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## 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)**

## **UPDATE ON THE MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 60% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND CONNECTED TRANSACTION**

References are made to the announcement of the Company dated 22 November 2018 and 23 January 2019, and the circular of the Company dated 24 December 2018 in relation to, among other things, the acquisition of 60% the issued share capital of the Target Company.

On 22 November 2018, the Company, UMP Medical and the Seller entered into the Sale and Purchase Agreement, pursuant to which UMP Medical conditionally agreed to purchase, and the Seller conditionally agreed to sell 60% of the total issued share capital of the Target Company. Upon completion of the Sale and Purchase Agreement, Target Company has become a non-wholly owned subsidiary of the Company with 60% equity interests of which being held by the Company, and the remaining 40% equity interests of which being held by the Seller.

As the Seller has failed to meet the Guaranteed Profit as pursuant to the Sale and Purchase Agreement, the Seller is therefore required to pay the Shortfall Payment to UMP Medical.

On 8 July 2024, the Company, UMP Medical and the Seller entered into the Settlement Deed to set out the settlement arrangement of the Shortfall Payment pursuant to which, the parties thereto agreed to apply a discount to the Shortfall Payment and the Seller would be liable to pay the Adjusted Shortfall Payment to UMP Medical according to the payment schedule set out in the Settlement Deed.

#### **LISTING RULES IMPLICATIONS**

As the Seller is a substantial shareholder of the Target Company, the Seller is a connected person at subsidiary level of the Company under the Listing Rules. Therefore, the Discount offered to the Seller constitutes a connected transaction of the Company. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Settlement Deed and the transactions contemplated thereunder is more than 1% but less than 5%, the Settlement Deed constitutes a connected transaction of the Company which is subject to announcement requirement but is exempt from the circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The Board has approved the Settlement Deed and the transactions contemplated thereunder, and the independent non-executive Directors have confirmed that the terms of the Settlement Deed and the transactions contemplated thereunder are fair and reasonable, and the Settlement Deed is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

#### **UPDATE ON THE MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 60% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY**

References are made to the announcement (the “**Announcements**”) of the Company dated 22 November 2018 and 23 January 2019, and the circular of the Company dated 24 December 2018, in relation to, among other things, the acquisition of 60% the issued share capital of the Target Company.

As disclosed in the Announcements, on 22 November 2018, the Company, UMP Medical and the Seller entered into the Sale and Purchase Agreement, pursuant to which UMP Medical conditionally agreed to purchase, and the Seller conditionally agreed to sell, the Sale Shares, representing 60% of the total issued share capital of the Target Company with 60% equity interests of which being held by the Company, and the remaining 40% equity interests of which being held by the Seller.

As the Seller has failed to meet the Guaranteed Profit pursuant to the Sale and Purchase Agreement, the Seller is therefore required to pay the Shortfall Payment to UMP Medical.

On 8 July 2024, the Company, UMP Medical and the Seller entered into the Settlement Deed, to set out the settlement arrangement of the Shortfall Payment pursuant to which, the parties thereto agreed to apply a discount to the Shortfall Payment and the Seller would be liable to pay the Adjusted Shortfall Payment to UMP Medical according to the payment schedule set out in the Settlement Deed.

**THE SETTLEMENT DEED**

The principal terms of the Settlement Deed are set out below:–

Date	8 July 2024
Parties	(1) the Company;  (2) UMP Medical; and  (3) the Seller.
Principle terms	<p>The Seller agreed to pay, and UMP Medical agreed to receive the Adjusted Shortfall Payment, in the amount of HK\$18,000,000 as full and final settlement of the Shortfall Payment pursuant to the Sale and Purchase Agreement by the Seller.</p> <p>The Adjusted Shortfall Payment will be settled by the Seller by three tranches, which shall be paid by the Seller in the following manner:–</p> <ul style="list-style-type: none"><li>(i) HK\$12,000,000, on 31 July 2024 or within 10 working days after any shareholders approval applicable to UMP Medical and/or the Company under the Listing Rules has been obtained, whichever is later;</li><li>(ii) HK\$3,000,000, by or before 30 June 2025; and</li><li>(iii) HK\$3,000,000, by or before 30 June 2026.</li></ul> <p>Upon receipt of the full Adjusted Shortfall Payment by 30 June 2026, UMP Medical and the Company will waive all their rights and interests whatsoever in the Shortfall Payment.</p>

## **REASONS FOR AND BENEFITS OF THE SETTLEMENT DEED**

In consideration of the Seller's extensive experience and reputation in dermatology specialty business which continues to support the Group's overall development of the medical service and in view of the reasons for the Shortfall were mainly due to the extraordinary and unexpected circumstances caused by the COVID-19 pandemic which were beyond the control of the Seller, the Board considers that the Adjusted Shortfall Payment is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board is of the view that offering discount to the Seller is a strategic way to incentivize early payments and maintain an amicable relationship with the Seller for long term speciality business development. In addition, by receiving payments sooner, it can further improve the liquidity and strengthen the financial position of the Group.

### **Cooperation with the Seller**

As at the date of this Announcement, the Target Company is an indirect non-wholly owned subsidiary of the Company which is held as to 60% by the Company, and 40% by the Seller. The Company believes that the dermatology specialist service as provided by the Target Company in addition to its existing specialist services remains crucial to its business development, therefore lateral expansion of the existing business of the Group through acquisitions of similar businesses will remain part of the Group's business strategy going forward. The Company further believes that maintaining an effective cooperation with the Seller is essential to the further development of the dermatology specialist service provided by the Target Company. In light of the above, the Board is of the view that offering a discount to the Seller with respect to the Shortfall Payment helps to preserve the positive relationship among the parties.

### **Business Environment**

The Group has considered the qualitative factors that cause the non-fulfilment of the Guaranteed Profit by the Seller. During the FY2019, FY2020, FY2021, FY2022 and FY2023, the business of the Target Company was heavily affected by the extraordinary and unexpected circumstances caused by the COVID-19 pandemic which were beyond the control of the Seller, emerged as the main factor contributing to the Shortfall.

### **Encouraging future growth**

It is the intention of the Group to prioritize the long-term collaboration with the Seller and the success of the Target Company over short-term compensation. As disclosed in the Company's annual report for the financial year ended on 30 June 2023, the Group's medical services including dermatology specialty in Hong Kong improved positively following the easing of public health control measures. The Group therefore considers that adjusting the Shortfall Payment to be paid by the Seller allows the preservation of the business prospect and the continuous synergetic contributions by the Seller to the Target Company through the collaboration with the Seller in developing the Group's dermatology business as part of the Group's business strategy going forward.

The Board, including the independent non-executive Directors, considers that the Discount offered to the Seller and the entering of the Settlement Deed is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **FINANCIAL IMPACT ON THE GROUP**

As disclosed in the annual report of the Company for the year ended 30 June 2023, apart from the Target Company's dermatologist services, the Group also devoted its resources to provide healthcare services which include corporate healthcare solution services, medical and dental services and healthcare management services. Although the Target Company was unable to achieve the Guaranteed Profit, the Group's principal businesses have not been adversely affected and the management of the Company has been reviewing the Group's business structure from time to time to reasonably allocating resources to maximize profitability and exploring business opportunities.

Based on the information currently available to the Directors and to the best of their knowledge, the Board is of the view that the failure of the Target Company to meet the Guaranteed Profit, upon having taken into account the Adjusted Shortfall Payment to be received by UMP Medical into account, would not impose any material adverse impact on the financial position and business operations of the Group as a whole.

### **INFORMATION ABOUT THE PARTIES TO THE SETTLEMENT DEED**

The Company is one of the leading corporate healthcare solution providers in Hong Kong which partners with corporations and insurance companies in the design and administration of corporate healthcare benefits plans, and provides healthcare services to, such members, employees and policyholders.

The Target Company is a company incorporated in Hong Kong with limited liability. As at the date of this Announcement, the Target Company is held as to 60% by UMP Medical and 40% by the Seller. It operates a medical centre principally providing dermatological services in Hong Kong. The Seller has been serving as a director of the Target Company since 2005. The Seller currently serves as a practicing dermatologist in the Target Company.

## **LISTING RULES IMPLICATIONS**

As the Seller is a substantial shareholder of the Target Company, the Seller is a connected person at subsidiary level of the Company under the Listing Rules. Therefore, the Discount offered to the Seller constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Settlement Deed and the transactions contemplated thereunder is more than 1% but less than 5%, the Settlement Deed constitutes a connected transaction of the Company which is subject to announcement requirement but is exempt from the circular and independent shareholders' approval requirements pursuant to Rule 14A of the Listing Rules.

It is expected that the amount of the Adjusted Shortfall Payment to be received by the Company would be recognised as an other income of the Group in its financial results for the year ending 30 June 2024 and the exact amount to be recognised therein would be subject to review of the audit committee of the Company and the audit of the Company's auditors.

The Company intends to apply such income (after deducting related expenses and costs, if any) for general working capital.

The Board has approved the Settlement Deed and the transactions contemplated thereunder, and the independent non-executive Directors have confirmed that the terms of the Settlement Deed and the transactions contemplated thereunder are fair and reasonable, and the Settlement Deed is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of the Sale Shares by UMP Medical from the Seller, as contemplated under the Sale and Purchase Agreement
“Adjusted Shortfall Payment”	HK\$18,000,000, being the amount to be paid by the Seller to UMP Medical pursuant to the Settlement Deed
“Board”	the board of Directors

“Company”	UMP Healthcare Holdings Limited (stock code: 722), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Combined Profit”	the combined audited net profit after tax of the Target Company attributable to equity shareholders during FY2019, FY2020, FY2021, FY2022 and FY2023 and after setting off any loss
“Director(s)”	the directors of the Company
“Discounted Amount”	HK\$7,600,000, being the difference between the Shortfall Payment and the Adjusted Shortfall Payment
“FY”	a financial year of the Target Company ended or ending 31 December
“Group”	the Company and its subsidiaries
“Guaranteed Profit”	the profit guarantee provided by the Seller in favour of UMP Medical with respect to the Combined Profit meeting not less than HK\$90,000,000 pursuant to the Sale and Purchase Agreement
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Sale and Purchase Agreement”	the sale and purchase agreement entered into by the Company, UMP Medical and the Seller on 22 November 2018 in relation to the Acquisition, on the terms and conditions set out therein
“Seller”	Ms. Ho Tin Yee Tinny 何天儀

“Settlement Deed”	the deed of settlement entered into between the Company, UMP Medical and the Seller on 8 July 2024
“Shareholders”	the shareholders of the Company
“Shortfall”	the difference between the Combined Profit and the Guaranteed Profit
“Shortfall Payment”	HK\$25,600,000, being the payment and compensation representing an amount in cash that is equal to the product of (x) the Shortfall and (y) UMP Medical’s shareholding in the Target Company as at the last day of FY2023 pursuant to the Sale and Purchase Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	SkinCentral Limited, a company incorporated in Hong Kong with limited liability and a non-wholly owned subsidiary of the Company
“UMP Medical”	UMP Medical Centre Limited, a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of the Company

By order of the Board  
**UMP Healthcare Holdings Limited**  
**CHEUNG Chi Wah Patrick**  
*Company Secretary*

Hong Kong, 8 July 2024

*As at the date of this announcement, the Executive Directors of the Company are Dr. SUN Yiu Kwong (Chairman), Dr. SUN Man Kin, Michael (Vice-chairman and Co-Chief Executive Officer), Ms. KWOK Cheuk Kwan, Jacquen (Co-Chief Executive Officer), Mr. TSANG On Yip, Patrick, Dr. LEE Pak Cheung, Patrick; the Non-executive Director is Dr. LEE Kar Chung, Felix; and the Independent Non-executive Directors are Mr. LEE Luen Wai, John, Dr. LI Kwok Tung, Donald and Mr. YEUNG Tak Bun.*