UMP HEALTHCARE HOLDINGS LIMITED

聯合醫務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 722)

CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF CERTAIN STAKE IN A COMPANY

THE DISPOSAL

On 22 December 2021, the Vendor (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Agreement, pursuant to which the Vendor agreed to sell 55% of the issued share capital of the Target Company to the Purchaser at the consideration of HK$22 million in cash.

The Target Company is a non-wholly owned subsidiary indirectly owned as to 80% by the Company. Upon completion of the Disposal, the Target Company will be owned as to 55% by the Purchaser, 25% by the Company (indirectly via the Vendor as to 24% and UMP Healthcare as to 1%) and 20% by Laser Focus. The Target Company will cease to be a subsidiary of the Company from the date of Completion.

LISTING RULES IMPLICATIONS

As the Purchaser is an indirect wholly owned subsidiary of CTFE (a substantial shareholder of the Company), the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE DISPOSAL

On 22 December 2021, the Vendor and the Purchaser entered into the Agreement, the principal terms of which are set out below:

Date

22 December 2021

Parties

(1) the Vendor; and

(2) the Purchaser

Subject matter

The Vendor agreed to sell, and the Purchaser agreed to acquire, the Sale Shares, which represents 55% of the issued share capital of the Target Company.

The Target Company is a subsidiary indirectly owned by the Company as to 80% (as to 79% by the Vendor and 1% by UMP Healthcare) and 20% by Laser Focus. The Target Company is an investment holding company which, together with its subsidiaries, are principally engaged in the Emerging Business in the healthcare sector in the PRC with a focus on GBA.

Consideration

Pursuant to the Agreement, the total consideration for the Sale Shares amounted to HK$22 million in cash and was arrived at after arm's length negotiation between the parties to the Agreement with reference to, among other things, the valuation of the Target Group according to the Valuation Report. The Consideration is payable by the Purchaser to the Vendor in cash at Completion, which will take place on 31 December 2021 or such other date as agreed by the Vendor and the Purchaser in writing.

According to the Valuation Report, the entire issued share capital in the Target Group was valued at HK$20 million as at 30 September 2021. Such valuation was conducted on the Target Company and its certain subsidiaries that, after the Reorganisation, constitute members of the Target Group (i.e. it does not include the subsidiaries that hold interests in the conventional health check-up business conducted by the clinics that the Group owns and operates in Mainland China as they would not form part of the Disposal). The Valuation Report was prepared by the Valuer in accordance with the International Valuation Standards (2020 Edition) through the discounted cash flow method under the income approach. The valuation of the Target Group's business constitutes a profit forecast for the purpose of Rule 14.61 of the Listing Rules and accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable. For the purpose of complying with Rule 14.62 of the Listing Rules, the following key assumptions in determining the market value of the Target Group have been made:

– the Target Group is capable of being freely traded and the Target Group will obtain or renew all relevant legal approvals, business certificates, or licenses required to operate its business;

– the Target Group conforms with all required laws and regulations, and the current laws and regulations affecting the Target Group will have no material change;

– the current financial, economic, taxation, technological, political and general market conditions which prevail in the region in which the Target Group operates will have no material change;

– inflation, interest rates, and tax rates will have no material change from the rates prevailing as at 30 September 2021;

– the market conditions under which the Target Group operates, which are material to revenue and costs of the businesses, will have no material change;

– competent management, key personnel and technical staff of the Target Group will be retained to support the ongoing operation of the Target Group;

– the financial projections of the Target Group and business plan were prepared by the Company based on a reasonable basis; and

– the information regarding the Target Group provided by the Company is true, accurate, complete, updated and appropriate for the purposes of the valuation.

Pursuant to Rules 14.62 and 14A.68(7) of the Listing Rules, the Board has reviewed the principal assumptions upon which the valuation of the Target Group is based and is of the view that the profit forecast has been made after due and careful enquiry. KPMG, the Company's auditor, has reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows on which the valuation of the Target Group was based in accordance with the bases and assumptions determined by the Directors. A letter from the Board with respect to Rule 14.60A of the Listing Rules will be submitted to the Stock Exchange together with this announcement, the texts of which are included in Appendix I to this announcement. A report from KPMG with respect to the profit forecast as required under Rule 14.62(2) of the Listing Rules will be submitted to the Stock Exchange together with this announcement, the texts of which are included in Appendix II to this announcement.

The qualifications of the experts who have provided their opinions and advice, which are included in this announcement, are as follows:

Name	Qualifications
Colliers	Professional valuer
KPMG	Certified Public Accountants

Each of the above experts has given and has not withdrawn its written consent to the issue of this announcement with a copy of its letter and/or the reference to its name (including its qualifications) and its advice included in this announcement in the form and context in which it respectively appears.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, all the above experts are third parties independent from the Company and its connected persons.

As at the date of this announcement, none of the above experts has any equity interests in any member of the Group or has any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

USE OF PROCEEDS AND FINANCIAL EFFECT OF THE DISPOSAL

The Company intends to utilize the net proceeds from the Disposal for general working capital purposes.

The consolidated net book value of the Target Group (assuming the Reorganisation had taken place) was approximately HK$19.8 million as at 30 September 2021. The consolidated financial results of the Target Group (assuming the Reorganisation had taken place) for the two years immediately preceding the date of the Agreement are as follows:

	For the year ended 30 June	
	2020	**2021**
	HK$'000	*HK$'000*
Net loss before taxation	17,582	38,246
Net loss after taxation	17,645	38,249

It is estimated that the Group will realise a net gain on disposal of HK$13.9 million to its profit or loss, which is calculated based on (i) the Consideration; (ii) the carrying amount of the Target Group (after elimination of the intra-group indebtedness from the Target Group); (iii) the fair value of the remaining 25% interest in the Target Group which will be held as an associate; (iv) the estimated transaction costs and potential tax impact in relation to the Disposal; and (v) reclassification of exchange fluctuation reserve.

Upon Completion, the Target Company will cease to be a subsidiary of the Group and the financial results of the Target Group will no longer be consolidated into the financial statements of the Group from the date of Completion.

REASONS FOR THE DISPOSAL

Prior to the completion of Reorganisation, the Target Company is the holding company for the entities that are engaged in Mainland China healthcare business, which consists of (i) health check-up business; (ii) corporate healthcare solutions business; (iii) within the clinics in Mainland China that the Group owns and operates, revenue from selected outpatient services; and (iv) provision of professional training to doctors and nurses under the Emerging Business. Pursuant to the Reorganisation, the health check-up and outpatient businesses conducted by the clinics that the Group owns and operates in the mainland China (that would not form part of the Disposal) has been excluded from the Target Group (and hence remain to form part of the Group), by way of a distribution in specie pursuant to which each of the shareholders of the Target Company (namely the Vendor (as to 79%), Laser Focus (as to 20%) and UMP Healthcare (as to 1%)) holds interests in the relevant entities engaging in such business on a pro-rata basis.

After the Reorganisation, the Target Group focuses on the Emerging Business in Mainland China. The Emerging Business is still at an early investment stage of building business momentum and hence it will still require longer period of time to generate meaningful revenue and operating profit. Investment in the Emerging Business is expected to continue to generate losses for the Company, while such business will continue to require significant capital to grow. The Company considers that the Disposal, on the one hand, would enable the Group to mainly focus on its core business of corporate health solutions and clinical services in Hong Kong and Macau, which has been operating well and generating strong cash flows, while on the other hand, would enable the Group to continue maintaining a significant strategic stake in the Target Group.

The Company believes that CTFE possesses strong resources and experiences in investments, including in the healthcare sector, which will nurture the Target Group for long term growth and development, including by bringing in other strategic investors and partners to the Target Group as and when appropriate.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are fair and reasonable and the Disposal is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the Purchaser (an investment holding company) is an indirect wholly owned subsidiary of CTFE (a substantial shareholder of the Company), the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Tsang and Mr. Lee, each being an executive Director, have abstained from voting for the Board resolution proposed to approve the Agreement due to, among other things and as the case may be, their roles in CTFE and interests in the Target Group.

INFORMATION ABOUT THE COMPANY

The Company is an investment holding company. The Group is principally engaged in the provision of healthcare services, which include corporate healthcare solution services, medical and dental services, medical imaging and laboratory services and other auxiliary medical services.

The Vendor is a wholly-owned subsidiary of the Company and is principally engaged in investment holding. UMP Healthcare is a wholly-owned subsidiary of the Company and is principally engaged in investment holding.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

"Agreement"	the sale and purchase agreement dated 22 December 2021 entered into between the Vendor and the Purchaser in relation to the Disposal
"Board"	the board of directors of the Company
"BVI"	British Virgin Islands
"Company"	UMP Healthcare Holdings Limited (stock code: 722), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Completion"	completion of the Disposal
"Consideration"	the consideration payable by the Purchaser for the Sale Shares pursuant to the Agreement, being HK$0.40 per Sale Share, amounting to HK$22 million in total
"CTFE"	Chow Tai Fook Enterprises Limited, a company incorporated with limited liability in Hong Kong and a substantial shareholder of the Company
"Director(s)"	the director(s) of the Company
"Disposal"	the sale of the Sale Shares by the Vendor to the Purchaser
"Emerging Business"	"GOLD™" and "GOLD™-EN" training programmes for doctors and nurses, digital primary care infrastructures and sales and marketing of online merge offline managed care plans to individuals and insurance companies
"GBA"	the Greater Bay Area of the PRC
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"KPMG"	KPMG, the auditors of the Company
"Laser Focus"	Laser Focus Holdings Limited, a company incorporated in the BVI with limited liability and wholly owned by Mr. Tsang
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Mr. Lee"	Mr. LEE Kar Chung, Felix, an executive Director
"Mr. Tsang"	Mr. TSANG On Yip, Patrick, an executive Director
"PRC" or "Mainland China"	the People's Republic of China which, for the purpose of this announcement (unless otherwise indicated), excludes Hong Kong, Macau Special Administrative Region and Taiwan
"Purchaser"	Big Ideas Ventures Limited, a company incorporated in the BVI with limited liability and an indirect wholly owned subsidiary of CTFE
"Reorganisation"	the internal reorganisation that has already taken place as at the date of this announcement pursuant to which the Target Group focuses on the Emerging Business in the healthcare sector in Mainland China
"Sale Shares"	55,000,000 issued shares of the Target Company, representing 55% of the issued share capital in the Target Company to be sold to the Purchaser under the Disposal
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Target Company"	UMP Healthcare China Limited, a company incorporated with limited liability in the Cayman Islands and non-wholly owned subsidiary indirectly owned as to 80% by the Company
"Target Group"	the Target Company and its subsidiaries as at the date of this announcement

"UMP Healthcare"	UMP Healthcare Limited, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company
"Valuation Report"	a valuation report issued by the Valuer
"Valuer" or "Colliers"	Colliers International (Hong Kong) Limited, an independent professional valuer
"Vendor"	UMP Medical China Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"%"	per cent

By Order of the Board
UMP Healthcare Holdings Limited
MA Hoi Wan
Company Secretary

Hong Kong, 22 December 2021

As at the date of this announcement, the Board comprises Dr. SUN Yiu Kwong as Chairman, Chief Executive Officer and executive Director, Ms. KWOK Cheuk Kwan, Jacquen, as Managing Director and executive Director, Mr. TSANG On Yip, Patrick, Dr. SUN Man Kin, Michael, Mr. LEE Kar Chung, Felix and Dr. LEE Pak Cheung, Patrick as executive Directors, and Mr. LEE Luen Wai, John BBS JP, Dr. LI Kwok Tung, Donald SBS JP, Mr. YEUNG Wing Sun, Mike and Mr. CHAU, Chit Jeremy as independent non-executive Directors.

UMP HEALTHCARE HOLDINGS LIMITED

聯合醫務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 722)

22 December 2021

The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square
8 Connaught Place
Central, Hong Kong

Dear Sirs,

CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF CERTAIN STAKE IN A COMPANY

We refer to the announcement of the Company dated 22 December 2021 (the "**Announcement**"). Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings in this letter when used herein.

We refer to the Valuation Report prepared by Colliers, among which, the valuation of the Target Group (the "**Valuation**") constitutes a profit forecast for the purpose of Rule 14.61 of the Listing Rules. We have reviewed the Valuation, which is set out in the Valuation Report on the Target Group prepared by Colliers for which Colliers is responsible.

Pursuant to Rule 14.62 of the Listing Rules, we have engaged KPMG, the auditors of the Company, to report on the calculations of the discounted cash flows used in the Valuation, in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The text of a report received from KPMG is set out in Appendix I to the Announcement.

On the basis of the foregoing, in accordance with the requirements under Rule 14.62(3) of the Listing Rules, we confirm that the Valuation has been made after due and careful enquiry.

By Order of the Board
UMP Healthcare Holdings Limited
Dr. SUN Yiu Kwong
Chairman, Chief Executive Officer and
Executive Director

APPENDIX II – REPORT FROM THE REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF THE TARGET COMPANY

Draft Report on Deemed Profit Forecast Related to Valuation of Assets or Business Based on Discounted Future Cash Flows

The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this announcement.

REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF UMP HEALTHCARE CHINA LIMITED AND ITS SUBSIDIARIES

TO THE BOARD OF DIRECTORS OF UMP HEALTHCARE HOLDINGS LIMITED

We refer to the discounted future cash flows on which the valuation ("**the Valuation**") dated 15 December 2021 prepared by Colliers International (Hong Kong) Limited in respect of the appraisal of the market value of UMP Healthcare China Limited and its certain subsidiaries ("**the Target Group**") as at 30 September 2021 is based. The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibilities

The directors of UMP Healthcare Holdings Limited (the "**Directors**") are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1"Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Target Group or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

KPMG
Certified Public Accountants
Hong Kong
22 December 2021