of the entire issued share capital of the Target Company, while the remaining 3% will be held by the Key Personnel, assuming that each of the Key Personnel remains as an employee of the Target Company after the Final Tranche Completion and that neither the Put Option nor the Call Option was exercised.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 5%, but all the applicable percentage ratios are below 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

As Completion is subject to fulfilment or waiver (as the case may be) of the Conditions Precedent and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

INTRODUCTION

On 14 December 2020, the Company, the Purchaser, an indirect wholly-owned subsidiary of the Company, the Seller and the Seller's Guarantor entered into the Sale and Purchase Agreement, pursuant to which, among others, the Purchaser (as ultimate purchaser) has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Sale Shares, representing 75% of the entire issued share capital of the Target Company, for the total consideration of HK\$337,500,000 comprising (i) cash consideration in the amount of HK\$229,500,000 to be payable to the Seller, and (ii) the Consideration Shares with value of HK\$108,000,000 to be allotted and issued to the Seller, subject to the terms and conditions of the Sale and Purchase Agreement. Upon the First Tranche Completion, the Target Company will become a subsidiary of the Company and the financial statements of the Target Company will be consolidated into the Group.

In addition, it is expected that the Company will enter into the Retention Documents with the Purchaser, the Seller and each of the Key Personnel on or before the First Tranche Completion as the due execution of the Retention Documents constitutes one of the First Tranche Conditions Precedent. Pursuant to the Retention Documents, among others, (i) upon the First Tranche Completion, the Seller and the Purchaser will transfer the Retention Shares to the Key Personnel; (ii) the Key Personnel will irrevocably grant the Call Option to the Purchaser; and (iii) the Purchaser will irrevocably grant the Put Option to the Key Personnel, subject to the terms and conditions as set forth in the Retention Documents.

Further, subject to terms and condition of the Sale and Purchase Agreement, the Purchaser shall purchase and the Seller shall sell the Final Tranche Sale Shares at the Final Tranche Consideration.

Upon Completion, the Purchaser will hold 97% of the entire issued share capital of the Target Company, while the remaining 3% will be held by the Key Personnel, assuming that each of the Key Personnel remains as an employee of the Target Company after the Final Tranche Completion and that neither the Put Option nor the Call Option was exercised.

PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT

Date: 14 December 2020

Parties:

- (i) the Company;
- (ii) the Purchaser;
- (iii) the Seller; and
- (iv) the Seller's Guarantor.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Seller, the Seller's Guarantor, the Target Company and their respective ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Sale Shares of the Target Company.

Consideration

The total consideration with respect to the Acquisition is the aggregate of First Tranche Consideration and Final Tranche Consideration.

First Tranche Consideration

The First Tranche Consideration shall be HK\$337,500,000 and shall be satisfied by the Purchaser upon the First Tranche Completion in the following manner:

- (a) 68.00% of the First Tranche Consideration, which is equivalent to HK\$229,500,000, shall be settled in cash; and
- (b) the remaining 32.00% of the First Tranche Consideration, which is equivalent to HK\$108,000,000, shall be settled by the allotment and issue of the Consideration Shares at the Issue Price by the Company to the Seller.

Final Tranche Consideration

Subject to the Payback, the Final Tranche Consideration shall be settled in cash, and shall be solely determined in accordance with the following formula:

$(A + B) \times C$ where:

“A” means the benchmark valuation of Target Company, being HK\$450,000,000;

“B” means the Profit Increment of Exit Year, being
 $(\text{Net Profit of Exit Year} - \text{HK\$36,000,000}) \times \text{Applicable PE Multiplier}$;

“C” means 24.00%; and

which shall in any event be no greater than HK\$238,000,000. In the event that the Net Profit of Exit Year is negative (i.e. the Target Group records a net loss) or the Net Profit of Exit Year is less than the Benchmark Profit, the Profit Increment of Exit Year shall be regarded as zero.

Payback

In the event that the Sum of Net Profit for Years Ending Exit Year is less than the applicable Minimum Aggregate Profit, the Final Tranche Consideration shall be adjusted downward by an amount, which shall be determined in accordance with the formula set out below:

$$(D - E) \times F$$

where:

“D” means the applicable Minimum Aggregate Profit;

“E” means the Sum of Net Profit for Years Ending Exit Year; and

“F” equals 1.5;

and, assuming there is no Profit Increment of Exit Year, the Final Tranche Consideration excluding the Payback shall be no less than HK\$108,000,000. For the avoidance of doubt:

- (a) in the event that a Net Profit of a Year(s) is negative (i.e. the Target Group records a net loss), the Sum of Net Profit for Years Ending Exit Year shall take into account and deduct such negative Net Profit;
- (b) in the event that the Sum of Net Profit for Years Ending Exit Year is negative, the Payback shall be, as shown in the formula above, the summation of the applicable Minimum Aggregate Profit and the net value of such Sum of Net Profit for Years Ending Exit Year multiplied by 1.5; and
- (c) if the Sum of Net Profit for Years Ending Exit Year is equal to or greater than the applicable Minimum Aggregate Profit, there shall be no Payback.

Basis of Consideration

The Consideration was determined based on arm's length negotiations between the Purchaser and the Seller with reference to (i) the business of the Target Company, the net asset value of the Target Company, historical performance and prospects of the Target Company, (ii) expertise of the Seller's Guarantor and the Minimum Aggregate Profit; and (iii) the expertise of the management of the Target Company.

Funding of the Consideration

Consideration in the form of cash payment will be funded by the internal resources of the Group.

Issue price

The Issue Price of HK\$5.425 per First Tranche Consideration Share was negotiated after 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 discount of approximately 10.33% to the closing price of HK\$6.050 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement; and
- (ii) a discount of approximately 1.58% to the average closing price of approximately HK\$5.512 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the date of Sale and Purchase Agreement.

The Consideration Shares

As at the date of this announcement, the Company has 1,040,416,605 Shares in issue.

The 19,907,834 Consideration Shares represent (i) approximately 1.91% of the number of existing issued shares of the Company as at the date of this announcement; and (ii) approximately 1.88% of the

number of issued shares of the Company as enlarged by the allotment and issuance of the Consideration Shares in aggregate, subject to First Tranche Completion (assuming that there will not be any changes in the issued share capital of the Company save for the allotment and issuance of the Consideration Shares). The aggregate nominal value of the Consideration Shares will be HK\$199.1.

The Consideration Shares when allotted and issued shall rank *pari passu* with all the other Shares in issue as at the date of allotment and issue of such Consideration Shares.

Lock-Up Period

The Seller unconditionally and irrevocably undertakes that the Seller shall not, during the period commencing on the date of allotment and issue of the Consideration Shares and ending 6 months after such date (both dates inclusive) (“**Lock-up Period**”), offer, pledge, charge, dispose of, contract to dispose of, create any Encumbrances over, or otherwise transfer or enter into any agreement (whether oral or in writing) to, either directly or indirectly, conditionally or unconditionally, encumber any of the Consideration Shares, subject to exceptions (“**Lock-up**”).

General Mandate

The Consideration Shares will be allotted and issued pursuant to the General Mandate. The Directors were authorised to allot and issue up to 200,605,439 new Shares pursuant to the General Mandate. As at the date of this announcement, 14,805,410 Shares have been allotted and issued pursuant to the General Mandate. As such, the allotment and issue of the Consideration Shares is not subject to additional Shareholders’ approval.

Application for listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

Reimbursement as at expiry of Lock-up Period

Upon the expiry of the Lock-up Period, if the End of Lock-up Issue Price is lower than the Issue Price, the Purchaser shall reimburse the Seller a cash amount equivalent to (A) the remaining number of Consideration Shares in a designated account, being multiplied by (B) the difference of End of Lock-up Issue Price and the Issue Price, which shall in any event be no greater than HK\$108,000,000 within five (5) Business Days upon the expiry of the Lock-up Period.

Conditions Precedent

First Tranche Conditions Precedent

The First Tranche Completion is conditional upon the following First Tranche Conditions Precedent being satisfied (or waived by the Purchaser):

- (a) the Purchaser having completed its business, financial and legal due diligence on the Target Group with respect to events occurring in the period after the date of the Sales and Purchase Agreement until the First Tranche Completion for the purposes of determining whether a material adverse change has occurred, and the results of which being satisfactory to the Purchaser acting reasonably;

- (b) certain consents and approvals in connection with the Acquisition having been duly obtained;
- (c) the Seller having delivered to each of the Purchaser and the Company relevant bank account statement(s) or other reasonably satisfactory documentary evidence showing that the aggregate cash balance in the bank account(s) of the Target Company as at the First Tranche Completion Date is no less than a specified sum;
- (d) a shareholder's loan agreement for a specified sum having been executed and delivered by the Seller to the Target Company, and the said shareholder's loan having been drawn down in full in accordance with the terms therein;
- (e) the employment agreements having been executed by each Key Personnel and the Target Company;
- (f) the Retention Documents having been executed by each Key Personnel and the Seller;
- (g) each of the First Tranche warranties remaining true, accurate and not misleading in all material respects, and no fact, event or circumstance having occurred which would make the First Tranche warranties untrue or inaccurate in any material respect as at the First Tranche Completion Date;
- (h) there having been no material breach by the Seller of any of its obligations under the Sale and Purchase Agreement;
- (i) there having been no material adverse change of each of the Target Group Member since the date of the Sale and Purchase Agreement; and
- (j) no legal or regulatory requirements remain to be satisfied, which has the effect of making unlawful or otherwise prohibiting or restricting the transfer of Sale Shares to the Purchaser, or any transactions contemplated hereunder.

Save for (j), any of the Conditions Precedent set out may be waived by the Purchaser at its sole and absolute discretion.

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

Final Tranche Conditions Precedent

The Final Tranche Completion is conditional upon the following Final Tranche Conditions Precedent being satisfied (or waiver by the Purchaser):

- (a) First Tranche Completion having taken place;
- (b) the Final Tranche Consideration having been determined in accordance with the Sale and Purchase Agreement;
- (c) each of the Final Tranche warranties remaining true, accurate and not misleading in all material respects, and no fact, event or circumstance having occurred which would make the Final Tranche warranties untrue or inaccurate in any material respect, as at the Final Tranche Completion Date;
- (d) no legal or regulatory requirements, or requirements of the Stock Exchange, remain to be

satisfied, which has the effect of making unlawful or otherwise prohibiting or restricting the transfer of Sale Shares to the Purchaser, or any transactions contemplated hereunder.

Save for (d) above, any of the Final Tranche Conditions Precedent may be waived by the Purchaser at its sole and absolute discretion.

In the event that any of the Final Tranche Conditions Precedent are not fulfilled or waived by the Purchaser on or prior to the Final Tranche Long Stop Date or such later date as may be agreed between the Purchaser and the Seller in writing, the Sale and Purchase Agreement in relation to the Final Tranche Sale shall be of no further effect whatsoever and all the obligations and liabilities of the Parties hereunder in relation to the Final Tranche Sale shall cease and determine (save for the rights of the Parties hereto to claim the others in respect of any antecedent breaches or any rights or remedies which shall have accrued prior thereto).

Completion

Subject to the fulfilment or waiver of the conditions precedent above, Completion shall take place on the Completion Date or such other date as the Purchaser and the Seller may agree in writing. Set out below is the shareholding structure of the Target Company upon the First Tranche Completion and Final Tranche Completion:

Name of Shareholder	Immediately before the First Tranche Completion		Immediately after the First Tranche Completion		Immediately after the transfer of Shares contemplated under the Retention Documents	
	Number of Shares	Shareholding in Target Company	Number of Shares	Shareholding in Target Company	Number of Shares	Shareholding in Target Company
Seller	5,000,000	100.00%	1,250,000	25.00%	1,200,000	24.00%
Purchaser	-	-	3,750,000	75.00%	3,650,000	73.00%
Key Person A	-	-	-	-	90,000	1.80%
Key Person B	-	-	-	-	60,000	1.20%
Total:	5,000,000	100.00%	5,000,000	100.00%	5,000,000	100.00%

Name of Shareholder	Immediately before the Final Tranche Completion		Immediately after the Final Tranche Completion	
	Number of Shares	Shareholding in Target Company	Number of Shares	Shareholding in Target Company
Seller	1,200,000	24.00%	-	-
Purchaser	3,650,000	73.00%	4,850,000	97.00%
Key Person A	90,000	1.80%	90,000	1.80%
Key Person B	60,000	1.20%	60,000	1.20%
Total:	5,000,000	100.00%	5,000,000	100.00%

Note: assuming that each of the Key Personnel remains as an employee of the Target Company after the Final Tranche Completion and that neither the Put Option nor the Call Option was exercised

RETENTION DOCUMENTS

As part of the First Tranche Conditions Precedent, the Company will enter into the Retention Documents with the Purchaser, the Seller and each of the Key Personnel on or before the First Tranche Completion, which is expected to contain, among others, the following terms:

Transfer of the Retention Shares

The Purchaser shall sell, and each of the Key Personnel shall purchase, the respective Retention Shares at a consideration to be determined.

Put Option

The Purchaser shall irrevocably grant to the Key Personnel the Put Option over the Retention Shares, which shall become exercisable by three phases until the expiry of one month after the Key Personnel ceases to be an employee of the Target Company.

Call Option

The Key Personnel shall irrevocably grant to the Purchaser the Call Option over the Retention Shares, which shall become exercisable by three phases until the expiry of one month after the Key Personnel ceases to be an employee of the Target Company.

The exercise price of both the Put Option and the Call Option shall be determined by a specified formula, the aggregate of which shall be no greater than HK\$29,750,000.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 1,040,416,605 Shares in issue. Set out below is a table showing the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon the allotment and issue of the Consideration Shares (assuming there is no other change to the share capital and in the shareholding structure of the Company between the date of this announcement and Completion):

Shareholders	As at the date of this announcement		Immediately upon the allotment and issue of Consideration Shares	
	Number of shares	%	Number of shares	%
Mr. Tang ¹	728,988,230	70.07	728,988,230	68.75
Core Connected Persons of the Company	39,694,451	3.82	39,694,451	3.74
The Seller	-	-	19,907,834	1.88
	768,682,681	73.89	788,590,515	74.37
OrbiMed Asia Partners III, L.P. ²	63,806,686	6.13	63,806,686	6.02
Other public shareholders	207,927,238	19.98	207,927,238	19.61
	271,733,924	26.11	271,733,924	25.63
Total issued shares	1,040,416,605	100.00	1,060,324,439	100.00

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 OrbiMed Asia Partners III, L.P. is controlled by Orbi A GP. Orbi A III and Orbi A GP were therefore deemed to be interested in the Shares of the Company which are held by OrbiMed Asia Partners III, L.P. under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

REASONS FOR AND BENEFITS OF THE ACQUISITION

As at the date of this announcement, the Target Company operates five medical laboratories in Hong Kong and has over 40 full-time registered medical laboratory technologists. The Target Company was established over 40 years ago and its professionalism is recognised by medical professionals and government authorities. The Target Company is one of the first local COVID-19 nucleic acid testing institutions recognised by the Hong Kong Government.

The Acquisition shall enable the Group to further enhance the medical and healthcare services as a one-stop integrated medical service provider.

To cope with the expansion of the Group and to strengthen the Group's leading position in the provision of medical services in Hong Kong, the Directors consider that the Acquisition will increase the market share of the Group in the premium health market and is expected to improve the results attributable to the Group and the overall Shareholders' return.

The terms of the Sale and Purchase Agreement, including the Consideration, were determined on arm's length negotiations between the Purchaser and the Seller with reference to the business and expertise of the management of the Target Company, the net assets value of the Target Company, historical performance and prospects of the Target Company. The Directors (including the independent non-executive Directors) consider that the terms of the transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE COMPANY AND THE PURCHASER

The Company is incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of medical and healthcare services.

The Purchaser is incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company. The Purchaser is principally engaged in investment holding.

INFORMATION ABOUT THE SELLER AND TARGET GROUP

The Seller is the sole shareholder of the Target Company prior to the entering of the Sale and Purchase Agreement, principally engaged in the investment in the Target Company. As at the date of this announcement, the Seller is held as to 50% by the Seller's Guarantor and Mr. Leung Fun Shing Vincent respectively.

The Target Company is incorporated in Hong Kong with limited liability. The Target Group is principally engaged in the provision of medical laboratory testing services to doctors and medical related institutions in Hong Kong.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the audited financial information of the Target Company for the two financial years ended 31 March 2019 and 2020 and the unaudited financial information of the Target Company for the six months ended 30 September 2020 prepared in accordance with the HKFRS:

	For the year ended 31 March 2019 (audited) HK\$'000	For the year ended 31 March 2020 (audited) HK\$'000	For the six months ended 30 September 2020 (unaudited) HK\$'000
Profit before tax	41,533	31,447	55,258
Profit after tax	35,296	26,648	46,158
Net Assets	87,178	89,848	100,368

LISTING RULES IMPLICATION

None of the Directors has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and therefore, none of them is required to abstain from voting on the Board resolutions for considering and approving of the Sale and Purchase Agreement and the transactions contemplated thereunder.

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 5%, but all the applicable percentage ratios are below 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

The grant of Put Option and the Call Option is subject to the entering of the Retention Documents. The Company will comply with the relevant reporting and announcement requirements under the Listing Rules where applicable.

GENERAL

As Completion is subject to fulfilment or waiver (as the case may be) of the Conditions Precedent and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Acceleration Notice”	a written notice which may be given by the Seller at any time following the First Tranche Completion and prior to the Final Tranche Completion conditional upon occurrence of certain events
“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Seller pursuant to the Sale and Purchase Agreement
“Adjustments”	adjustments to the audited consolidated net profit after tax of the Target Group for a Year in the adjudication of the Net Profit as solely determined by the Purchaser, however:

	<ul style="list-style-type: none"> (i) any revaluation of assets shall be fully disregarded; (ii) any write-back of provision for bad debts immediately prior to the First Tranche Completion shall be fully disregarded; and (iii) all receivables which have been outstanding for a period of twelve months or over shall be written-off in full
“Applicable PE Multiplier”	<p>the earnings multiplier to be applied in the valuation of the Target Group, as determined by the Purchaser:</p> <ul style="list-style-type: none"> (i) 12.5, when the CAGR of the Year is less than 5% or a negative value, as the “Minimum PE Multiplier”; (ii) 14.0, when the CAGR of the Year is equal to or greater than 5% and less than 7%; (iii) 15.0, when the CAGR of the Year is equal to or greater than 7% and less than 9%; (iv) 16.0, when the CAGR of the Year is equal to or greater than 9% and less than 11%; (v) 17.0, when the CAGR of the Year is equal to or greater than 11% and less than 13%; (vi) 18.0, when the CAGR is equal to or greater than 13%;
“Benchmark Profit”	means HK\$36,000,000
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturday, Sunday and public holidays and a day on which a tropical cyclone warning no. 8 or above is hoisted or a “black rainstorm warning signal” is in force in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are generally open for ordinary banking business in Hong Kong
“CAGR”	<p>the compound average growth rate of the Net Profit of the Exit Year, as calculated in accordance with the following formula:</p> $\text{CAGR} = \left(\frac{\text{Net Profit of Exit Year}}{\text{Benchmark Profit}} \right)^{\frac{1}{n}} - 1$ <p>where “n” means 3, unless the Seller has delivered an Acceleration Notice, in which case “n” shall mean the number of Years lapsed from 1 April 2020 until the date of the Acceleration Notice</p>
“Call Option”	the call option over the Retention Shares to be granted by the Key Personnel to the Purchaser pursuant to the Retention Documents
“Company”	Union Medical Healthcare Limited (香港醫思醫療集團有限公司*), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2138)

“Completion”	the completion of both the First Tranche Sale and the Final Tranche Sale pursuant to the Sale and Purchase Agreement
“Consideration Shares”	19,907,834 new Shares to be issued by the Company at the Issue Price to the Seller or its affiliates for settlement of part of the First Tranche Consideration
“Conditions Precedent”	First Tranche Conditions Precedent and Final Tranche Conditions Precedent, collectively, and each as a “Condition Precedent”
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Cytolab”	Cytolab Pap Test Screening Centre Limited, a company incorporated under the laws of Hong Kong with limited liability, a wholly-owned subsidiary of the Target Company
“Director(s)”	the director(s) of the Company
“Encumbrance”	include any interest or equity of any person (including, without prejudice to the generality of the foregoing, any right to acquire, option or right of pre-emption or other encumbrance) or mortgage, charge, pledge, claim, lien, rights of first refusal, third-party right or interest, assignment, hypothecation, title creation or any other security, claim, rights, agreement or arrangement of whatsoever nature having similar effect, trust arrangement or any equity or any agreement for any of the foregoing;
“End of Lock-up Issue Price”	VWAP of the Shares for the twenty (20) trading days immediately before the date of expiry of the Lock-up Period, as solely determined by the Purchaser pursuant to the Sale and Purchase Agreement
“Exit Year”	means Year 2023, unless an Acceleration Notice has been delivered, in which case the Year immediately preceding the date of the Acceleration Notice;
“Final Tranche Completion”	the completion of the Final Tranche Sale pursuant to the Sale and Purchase Agreement
“Final Tranche Completion Date”	the 3th Business Day after the Final Tranche Conditions Precedent having been fulfilled or waived by the Purchaser or such other date as the parties may agree in writing
“Final Tranche Conditions Precedent”	the conditions precedent in relation to the Final Tranche Sale pursuant to the Sale and Purchase Agreement
“Final Tranche Consideration”	the consideration in connection for the Final Tranche Sale Shares as determined pursuant to the Sale and Purchase Agreement
“Final Tranche Long Stop Date”	twelve months following the determination of the Final Tranche Consideration or such later date as the Purchaser and the Seller may agree in writing
“Final Tranche Sale”	the sale of the Final Tranche Sale Shares by the Seller to the Purchaser pursuant to the Sale and Purchase Agreement

“First Tranche Completion”	means the completion of the First Tranche Sale pursuant to the Sale and Purchase Agreement
“First Tranche Completion Date”	the date on which the First Tranche Completion occurs, being the 3th Business Day after the First Tranche Conditions Precedent having been fulfilled or waived or such other date as the Purchaser and the Seller may agree in writing
“First Tranche Conditions Precedent”	the conditions precedent in relation to the First Tranche Sale pursuant to the Sale and Purchase Agreement
“First Tranche Consideration”	the consideration in connection with the First Tranche Sale
“First Tranche Sale”	the sale of the First Tranche Sale Shares by the Seller to the Purchaser pursuant to the Sale and Purchase Agreement
“First Tranche Sale Shares”	3,750,000 Sale Shares, representing the 75.00% of the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement;
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 21 August 2020 to exercise the power of the Company to allot, issue and deal with additional Shares of not exceeding 20% of the total number of issued Shares as at the date of the said annual general meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKFRSs”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
“Issue Price”	the VWAP of the Shares for the twenty (20) trading days immediately before the date of the Sale and Purchase Agreement, being HK\$5.425, per each First Tranche Consideration Share
“Key Person A”	a key personnel of the Target Group, currently employed as the laboratory manager
“Key Person B”	a key personnel of the Target Group, currently employed as the administration & I.T. manager
“Key Personnel”	Key Person A and Key Person B
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	means twelve (12) months following the determination of the Final Tranche Consideration or such other date as the parties may agree in writing

“Minimum Aggregate Profit”	means: (i) HK\$34,000,000, where the Exit Year is Year 2021; (ii) HK\$67,000,000, where the Exit Year is Year 2022; and (iii) HK\$100,000,000, where the Exit Year is Year 2023;
“Net Profit”	the audited consolidated net profit after tax of the Target Group for a Year with reference to its Reference Accounts for that Year
“Payback”	The downward adjustment of the Final Tranche Consideration in the event that the Sum of Net Profit for Years Ending Exit Year is less than the applicable Minimum Aggregate Profit
“Profit Increment of Exit Year”	means (A) the Net Profit of Exit Year after deducting the Benchmark Profit, being multiplied by (B) the Applicable PE Multiplier
“Purchaser”	Jade Master International Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, which is an indirect wholly-owned subsidiary of the Company
“Put Option”	the put option over the Retention Shares to be granted by the Purchaser to the Key Personnel pursuant to the Retention Documents
“Reference Accounts”	in relation to a Year, the statement of profit or loss and retained earnings, statement of financial position, statement of cash flows and the notes thereto of the Target Group, in each case prepared in accordance with HKFRSs and accounting principles and policies used in preparing the audited accounts (save only for any such principles or policies which were not consistent with the accounting standards applicable when the audited accounts were prepared
“Retention Documents”	the transaction documents in relation to the retention of the Key Personnel by the Target Company to be entered into by each of the Key Personnel, the Purchaser, the Company, the Target Company and the Seller on or before the First Tranche Completion
“Retention Shares”	such Shares which are to be transferred by the Seller and the Purchaser to the Key Personnel upon the First Tranche Completion pursuant to the Retention Documents, including, comprising (i) 0.6% and 0.4% of the issued share capital of the Target Company as at First Tranche Completion to be transferred from the Seller to Key Person A and Key Person B respectively; and (ii) 1.2% and 0.8% of the issued share capital of the Target Company as at First Tranche Completion to be transferred from the Purchaser to Key Person A and Key Person B respectively
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 14 December 2020 entered into among the Company, the Purchaser, the Seller and the Seller’s Guarantor for the Acquisition
“Sale Shares”	First Tranche Sale Shares and Final Tranche Sale Shares, representing 97% of the entire issued share capital of the Target Company as at the date of this announcement
“Seller”	Sunny Sea Global Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“Seller’s Guarantor”	Ms Leung Yang Shih Ti Marianne, a director of the Target Company

“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)”	holder(s) of Share(s)
“Shareholders’ Loan(s)”	means loan(s) made to the Target Company by its shareholders from time to time and, where the context shall so require, the outstanding amount thereof
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Sum of Net Profit for Years Ending Exit Year”	the summation of the Net Profit of each Year, preceding and including the Exit Year
“Target Company”	Pathlab Medical Laboratories Limited, a company incorporated under the laws of Hong Kong with limited liability, a wholly-owned subsidiary of the Target Company
“Target Group”	means the Target Company and its subsidiaries (including but not limited to Cytolab), and each member of the Target Group as a “ Target Group Member ”
“VWAP”	volume weighted average price
“Year”	means any of Year 2021, Year 2022 and Year 2023
“Year 2021”	means a one-year period commencing from the date of 1 April 2020 and ending the date of 31 March 2021 (both dates inclusive)
“Year 2022”	means a one-year period commencing from the date of 1 April 2021 and ending the date of 31 March 2022 (both dates inclusive)
“Year 2023”	means a one-year period commencing from the date of 1 April 2022 and ending the date of 31 March 2023 (both dates inclusive)
“%”	per cent

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

Hong Kong, 14 December 2020

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

**For identification purpose only*