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 51% EQUITY INTERESTS IN THE TARGET COMPANIES

THE AGREEMENT

The Board hereby announces that on 23 September 2016 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, each of the Sellers and each of the Target Companies entered into the Agreement pursuant to which the Purchaser has conditionally agreed to purchase, and the Sellers have conditionally agreed to sell, the Sale Shares, being 51% of the equity interests in each of the Target Companies, at a total consideration of HK$32,768,760 (subject to adjustment). The Target Companies are one of the largest group of chiropractors, physiotherapists and other health professionals in Hong Kong which specialise in the musculoskeletal and nervous systems.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 5% but all the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.75(1) of the Listing Rules, where the exercise of an option granted to a listed issuer is at the listed issuer's discretion, only the premium will be taken into consideration for the purpose of transaction classification of notifiable transactions. As all the applicable percentage ratios in respect of the grant of the Put Option are less than 5%, the grant of the Put Option does not constitute a notifiable transaction for the Company and is not subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. However, if and when the Purchaser intends to exercise the Put Option, the Company will (where necessary) comply with all relevant requirements under the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 24 August 2016 in relation to the non-legally binding letter of intent.

The Board hereby announces that on 23 September 2016 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, each of the Sellers and each of the Target Companies entered into the Agreement pursuant to which the Purchaser has conditionally agreed to purchase, and the Sellers have conditionally agreed to sell, the Sale Shares, being 51% of the equity interests in each of the Target Companies, at a total consideration of HK$32,768,760 (subject to adjustment).

The Target Companies are one of the largest group of chiropractors, physiotherapists and other health professionals in Hong Kong which specialise in the musculoskeletal and nervous systems.

THE AGREEMENT

The principal terms of the Agreement are set out as follows:

Date:	23 September 2016 (after trading hours)
Parties:	
Sellers:	Ms. Mak Forsight Investments Mr. Lin
Purchaser:	Union CP

Target Companies: NYMG (Pain Center)
NYMG Central
NYMG Kwun Tong
NYMG Midlevels
NYMG North Point
NYMG Quarry Bay
NYMG Shatin
NYMG Tsimshatsui
NYMG Tsuen Wan
NYMG Wan Chai

Assets to be acquired:

The Sale Shares, being 51% of the equity interests in each of the Target Companies.

Consideration:

The Consideration (before any adjustment) of HK$32,768,760 was determined after arm's length negotiations between the Sellers and the Purchaser on normal commercial terms after taking into consideration the Valuation Report which indicates fair value of the Sale Shares as HK$33,150,000, as at the Benchmark Date. The Valuation Report was prepared by Asset Appraisal, an independent professional appraiser, adopting the discounted cash flow method under the income approach. The Consideration (before any adjustment) represents a discount of approximately 1.15% to the valuation of the Target Companies. The Consideration will be financed by internal resources of the Group and will be settled entirely in cash.

The Consideration will be adjusted:

(i) if 51% of 10 times of the aggregate audited net profits after tax of the Target Companies (excluding NYMG Midlevels) for the financial year ended 31 March 2016 is greater than HK$32,768,760. In such circumstance, the Purchaser shall pay the difference between such two sums to the Sellers in accordance with their respective entitlement percentages; or

(ii) if 51% of 10 times of the aggregate audited net profits after tax of the Target Companies (excluding NYMG Midlevels) for the financial year ended 31 March 2016 is less than HK$32,768,760. In such circumstance, the Sellers shall pay, in accordance with their respective entitlement percentages, the difference between such two sums to the Purchaser.

The Board considers that the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Profit Guarantee:

The Sellers irrevocably jointly and severally warrant, undertake and guarantee to the Purchaser to achieve the aggregate audited net profits after tax of the Target Companies (the "**Target Profits**") for each of the financial years ending 31 March 2017, 2018 and 2019 as follows:

	For the year ending 31 March		
	2017	**2018**	**2019**
	HK$	*HK$*	*HK$*
Target Profits	6,875,000	7,356,250	7,871,188

Pursuant to the Agreement, in the event that the actual aggregate audited net profits after tax of the Target Companies are lower than the aggregated Target Profits for the three financial years ending 31 March 2019 (which were determined with reference to the underlying profit forecast adopted in the Valuation Report), the Sellers shall jointly and severally pay the Purchaser an amount equivalent to 10 times of the shortfall between the aggregate Target Profits and the actual aggregate audited net profits after tax of the Target Companies for the three financial years ending 31 March 2019 (the "**Shortfall**") (i.e. 10 x Shortfall) (the "**Payback**").

The Payback, if any, shall be paid by the Sellers to the Purchaser within 30 days upon the issuance of the audited financial statements of the Target Companies for the financial year ending 31 March 2019 and the Payback payable by the Sellers to the Purchaser pursuant to the Agreement shall not exceed the sum of HK$2,500,000.

Conditions Precedent:

Completion is conditional upon, among other things, satisfaction of the following conditions:

(a) the Purchaser being satisfied with the results of the financial and legal due diligence review to be conducted on each of the Target Companies;

(b) all requisite consents, license and approvals required to be obtained from any relevant governmental authorities in respect of the Acquisition having been obtained; and

(c) the warranties provided by the Sellers in the Agreement remain true and accurate in all respects.

In the event that any of the above conditions is not fulfilled or waived by the Purchaser on or prior to 31 October 2016 or such later date as may be agreed between the Purchaser and the Sellers in writing the Agreement shall become null and void and be of no further effect whatsoever and all the obligations and liabilities of the parties shall cease and determine (save for the rights of the parties 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 fulfillment or waiver of the conditions precedent, Completion shall take place on or before 31 October 2016, thereupon, the Sellers and the Target Companies shall conduct and complete the following, among other things, on or before 31 October 2016:

(a) completion of all registration procedures in respect of the changes of ownership of the Sale Shares to the Purchaser or its nominee;

(b) appointment of such persons as the Purchaser may nominate as director(s), company secretary and auditors of the Target Companies; and

(c) delivery to the Purchaser or the Purchaser's solicitors of certain documents including but not limited to the corporate records, company seal(s), financial statements, one counterpart of each of the deed of indemnity and the shareholders agreement duly executed by the Sellers and the Target Companies, and other documents in relation to the control and operation powers of the Target Companies.

Upon Completion, all the Target Companies will become indirect non-wholly owned subsidiaries of the Company and the financial results, assets and liabilities of the Target Companies will be consolidated into the financial statements of the Group.

Put Option:

Pursuant to the Agreement, in consideration of payment by the Purchaser of HK$1.00 to the Sellers, the Sellers have granted to the Purchaser the right to sell all the Sale Shares (but not any part thereof) back to the Sellers at an exercise price equal to the Consideration (the "**Option Consideration**") at any time during the Option Period. The Put Option shall be exercised by the Purchaser serving on the Sellers written notice (the "**Put Option Notice**") of its wish to exercise the same.

Completion of the purchase pursuant to a Put Option Notice shall take place on the date falling two days after the date of receipt by the Sellers of the Put Option Notice from the Purchaser (or such other date as the Sellers and the Purchasers may agree in writing) which have the effect of the Sellers jointly and severally purchasing all Sale Shares of each of the Target Companies when all of the following matters shall occur:

(i) the Sellers shall jointly and severally pay to the Purchaser the full amount of the Option Consideration at the time the share certificates change hands; and

(ii) the Purchaser shall deliver to the Sellers certain documents, including but not limited to the transfer documents and the corporate records, in relation to the control and operation powers of the Target Companies.

It is at the Company's discretion to exercise its Put Option during the Option Period. Upon the expiry of such Option Period, the Put Option shall lapse if not previously exercised.

INFORMATION ABOUT THE SELLERS AND THE TARGET COMPANIES

Ms. Mak and Mr. Lin are businesspersons and Hong Kong residents. Forsight Investments is wholly-owned by Ms. Mak and is principally engaged in investment holding.

As at the date of this announcement, (i) each of NYMG Kwun Tong, NYMG North Point, NYMG Quarry Bay, NYMG Tsimshatsui, NYMG Tsuen Wan, NYMG Shatin and NYMG (Pain Center) is directly or indirectly (through Forsight Investments) wholly-owned by Ms. Mak; (ii) NYMG Wan Chai and NYMG Midlevels are owned as to 70% by Ms. Mak through Forsight Investments and 30% by Mr. Lin; and (iii) NYMG Central is owned as to 51% by Ms. Mak through Forsight Investments and 49% by Mr. Lin.

The Target Companies are one of the largest group of chiropractors, physiotherapists and other health professionals in Hong Kong which specialise in the musculoskeletal and nervous systems. The chiropractic doctors of the Target Companies have received their degrees and licences in the United States of America, the United Kingdom, Canada, Australia and New Zealand which offer professional chiropractic therapy and spinal health management.

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquires, all the Sellers and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules) as at the date of this announcement.

Financial Information of the Target Companies

Based on the information provided by the Sellers, the following table sets forth the financial information of the Target Companies prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants.

	For the year ended 31 March	
	2015	**2016**
	HK$	*HK$*
	(audited)	(unaudited)
Target Companies		
Aggregate revenue	30,894,051	37,270,865
Aggregate profits before tax	4,140,628	7,179,246
Aggregate net profits after tax	3,457,424	5,994,670

According to the unaudited financial information of the Target Companies provided by the Sellers prepared in accordance with accounting practices generally accepted in Hong Kong, the aggregate total assets and net assets value of the Target Companies were HK$28,233,087 and HK$19,242,696 as at 31 March 2016 respectively.

INFORMATION ABOUT THE GROUP

The Purchaser is an indirectly wholly-owned subsidiary of the Company and is principally engaged in investment holding.

The Group is principally engaged in the (1) medical services, comprising aesthetic surgical procedures, minimally invasive procedures and energy-based procedures performed by doctors and general consultation services, as well as dental, Chinese medicinal and ophthalmological services; (2) quasi-medical services, comprising energy-based procedures performed by our Trained Therapists who have completed mandatory internal training developed by our Doctors; (3) traditional beauty services, comprising facials, massages and other non-invasive procedures; (4) skincare and beauty products, primarily of our private-label brands, PRODERMA LAB and Suissebeaute; and (5) health management centre in Hong Kong.

REASONS FOR AND BENEFIT OF THE ACQUISITION

The Company has endeavored in exploring opportunities for potential investments with a view to generating revenue and achieving better returns for its Shareholders. Since the listing of the Company's Shares on the Stock Exchange in March 2016 and as disclosed in the annual report of the Company for the year ended 31 March 2016 published by the Company on 14 July 2016, the Group has been striving to enrich its product offerings and service ranges to satisfy diverse customers' needs.

The Board believes that (a) the aggregate profits of the Target Companies will contribute positively to the financial results of the Company in the near future, and (b) the services to be provided by the Target Companies will (i) complement medical services that the Group can offer, (ii) diversify the Group's business portfolio, and (iii) provide a new source of income to the Group.

Based on the above, the Directors consider that the terms of Agreement are fair and reasonable, and the Agreement and the transactions contemplated thereunder (including the Acquisition) have been entered into after arm's length negotiation and determined on normal commercial terms that are in the interests of the Company and its Shareholders as a whole.

COMPLIANCE WITH RULE 14.62 OF THE LISTING RULES

The Valuation Report has been prepared by Asset Appraisals. According to the Valuation Report, the fair value of the Sale Shares was reasonably stated at HK$33,150,000 as at the Benchmark Date of 30 June 2016. The valuation has adopted the discounted cash flow method under income-based approach. Furthermore, the Target Profits were determined with reference to the underlying profit forecast adopted in the Valuation Report. As such, the valuation and the Target Profits constitute "profit forecast" under Rule 14.61 of the Listing Rules. Rule 14.62 of the Listing Rules is hence applicable and please refer to the appendices to this announcement.

The valuation contained in the Valuation Report has been prepared on the following principal assumptions:

1) there will be no major change in the existing political, legal and economic conditions in Hong Kong in which the Target Companies are being operated;

2) save for any proposed changes on taxation policies, there will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulations on taxation will be complied with by the Target Companies;

3) the interest rates and exchange rates will not differ materially from those presently prevailing;

4) the availability of finance will not be a constraint on the forecast growth of the Target Companies' operations in accordance with the business plan and the projection;

5) the Target Companies shall have uninterrupted rights to renew their operating permits upon the expiry of the existing permits held by them;

6) the production facilities, systems and the technology utilised by the Target Companies in carrying out their existing businesses do not infringe any relevant regulations and law;

7) the Target Companies have obtained all necessary permits and approvals to carry out the business operations in Hong Kong;

8) the Target Companies are free and clear of any lien, charge, option, pre-emption rights or other encumbrances or rights whatsoever;

9) the Target Companies shall secure and retain competent management, key personnel, marketing and technical staff to carry out and support their business operations;

10) the estimated fair value of the Sale Shares does not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other typical benefits which may influence the ordinary business enterprise values of the Target Companies; and

11) there will be no material changes in the Target Companies' business strategy.

The auditors of the Company, KPMG, have performed procedures on the arithmetical calculation of the discounted future cash flows on which the Valuation Report is based on, and the Board is of the opinion that the Valuation Report and the Target Profits mentioned in this announcement have been stated after due and careful enquiry. A letter from each of KPMG and the Board has been submitted to the Stock Exchange, and is set out in Appendix I and Appendix II to this announcement, respectively pursuant to Rule 14.62 of the Listing Rules.

The qualifications of the experts who have provided their opinions in this announcement are as follows:

Name	Qualification
Asset Appraisal	Independent professional appraiser
KPMG	Certified Public Accountants

Each of Asset Appraisal and KPMG, has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its report or letter and all references to its name in the form and context in which it respectively appears in this announcement.

To the best of the knowledge, information and belief of Directors, having made all reasonable enquiries, each of Asset Appraisal and KPMG are third parties independent from the Company and its connected persons (as defined in the Listing Rules).

As at the date of this announcement, neither Asset Appraisal nor KPMG has any shareholding or was beneficially interested in, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for the securities in any member of the Group.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 5% but all the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.75(1) of the Listing Rules, where the exercise of an option granted to a listed issuer is at the listed issuer's discretion, only the premium will be taken into consideration for the purpose of transaction classification of notifiable transactions. As all the applicable percentage ratios in respect of the grant of the Put Option are less than 5%, the grant of the Put Option does not constitute a notifiable transaction for the Company and is not subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. However, if and when the Purchaser intends to exercise the Put Option, the Company will (where necessary) comply with all relevant requirements under the Listing Rules.

DEFINITION

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

"Acquisition"	the acquisition of the Sale Shares by the Purchaser from the Sellers
"Agreement"	the sale and purchase agreement dated 22 September 2016 entered into between the Purchaser, each of the Sellers and each of the Target Companies in relation to the Acquisition
"Asset Appraisal"	Asset Appraisal Limited (中誠達產評值顧問有限公司), an independent professional appraiser
"Benchmark Date"	31 March 2016
"Board"	the board of Directors
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company"	Union Medical Healthcare Limited (香港醫思醫療集團有限公司*), a company incorporated in the Cayman Islands with limited liability and issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2138)
"Completion"	completion of the Acquisition pursuant to the terms of the Agreement
"Consideration"	HK$32,768,760, being the total consideration to be paid by the Purchaser to the Sellers for the Acquisition under the Agreement and subject to adjustment
"Directors"	director(s) of the Company
"Forsight Investments"	Forsight Investments Limited, a company incorporated under the laws of British Virgin Islands with limited liability and directly wholly-owned by Ms. Mak
"Group"	the Company and its subsidiaries

"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"KPMG"	Messrs. KPMG, auditors of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Lin"	Mr. Lin Fu Chien, a Hong Kong resident
"Ms. Mak"	Ms. Mak Wing Man, a Hong Kong resident and the ultimate beneficial owner holding the entire equity interests in Forsight Investments
NYMG (Pain Center)"	New York Medical Group (Pain Center) Limited, a company incorporated under the laws of Hong Kong with limited liability and directly wholly-owned by Ms. Mak
NYMG Central"	New York Medical Group Central Limited, a company incorporated under the laws of Hong Kong with limited liability and directly owned as to 51% by Forsight Investments and 49% by Mr. Lin
"NYGM Kwun Tong"	New York Medical Group Kwun Tong Limited, a company incorporated under the laws of Hong Kong with limited liability and directly wholly-owned by Ms. Mak
"NYMG Midlevels"	New York Medical Group Midlevels Limited, a company incorporated under the laws of Hong Kong with limited liability and directly owned as to 70% by Forsight Investments and 30% by Mr. Lin
"NYMG North Point"	New York Medical Group North Point Limited, a company incorporated under the laws of Hong Kong with limited liability and directly wholly-owned by Ms. Mak
"NYMG Quarry Bay"	New York Medical Group Quarry Bay Limited, a company incorporated under the laws of Hong Kong with limited liability and directly wholly-owned by Forsight Investments

"NYMG Shatin"	New York Medical Group Shatin Limited, a company incorporated under the laws of Hong Kong with limited liability and directly wholly-owned by Forsight Investments
"NYMG Tsimshatsui"	New York Medical Group Tsimshatsui Limited, a company incorporated under the laws of Hong Kong with limited liability and directly wholly-owned by Forsight Investments
"NYMG Tsuen Wan"	New York Medical Group Tsuen Wan Limited, a company incorporated under the laws of Hong Kong with limited liability and directly wholly-owned by Forsight Investments
"NYMG Wan Chai"	New York Medical Group Wan Chai Limited, a company incorporated under the laws of Hong Kong with limited liability and directly owned as to 70% by Forsight Investments and 30% by Mr. Lin
"Option Period"	the period from the date of the Agreement to the expiry of a 36-month period therefrom
"Purchaser" or "Union CP"	Union Chiropractic and Physiotheraphy Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
"Put Option"	the rights granted by the Sellers to the Purchaser to sell all the Sale Shares (but not any part thereof) to the Sellers at any time during the Option Period in accordance with the Agreement
"Sale Shares"	51% of the equity interests in each of the Target Companies
"Seller(s)"	Ms. Mak, Forsight Investments and Mr. Lin, collectively referred to as the Sellers, each a Seller
"Share(s)"	ordinary share(s) of HK$0.00001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Target Company(ies)"	collectively, NYMG Central, NYMG Kwun Tong, NYMG North Point, NYMG Quarry Bay, NYMG Tsimshatsui, NYMG Tsuen Wan, NYMG Wan Chai, NYMG Midlevels, NYMG Shatin; and NYMG (Pain Center)
"Valuation Report"	valuation report dated 23 September 2016 issued by Asset Appraisal
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

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

Hong Kong, 23 September 2016

As at the date of this announcement, the Board 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*

APPENDIX I

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

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

23 September 2016

REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF THE TARGET COMPANIES

TO THE BOARD OF DIRECTORS OF UNION MEDICAL HEALTHCARE LIMITED

We refer to the discounted cash flows on which the business valuation dated 23 September 2016 prepared by Asset Appraisal Limited in respect of the appraisal of the fair value of the Target Companies (as defined in this announcement) as at 30 June 2016 (the "**Valuation**") 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 Union Medical Healthcare 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 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.

Auditor's 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 compilation s 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 Companies 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. 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

The following is the text of a letter from the Board prepared for the purpose of incorporation in this announcement.

23 September 2016

The Stock Exchange of Hong Kong Limited
11th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Dear Sirs,

Re: Letter from the Board on the Valuation Report and the Target Profits pursuant to Rule 14.62 of the Listing Rules

Reference is made to the announcement of the Company dated 23 September 2016 (the "**Announcement**") of which this letter forms part. Unless the context otherwise requires, capitalised terms used herein shall have the same meaning as those defined in the Announcement.

The Announcement mentioned the Valuation Report prepared by Asset Appraisal on the fair value of the 51% equity interest of Target Companies and the Target Profits which were determined with reference to the Valuation Report. We have reviewed the Valuation Report for which Asset Appraisals are responsible, and discuss with Asset Appraisals on relevant matters (including the part of bases and assumptions upon which the Valuation Report has been prepared). We have also considered the letter from the auditors of the Company dated 23 September 2016 addressed to us regarding whether the Valuation Report was compiled properly so far as the calculations are concerned.

On the basis of the foregoing, we are of the opinion that the Valuation Report and the Target Profits mentioned in the Announcement have been stated after due and careful enquiry.

Yours faithfully,
For and on behalf of the Board
Union Medical Healthcare Limited
Lee Gabriel
Executive Director