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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF 60% EQUITY INTEREST IN THE TARGET COMPANY

THE ACQUISITION

Team Expert and the Sellers entered into the Sale and Purchase Agreement on 14 June 2019, pursuant to which Team Expert agreed to acquire and the Sellers agreed to dispose of 60% of the issued share capital of the Target Company.

LISTING RULES IMPLICATIONS

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 ACQUISITION

The board of director (the "**Board**") of Union Medical Healthcare Limited (the "**Company**", together with the subsidiaries, the "**Group**") is pleased to announce that, on 14 June 2019 (after trading hours), Team Expert Investment Limited ("**Team Expert**") has entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with three shareholders (collectively, the "**Sellers**") of Prime Inspire Limited (the "**Target Company**") to acquire 60% of the issued share capital in the Target Company (the "**Sale Shares**") (the "**Acquisition**").

THE SALE AND PURCHASE AGREEMENT

Sellers: Main Victory Ventures Limited (the "**First Seller**"), Champion Epoch Ventures Limited (the "**Second Seller**"), and Dynamic Team Holdings

Limited (the “**Third Seller**”) which held the entire issued share capital of the Target Company as to 25%, 24% and 51% respectively.

Purchaser: Team Expert, an indirectly wholly-owned subsidiary of the Company.

Assets to be acquired: An aggregate of 60% of the issued share capital of the Target Company, comprising 15%, 14.4% and 30.6% from the First Seller, the Second Seller and the Third Seller respectively.

Date: 14 June 2019

Consideration

The aggregate consideration of the Acquisition is HK\$25,200,000 and shall be satisfied in cash and paid upon Completion.

Conditions precedents

- (a) Team Expert having completed financial and legal due diligence review in all aspects on the Target Company and being satisfied in all respects and having notified the Sellers that the due diligence result is satisfactory;
- (b) 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 sale of the Sale Shares having been obtained;
- (c) the warranties provided by the Sellers and the Target Company under the Sale and Purchase Agreement remaining true and accurate in all respects as at the date of Completion; and
- (d) the Sellers having entered into a shareholder agreement with Team Expert on the terms set out in the Sale and Purchase Agreement.

EBITDA Guarantee

The Sellers irrevocably warrant, undertake and guarantee to Team Expert that the Target Company will achieve a consolidated earnings before interest, tax, depreciation and amortization (“**EBITDA**”) of no less than HK\$14,350,000 (the “**First Guaranteed EBITDA**”) for the period from 1 July 2019 to 30 June 2021, and no less than HK\$24,330,000 (the “**Second Guaranteed EBITDA**”) for the period from 1 July 2021 to 30 June 2024 (respectively, the “**Guaranteed EBITDA**”)

If the Sellers fail to achieve or maintain the Guaranteed EBITDA for either the period from 1 July 2019 to 30 June 2021 or the period from 1 July 2021 to 30 June 2024, the Sellers shall pay Team Expert an amount that is equivalent to 60% of the difference between the Guaranteed EBITDA and the actual EBITDA for such period. The payback shall be paid by the Sellers to Team Expert within 30 days after the amount of difference between the Guaranteed EBITDA and the actual EBITDA has been verified.

If the aggregate actual EBITDA from 1 July 2019 to 30 June 2024 exceeds HK\$38,680,000, and if the Sellers has previously transferred any payback amount to Team Expert due to a shortfall between the actual EBITDA and the Guaranteed EBITDA, Team Expert shall refund

such payback to the Sellers and Team Expert also shall pay the Sellers an amount equivalent of 15% of the surplus between the aggregate actual EBITDA and HK\$38,680,000 as performance incentive.

If the aggregate actual EBITDA from 1 July 2019 to 30 June 2024 does not exceed HK\$38,680,000 but the payback previously made by the Seller (“Previous Payback”) is more than the difference between aggregate actual EBITDA and HK\$38,680,000 (the “Total Shortfall”), Team Expert shall payback to the Sellers an amount equals to the difference between Previous Payback and Total Shortfall.

Completion

The Completion has taken place on the same date of the Sale and Purchase Agreement, the Target Company has become a subsidiary indirectly-owned as to 60% by the Company, and the First Seller, the Second Seller and the Third Seller retains the remaining 10%, 9.6% and 20.4% of the entire issued share capital of the Target Company, respectively.

REASONS FOR THE ACQUISITION

The Group has evolved into an integrated medical and healthcare services provider and had been having increasing demand in marketing needs, in particular when handling the specifications for target marketing. In light of securing marketing resources which is reliable in a timely manner that will synergise all brands under the Group, the Directors consider that the Acquisition will enhance the Group’s marketing effort and hence its efficiency. The Acquisition is expected to improve the results attributable to the Group and the overall Shareholder’ return.

The terms of the Sale and Purchase Agreement, including the consideration, were determined on arm’s length negotiations between Team Expert and the Sellers with reference to the business and expertise of the Target Company, the net assets value of the Target Company, the extent of the Guaranteed EBITDA and prospects of the Target Company. The Directors (including independent non-executive Directors) of the Company consider that the terms of the transaction are fair and reasonable and in the interests of the shareholders as a whole. 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.

INFORMATION ABOUT THE GROUP

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

Team Expert, a company incorporated in the British Virgin Islands with limited liability, is an indirectly wholly-owned subsidiary of the Company. Its director is Tang Chi Fai and it is an investment holding company.

INFORMATION ABOUT THE SELLERS AND TARGET COMPANY

Each of the First Seller, the Second Seller and the Third Seller is an investment holding

company and principally engaged in the investment of Target Company. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, (i) the Sellers and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”)); and (ii) there was no previous transaction or business relationship among the Company, the Sellers and/or their associates in the previous 12 months which would result in aggregation under Rule 14.22 of the Listing Rules.

The Target Company is an investment holding company. It operates marketing solution services through its subsidiaries (together with the Target Company, the “**Target Group**”).

Set out below is the financial information of the Target Group for each of the two years ended 30 June 2017 and 2018 and the period from 1 July 2018 to 31 March 2019 prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 30 June		For the period from
	2017 (audited) HK\$'000	2018 (audited) HK\$'000	1 July 2018 to 31 March 2019 (unaudited) HK\$'000
Profit before tax	8,869	3,733	5,455
Profit after tax	8,444	3,573	4,611
Revenue	169,649	170,877	138,964

The unaudited net asset value of the Target Group was approximately HK\$5.7 million as at 31 March 2019.

LISTING RULES IMPLICATIONS

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

Hong Kong, 14 June 2019

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Tang Chi Fai and Mr. Lee Gabriel, two non-executive directors, namely Mr. Luk Kun Shing and Dr. Wang David Guowei, and three independent non-executive directors, namely Mr. Ma Ching Lam, Mr. Look Andrew and Mr. Lam Chi Hang Josekin.

**For identification purpose only*