THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other independent professional advice.

If you have sold or transferred all your shares in UMP Healthcare Holdings Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company

聯合醫務
ump

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)

(1) MAJOR TRANSACTION
ACQUISITION OF 60% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the Board is set out on pages 5 to 27 of this circular.

A notice convening the EGM to be held at 9th Floor, Three Exchange Square, Central, Hong Kong on Tuesday, 15 January 2019 at 2:30 p.m. is set out on pages EGM-1 to EGM-3 of this circular. Form of proxy for use by the Shareholders at the EGM is enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.ump.com.hk).

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the relevant form of proxy shall be deemed to be revoked.

24 December 2018

CONTENTS

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

"Accountants' Report"	the accountants' report of the Target company set out in appendix II to this circular
"Acquisition"	the acquisition of the Sale Shares by the Company from the Seller, as contemplated under the Sale and Purchase Agreement
"Announcement"	the announcement of the Company dated 22 November 2018 in relation to the Sale and Purchase Agreement
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Business Days"	means a day (other than a Saturday or Sunday) on which banks are generally open in Hong Kong for normal business
"Closing"	closing of the Acquisition
"CoC Put Option"	has the meaning ascribed to it under "Shareholders' Agreement" of this circular
"CoC Put Shares"	has the meaning ascribed to it under "Shareholders' Agreement" of this circular
"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
"Conditions"	the conditions precedent to the sale and purchase of the Sale Shares set out in the Sale and Purchase Agreement
"connected person(s)"	has the same meaning ascribed to it in the Listing Rules
"controlling shareholders"	shall have the same meaning as ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company

"EGM"	an extraordinary general meeting of the Company to be held at 9th Floor, Three Exchange Square, Central, Hong Kong, on Tuesday, 15 January 2019 at 2:30 p.m. for the purposes of considering and, if thought fit, passing the necessary resolution(s) to approve, among other matters, (i) the Sale and Purchase Agreement, the Transactions and the transactions contemplated thereunder; and (ii) approving the allotment and issue of the Post-closing Consideration Shares pursuant to the specific mandate
"Enlarged Group"	the enlarged Group after Closing
"FY"	a financial year of the Target Company ended or ending 31 December
"Group"	the Company and its subsidiaries
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	21 December 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"Post-closing Consideration Shares"	has the meaning ascribed to it under "The Sale and Purchase Agreement – The Purchase Price and payment terms" of this circular
"Post-listing Share Options Scheme"	the post-listing share option scheme of the Company as more particularly described in the Company's prospectus dated 17 November 2015
"Pre-listing Share Options Scheme"	the pre-listing share option scheme of the Company as more particularly described in the Company's prospectus dated 17 November 2015
"Purchase Price"	the purchase price of the Sale Shares
"Put Options"	the Stage 2 Put Option, the Stage 3 Put Option and the CoC Put Option

"Sale and Purchase Agreement"	the sale and purchase agreement dated 22 November 2018 entered into by the Company, UMP Medical and Seller in relation to the Transactions, on the terms and conditions set out therein
"Sale Shares"	60 shares in the Target Company, which represents 60% of the total issued share capital of the Target Company
"Seller"	Ms. Ho Tin Yee Tinny 何天儀
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Award Scheme"	the share award scheme of the Company as more particularly described in the Company's announcement dated 30 June 2016
"Share(s)"	ordinary shares of HKD0.001 each in the capital of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Shareholder(s)"	registered holder(s) of the issued Share(s)
"Shareholders' Agreement"	the shareholders' agreement in relation to the Target Company to be entered into by the Target Company, the Seller and UMP Medical on Closing
"Shortfall"	has the meaning ascribed to it under "The Sale and Purchase Agreement – Profit guarantee"
"Shortfall Payment"	has the meaning ascribed to it under "The Sale and Purchase Agreement – Profit guarantee"
"Stage 2 FY2023 Put Conditions"	has the meaning ascribed to it under "The Sale and Purchase Agreement – The Put Options – Stage 2 Put Option" in this circular
"Stage 2 FY2024 Put Conditions"	has the meaning ascribed to it under "The Sale and Purchase Agreement – The Put Options – Stage 2 Put Option" in this circular
"Stage 2 Multiple"	has the meaning ascribed to it under "The Sale and Purchase Agreement – The Put Options – Stage 2 Put Option" in this circular
"Stage 2 Put Option"	has the meaning ascribed to it under "The Sale and Purchase Agreement – The Put Options – Stage 2 Put Option" in this circular

"Stage 2 Put Shares"	has the meaning ascribed to it under "The Sale and Purchase Agreement – The Put Options – Stage 2 Put Option" in this circular
"Stage 3 Put Option"	has the meaning ascribed to it under "The Sale and Purchase Agreement – The Put Options – Stage 3 Put Option" in this circular
"Stage 3 Put Shares"	has the meaning ascribed to it under "The Sale and Purchase Agreement – The Put Options – Stage 3 Put Option" in this circular
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	SkinCentral Limited, a company incorporated in Hong Kong with limited liability and is directly wholly-owned by the Seller as at the Latest Practicable Date
"Transactions"	the transactions contemplated under the Transaction Documents, including the Acquisition and the grant of the Put Options
"Transaction Documents"	the Sale and Purchase Agreement, and the documents referred to in it (including but not limited to the Shareholders' Agreement) and any other agreements executed or to be executed by the parties on the date of the Sale and Purchase Agreement or Closing
"Value of the CoC Put Shares"	has the meaning ascribed to it under "The Shareholders' Agreement – CoC Put Option"
"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
"Zheng He"	Zheng He Health and Medical Resources Limited
"%"	per cent.

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)

Executive Directors:
Dr. SUN Yiu Kwong
(Chairman of the Board and Chief Executive Officer)
Ms. KWOK Cheuk Kwan, Jacquen
(Managing Director)
Mr. TSANG On Yip, Patrick
Dr. SUN Man Kin, Michael
Mr. LEE Kar Chung, Felix
Dr. LEE Pak Cheung, Patrick

Independent Non-executive Directors:
Mr. LEE Luen Wai, John *BBS JP*
Dr. LI Kwok Tung, Donald *SBS JP*
Mr. YEUNG Wing Sun, Mike

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:
Room 1404–08, 14/F
Wing On House
71 Des Voeux Road Central
Hong Kong

24 December 2018

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION ACQUISITION OF 60% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

Reference is made to the Announcement in relation to the entering of the Sale and Purchase Agreement on 22 November 2018 (after trading hours) between the Company, UMP Medical (a wholly-owned subsidiary of the Company) and the Seller 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 as at the Latest Practicable Date.

With a view to aligning the interest of the Seller with those of the Target Company and the Company in the long term, UMP Medical granted the Put Options to the Seller. The Put Options are exercisable by the Seller in her sole discretion upon certain conditions being satisfied to require UMP Medical to further acquire certain shares in the Target Company.

2. THE ACQUISITION

The principal terms and conditions of the Sale and Purchase Agreement are set out as follows:

The Sale and Purchase Agreement

Date: 22 November 2018 (after trading hours)

Parties:

(1) UMP Medical, a wholly-owned subsidiary of the Company (as purchaser)

(2) The Seller (as seller)

(3) The Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Seller is a third party independent of the Company and its connected persons.

Asset to be acquired

Pursuant to the Sale and Purchase Agreement, 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 as at the Latest Practicable Date.

The Purchase Price and payment terms

The Purchase Price for the Sale Shares is HKD100,000,000, which will be satisfied in the following manner:

(i) the deposit of HKD30,000,000 which has been paid as at the Latest Practicable Date shall form part of the Purchase Price on Closing (the "**Deposit**");

(ii) an amount of HKD47,500,000 in cash shall be payable on Closing; and

(iii) the remaining sum of HKD22,500,000 (the "**Post-closing Sum**") to be settled by the allotment and issue of an aggregate of 7,500,000 Shares by the Company (the "**Post-closing Consideration Shares**"), at the issue price of HKD3.00 per Share on the 1st anniversary of the date of Closing, unless the Seller elects to be paid in cash upon the occurrence of certain events as further elaborated in the sub-section headed "Post-closing Cash Alternative" below.

The Company currently expects to finance the cash component of the Purchase Price by the internal resources of the Group.

Post-closing Consideration Shares

The issuance of the Post-closing Consideration Shares shall be subject to the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Post-closing Consideration Shares. Application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Post-closing Consideration Shares. The Post-closing Consideration Shares, when allotted and issued, shall be credited as fully paid and rank *pari passu* with all other Shares in issue in the share capital of the Company.

Assuming no further change to the share capital of the Company prior to Closing, the Post-closing Consideration Shares represent (i) approximately 0.99% of the issued share capital of the Company as at the Latest Practicable Date, and (ii) approximately 0.98% of the issued share capital of the Company as enlarged by the issue of the Post-closing Consideration Shares. The Post-closing Consideration Shares will be allotted and issued under a specific mandate to be obtained by the Company in the EGM.

The issue price of HKD3.00 per Post-closing Consideration Share represents: (i) a premium of approximately 64.84% to the closing price of HKD1.82 per Share as quoted on the Stock Exchange on 22 November 2018, being the date of the Sale and Purchase Agreement; (ii) a premium of approximately 67.60% to the average closing price per Share as quoted on the Stock Exchange for the last 5 consecutive full trading days prior to the date of the Sale and Purchase Agreement, being approximately HKD1.79 per Share; and (iii) a premium of approximately 260% over the audited consolidated net asset value attributable to the Shareholders per Share of approximately HKD0.833 based on the published audited consolidated accounts of the Company for the year ended 30 June 2018 and the issued share capital of 757,218,000 Shares as at the Latest Practicable Date.

The Company considers the issue price of the Post-closing Consideration Shares, which was determined after arm's length negotiation between the Company and the Seller, is fair and reasonable having considered, among other things, that (i) the issue of the Post-closing Consideration Shares as part of the Purchase Price would align the interest of the Seller to that of the Company in the long term; (ii) the issue price of HKD3.00 per Post-closing Consideration Shares represents a significant premium over the consolidated net asset value attributable to the Shareholders per Share as of 30 June 2018; and (iii) the reasons for and benefits of the Transactions as described in the paragraph headed "Reasons for and Benefits of the Transactions".

The Board considers that the issuance of the Post-closing Consideration Share at a higher issue price per Consideration Share will have less dilution effect to the shareholding of the Shareholders.

The issuance of the Post-closing Consideration Shares will not result in a change in control of the Company.

At the date of the Latest Practicable Date, the Company has 757,218,000 Shares in issue. The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon the issuance of Post-closing Consideration Shares are as follows:

	As at the Latest Practicable Date		**Immediately after the issuance of Post-closing Consideration Shares**	
	Shares	*%*	*Shares*	*%*
Dr. Sun Yiu Kwong *(the chairman and chief executive officer and an executive director of the Company)* (1)	16,726,000	2.21%	16,726,000	2.19%
East Majestic Group Limited (2)	199,601,343	26.36%	199,601,343	26.10%
EM Team Limited (2)	44,155,000	5.83%	44,155,000	5.77%
Dr. Sun Man Kin, Michael(3)	14,490,000	1.91%	14,490,000	1.89%
Healthcare Ventures Holdings Limited (4)	110,411,000	14.58%	110,411,000	14.44%
Pinyu Limited (5)	97,311,000	12.85%	97,311,000	12.73%
Directors (other than Dr Sun Yiu Kwong and Dr. Sun Man Kin, Michael)	31,638,000	4.18%	31,638,000	4.14%
Other Shareholders	242,885,657	32.08%	242,885,657	31.76%
The Seller	–	–	7,500,000	0.98%
Total:	**757,218,000**	**100.00%**	**764,718,000**	**100.00%**

Notes:

(1) Such Shares are held by Dr. Sun Yiu Kwong in his capacity of beneficial owner.

(2) Each of East Majestic Group Limited and EM Team Limited is a controlled corporation of Dr. Sun Yiu Kwong.

(3) Dr. Sun Man Kin, Michael is the son of Dr. Sun Yiu Kwong.

(4) Healthcare Ventures Holdings Limited is a wholly owned subsidiary of Chow Tai Fook Enterprises Limited.

(5) Pinyu Limited is a wholly-owned subsidiary of China Resources Medical Holdings Company Limited (formerly known as China Resources Phoenix Healthcare Holdings Company Limited) (Stock Code: 1515).

Post-closing Cash Alternative

If any of the following events occurs, the Seller may request UMP Medical to settle the Post-Closing Sum by a payment of HKD22,500,000 in cash instead:

(i) the volume weighted average price of each Share for the 30 consecutive trading days immediately preceding the date that is 14 days prior to the 1st anniversary of the date of Closing is below HKD3.00;

(ii) the Shares having been suspended from trading (other than due to the transactions contemplated under the Sale and Purchase Agreement) for more than 2 consecutive trading days during the month preceding the date when the Seller notifies UMP Medical its election to receive cash to settle the Post-closing Sum;

(iii) the Shares are no longer listed or traded on the Main Board of the Stock Exchange;

(iv) the Stock Exchange does not approve the listing of, and the permission to deal in, the Post-closing Consideration Shares; or

(v) the Shareholders do not approve the allotment and issue of the Post-closing Consideration Shares, or if any such approval has previously been given, such approval is revoked or withdrawn by the Shareholders.

The Directors consider that the provision of the Post-closing Cash Alternative was determined after arm's length negotiations between the parties, taking into account that (i) the Company has sufficient internal resources to fulfill the alternate cash settlement of the Post-closing Sum; and (ii) there will not be any dilution effect on the shareholding to the Shareholders if the Post-closing Sum is settled in form of cash.

Basis of the Purchase Price

The Purchase Price was arrived at after arm's length negotiations between the Company, UMP Medical and the Seller, taking into account of (i) the positive historical financial performance of the Target Company with which the Target Company recorded increases in the revenue in FY2016 as compared with FY2015. The revenue of the Target Company increased from approximately HK$52.2 million for FY2015 to approximately HK$56.4 million for FY2016, representing a 8.2% growth; (ii) the business development and future prospects of the Target Company; and (iii) the benefits of the Acquisition as set out in the section headed "Reasons for and benefits of the Transactions" below including, among others, the expansion of the Group's service offering and the enlarged customer base arising from the Target Company and that of the Group.

For avoidance of doubt, in determining the Purchase Price, no reference was made to the net asset value of the Target Company as it only considers the book value of the Target Company's tangible asset, while the intangible value and profitability of the Target Company is not captured. The Board believes that it is a common approach to determine the Purchase Price based on the profit (e.g. price-to-earnings ratio) instead of the net asset value of a profit making company with positive cash flow recurring from its ordinary business like the Target Company. In arriving at the Purchase Price, the current circumstances of the Target Company, such as its operation, financial position and performance at the time of negotiation for the Acquisition were, among others, taken into account of by the Company and the Group.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the Purchase Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions

The Acquisition is conditional on, among other things:

(i) the UMP Medical and the Company having obtained the necessary approval(s) in respect of the Transactions;

(ii) UMP Medical giving written notice to the Seller that it is reasonably satisfied on due diligence review, inspection and investigation as to various aspects of the Target Company;

(iii) the assignment from the Seller to the Target Company of certain trademarks being used in connection with the business of the Target Company having completed to the satisfaction of UMP Medical;

(iv) all relevant governmental and regulatory consents, approvals, authorisations and licences required to be obtained on the part of the Seller, UMP Medical and the Target Company to implement and effect the Sale and Purchase Agreement and the transactions contemplated by the Sale and Purchase Agreement having been obtained and remaining in full force and effect as at the date of Closing;

(v) the Seller having performed all of its obligations under the Sale and Purchase Agreement that are required to be performed by it at or prior to the date of Closing;

(vi) since the date of the Sale and Purchase Agreement, no material adverse effect on the Target Company has occurred; and

(vii) the Seller's warranties remaining true and accurate in all respects on the date of the Sale and Purchase Agreement and at all times up to the date of Closing,

but UMP Medical may waive all or any of Conditions (ii) to (vii) above (either in whole or in part and with or without conditions). If the Conditions are not satisfied or (where applicable) waived on or before the expiry of three months from the date of the Sale and Purchase Agreement (the "**Long Stop Date**"), the Seller or UMP Medical may terminate the Sale and Purchase Agreement by giving a notice in writing to the other party at any time on or after such expiry date. If the Sale and Purchase Agreement is terminated, the Seller shall, as soon as practicable but in any event within fifteen (15) Business Days from the earlier of (i) the Long Stop Date; and (ii) the date on which the Sale and Purchase Agreement is terminated, return to UMP Medical the Deposit in full without interest.

As of the Latest Practicable Date, none of the Conditions had been fulfilled.

Closing

Closing shall take place on a date agreed between the parties that is within seven business days after the date on which the last of the Conditions is satisfied or, where applicable, waived (or at such other time and/or on such other date as the Seller and UMP Medical may agree). Upon Closing, the Target Company will become a non-wholly owned subsidiary of the Company and the results and assets and liabilities of the Target Company will be consolidated into the consolidated financial statements of the Company.

The Put Options

Billing target of the Seller

The Seller undertakes to UMP Medical to reduce her clinical consultation billing contribution to the Target Company (the "**Seller's Billing Percentage**"), being the proportion of the Seller's annual consultation billing of the relevant FY as reasonably determined by UMP Medical based on the internal records of the Target Company to the audited revenue of the Target Company for that FY, over a five-year period from FY2019 to FY2023, in accordance with the following schedule:

FY	Seller's Billing Percentage
FY2019	Not more than 30%
FY2020	Not more than 25%
FY2021	Not more than 20%
FY2022	Not more than 15%
FY2023	Not more than 15%

For FY2016 and FY2017, the Seller's Billing Percentage was as follows:

FY	Clinical consultation billing contribution	Seller's Billing Percentage
FY2016	HKD19.2 million	34%
FY2017	HKD17.6 million	31%

Stage 2 Put Option

In the event that the Target Company achieves an audited net profit after tax attributable to equity shareholders (subject to notional adjustments, if any) of:

(i) at least HKD16,300,000 during FY2023 (the "**FY2023 Net Profit Target**") and the Seller's Billing Percentage has been on a declining trajectory since FY2019 with the Seller's Billing Percentage during FY2023 of not more than 15% (the "**Seller's Billing Percentage Target**") (the "**Stage 2 FY2023 Put Conditions**"); or

(ii) at least HKD18,100,000 during FY2024 (the "**FY2024 Net Profit Target**") and the Seller's Billing Percentage has been on a declining trajectory since FY2019 with the Seller's Billing Percentage during FY2024 not more than the Seller's Billing Percentage Target (the "**Stage 2 FY2024 Put Conditions**"),

the Seller may, at her sole discretion, require UMP Medical to purchase shares representing 25% of the total issued share capital of the Target Company (assuming the share capital structure of the Target Company remains unchanged) legally and beneficially owned by the Seller (the "**Stage 2 Put Shares**") for a consideration (the "**Stage 2 Consideration**") as follows:

(i) in the case of the exercise of the Stage 2 Put Option after the satisfaction of the Stage 2 FY 2023 Put Conditions:

Stage 2 Consideration = 25% x (the audited net profit after tax attributable to equity shareholders of the Target Company during FY2023 (the "**FY2023 Net Profit**") × Stage 2 Multiple (as defined below))

(ii) in the case of the exercise of the Stage 2 Put Option after the satisfaction of the Stage 2 FY 2024 Put Conditions:

Stage 2 Consideration = 25% x (the audited net profit after tax attributable to equity shareholders of the Target Company during FY2024 (the "**FY2024 Net Profit**") × Stage 2 Multiple (as defined below))

in cash, subject always to a cap as described in the section headed "Implications of the Listing Rules – The Put Options" (the "**Stage 2 Put Option**").

The Stage 2 Multiple ("**Stage 2 Multiple**") is determined with reference to the FY2023 Net Profit or the FY2024 Net Profit, as applicable, as follows:

(a) In the case of the exercise of the Stage 2 Put Option after the satisfaction of the Stage 2 FY2023 Put Conditions, the Stage 2 Multiple is determined as follows:

FY2023 Net Profit	**Stage 2 Multiple**
HKD19.8 million or higher	11.5x
HKD17.8 million to below HKD19.8 million	10.5x
HKD16.3 million to below HKD17.8 million	9.5x
Below HKD16.3 million	Not applicable as the Stage 2 FY2023 Put Conditions are not satisfied

(b) In the case of the exercise of the Stage 2 Put Option after the satisfaction of the Stage 2 FY2024 Put Conditions, the Stage 2 Multiple is determined as follows:

FY2024 Net Profit	**Stage 2 Multiple**
HKD22.0 million or higher	11.5x
HKD19.8 million to below HKD22.0 million	10.5x
HKD18.1 million to below HKD19.8 million	9.5x
Below HKD18.1 million	Not applicable as the Stage 2 FY2024 Put Conditions are not satisfied

The Stage 2 Multiple range was determined after arm's length negotiations, taking into account (i) the expected growth prospect of the Target Company with reference to the section headed "Reasons for and benefits of the Transactions" in this Circular; and (ii) the correlation between the Stage 2 Multiple and the 2023 Net Profit or the 2024 Net Profit. A higher level of the Stage 2 Multiple will be applied when the FY2023 Net Profit or FY2024 Net Profit is at a higher range, which results in a larger Stage 2 Consideration, and vice versa. Furthermore, the Stage 2 Put Option is not exercisable if the FY2023 Net Profit or FY2024 Net Profit has not reached the minimum amount. The Board is of the view that the above arrangement is in the interest of the Company and its Shareholders.

In the event that the Seller cannot meet the Seller's Billing Percentage under the Stage 2 FY2023 Put Conditions or the Stage 2 FY2024 Put Conditions, the Stage 2 Put Option shall be exercisable by the Seller in the same way, except that for the purpose of determining (a) whether the Stage 2 FY2023 Net Profit Target or the Stage 2 FY2024 Net Profit Target, as applicable, has been fulfilled, (b) the Stage 2 Consideration, and (c) the Stage 2 Multiple, the FY2023 Net Profit or the FY2024 Net Profit, as applicable, will be adjusted (notionally) as follows:

$$A = B - (C - (D * E)) * (B/D)$$

A: notional adjusted FY2023 Net Profit (the "**Notional Adjusted FY2023 Net Profit**") or the FY2024 Net Profit (the "**Notional Adjusted FY2024 Net Profit**"), as applicable

B: FY2023 Net Profit or the FY2024 Net Profit, as applicable

C: Seller's annual consultation billing during FY2023 or FY2024, as applicable

D: audited revenue of the Target Company during FY2023 or FY2024, as applicable

E: the Seller's Billing Percentage Target

For the avoidance of doubt, if the Notional Adjusted FY2023 Net Profit is below FY2023 Net Profit Target or if the Notional Adjusted FY2024 Net Profit is below FY2024 Net Profit Target, the Stage 2 Put Option may not be exercisable.

Stage 3 Put Option

In the event that Stage 2 Put Option has been exercised and the transfer of the Stage 2 Put Shares from the Seller to UMP Medical has completed, the Seller may (at any time from the date falling two years after the date of completion of the acquisition of the Stage 2 Put Shares), at her sole discretion, require UMP Medical to purchase the remaining shares in the Target Company, representing 15% of the issued share capital of the Target Company (assuming the share capital structure of the Target Company remains unchanged) legally and beneficially owned by the Seller (the "**Stage 3 Put Shares**") for a consideration (the "**Stage 3 Consideration**") as follows:

Stage 3 Consideration = Value of the Stage 3 Put Shares (as defined below)

which shall be settled in cash, subject always to a cap as described in the section headed "Implications of the Listing Rules – The Put Options" (the "**Stage 3 Put Option**").

The Value of the Stage 3 Put Shares (the "**Value of the Stage 3 Put Shares**") shall be determined by up to two independent valuers approved jointly by UMP Medical and the Seller. If two independent valuers are engaged, the Value of the Stage 3 Put Shares shall be the average of the value of the Stage 3 Put Shares as determined by these valuers.

Profit guarantee ("Profit Guarantee")

The Seller irrevocably and unconditionally guarantees in favour of UMP Medical that the combined audited net profit after tax of the Target Company attributable to equity shareholders during FY2019, FY2020, FY2021, FY2022 and FY2023 (calculated based on the ordinary course of business excluding any profits and losses from merger, acquisition and disposal or any extraordinary or exceptional items) and after setting off any loss (the "**Combined Profit**") will not be less than HKD90,000,000.

In the event that the Combined Profit is less than HKD90,000,000 (the difference being a "**Shortfall**"), the Seller shall pay and compensate to UMP Medical (the "**Shortfall Payment**") within six months after finalisation of the FY2023 audited accounts of the Target Company (which the Company currently expects to be finalized on or before 31 March 2024) 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, provided always that the maximum Shortfall Payment payable to UMP Medical shall not exceed HKD54,000,000.

For illustration purpose, assuming (i) the Combined Profit is HKD80,000,000, (ii) UMP Medical's shareholding in the Target Company as at the last day of FY2013 is 60%, and (iii) the FY2023 audited accounts of the Target Company is finalized on 31 March 2024, the Seller shall pay to UMP Medical HKD6,000,000 in cash (being the Shortfall Payment) on or before 30 September 2024.

For the avoidance of doubt, in the event that the Target Company is loss making in aggregate for the 5 years of FY2019, FY2020, FY2021, FY2022 and FY2023, the Shortfall Payment shall be equal to HKD54,000,000.

The Company will publish an announcement and disclose in its 2023 annual report (being the first annual report of the Company after the Profit Guarantee period) whether or not the Combined Profit has been met, the performance of the Target Company during the Profit Guarantee period, and where the Combined Profit has not been met, how the Company would enforce the obligations of the Seller under the Profit Guarantee under the Sale and Purchase Agreement.

In determining the amount of the Combined Profit, the Directors have taken into consideration of (i) the positive historical financial performance of the Target Company with which the Target Company recorded a strong profitability and cash flow from FY2015 to FY2017; (ii) the expected growth and future prospect of the Target Company by continuing to strengthen its service capabilities; (iii) the potential enlarged customer base resulting from the synergies between the Company and the Target Company; and (iv) the increasing demand for medical services in Hong Kong from the aging population with reference to the peer companies in the same sector which will benefit the medical service providers in healthcare industry like the Target Company, as such, the Directors are of the view that the amount of Profit Guarantee (being the Combined Profit) is reasonably justified and achievable.

The Board further considers that the maximum Shortfall Payment is on normal commercial terms based on arm's length negotiation and is consistent with common market practice. Taking into account that (i) the guaranteed amount for the 5 year Combined Profit is determined at HKD90 million; and (ii) the 60% shareholding of the Company in the Target Company as at the date of Closing, the Directors are of the view that HKD54 million, which is the amount of Combined Profit times the 60% shareholding, is in line with market practice and in the interest of the Company and the Shareholders as a whole.

3. SHAREHOLDERS' AGREEMENT

Simultaneously with Closing, the Seller, UMP Medical and the Target Company will enter into the Shareholders' Agreement in order to govern their relationships and matters in relation to the Target Company, the terms of which are expected to include:

Board composition

Upon Closing and prior to the completion of the acquisition of the Stage 2 Put Shares, the Target Company shall not have more than five directors. UMP Medical shall be entitled to appoint three directors and the existing two directors (one of whom is the Seller) shall remain as directors. Immediately upon the earlier of (i) the completion of the acquisition of the Stage 2 Put Shares; or (ii) the number of shares in the Target Company held by the Seller is less than 40 (representing 40% of the total issued share capital of the Target Company or such number of shares of the Target Company representing the voting and economic rights of the Seller in respect of her 40 Shares as at the Latest Practicable Date after the implementation of any capital reorganisation by the Target Company including but not limited to share split, share consolidation or reduction of capital), the Target Company shall not have more than three directors. UMP Medical shall be entitled to appoint two directors and the Seller shall continue to be a director.

CoC Put Option

In the event that the existing controlling shareholder of the Company as at the date of the Sale and Purchase Agreement ceases to be a controlling shareholder of the Company or when another shareholder becomes a controlling shareholder of the Company, the Seller may, at her sole discretion, require UMP Medical to purchase, all (but not part of) the shares in the Target Company legally and beneficially owned by the Seller (the "**CoC Put Shares**") for a consideration (the "**CoC Consideration**") equals to the Value of the CoC Put Shares (as defined below), which shall be settled in cash, subject always to a cap as described in the section headed "Implications of the Listing Rules – The Put Options" (the "**CoC Put Option**").

The Value of the CoC Put Shares (the "**Value of the CoC Put Shares**") shall be determined by up to two independent valuers approved jointly by UMP Medical and the Seller. If two independent valuers are engaged, the Value of the CoC Put Shares shall be the average of the value of the CoC Put Shares as determined by these valuers.

Right of first refusal

If a shareholder of the Target Company (the "**Transferring Shareholder**") proposes to sell, dispose of, or permit or suffer a transfer of the whole or any part of the shares held by it/her and registered in its/her name to any person, other than the shareholders of the Target Company, intending or offering to buy shares from any of the shareholders of the Target Company (the "**Purchasing Party**") by accepting a bona fide offer given by such Purchasing Party, the other shareholder of the Target Company (the "**Non-transferring Shareholder**") shall have a right of first refusal (the "**Right of First Refusal**") with respect to such transfer as provided below:

(a) if the Transferring Shareholder proposes to sell or transfer any of its shares under such bona fide offer, the Transferring Shareholder shall send a written notice (the "**Transfer Notice**") to the Target Company and the Non-transferring Shareholder within seven (7) days after receipt of such bona fide offer, which notice shall state (i) the number of shares to be transferred under such bona fide offer (the "**Transferred Shares**"), (ii) the price that such Purchasing Party offers to purchase the Transferred Shares under such bona fide offer (the "**Offer Price**") and (iii) the other terms and conditions of such bona fide offer in reasonable details;

(b) for a period of fourteen (14) days from the date of receipt of the Transfer Notice (the "**Offer Period**"), the Non-transferring Shareholder shall have the right to purchase all or any part of the Transferred Shares at a purchase price per Transferred Share equal to the Offer Price per Transferred Share and upon the other terms and conditions set forth in the Transfer Notice;

(c) the Right of First Refusal of the Non-transferring Shareholder shall be exercisable by delivering a written acceptance notice of exercise (the "**Acceptance Notice**") within the Offer Period to the Transferring Shareholder and the Target Company. The Acceptance Notice shall include a statement of the number of Transferred Shares that the Non-transferring Shareholder intends to purchase. The Acceptance Notice shall be irrevocable and shall constitute a binding agreement by the Non-transferring Shareholder to purchase the relevant number of Transferred Shares stated in such Acceptance Notice (subject always to the obtaining of shareholders' and regulatory approval, where applicable). Notwithstanding any other provisions, failure of the Non-transferring Shareholder to give the Acceptance Notice within the Offer Period shall be deemed to be a waiver of the Non-transferring Shareholder's Right of First Refusal;

(d) unless the Non-transferring Shareholder elects to purchase all of the Transferred Shares, the Transferring Shareholder is entitled to transfer the remaining portion of the Transferred Shares not purchased by the Non-transferring Shareholder to a Purchasing Party on the terms and conditions set forth in the Transfer Notice if the unanimous consent is obtained; provided, however, that (i) such sale is bona fide, (ii) the price for such sale of each Transferred Share to such Purchasing Party is not less than the Offer Price per Transferred Share and the sale is on the terms and conditions not more favourable to the Purchasing Party than those set forth in the Transfer Notice and (iii) such sale is made within forty-five (45) days from the date of the Transfer Notice. If such a sale does not occur within such forty-five (45) day period for any reasons, the restrictions provided for herein shall again become effective, and no transfer or sale of Transferred Shares may be made by the Transferring Shareholder thereafter without again making an offer to the Non-transferring Shareholder in accordance with this provision; and

(e) the closing of the purchase of all or any of the Transferred Shares by the Non-transferring Shareholder shall be held at such place at such time on the date falling thirty (30) days from the date of the Transfer Notice, unless otherwise mutually agreed by the Transferring Shareholder and the Non-transferring Shareholder. The said thirty (30)-day period shall be extended if necessary to obtain any regulatory and shareholders' approvals required for such purchase and payment. At such closing, the Transferring Shareholder shall deliver share certificates representing the Transferred Shares being transferred to the Non-transferring Shareholder, accompanied by duly executed instruments of transfer. Such Transferred Shares shall be free and clear of any encumbrance, and the Transferring Shareholder shall so represent and warrant and shall further represent and warrant that it is the beneficial and legal owner of such Transferred Shares. The Non-transferring Shareholder shall deliver at such closing payment in full for the purchase of the Transferred Shares. At such closing, all the parties to the transaction shall execute such additional documents as may be necessary or appropriate to effect the sale of the Transferred Shares to the Non-transferring Shareholder. Any stamp duty or transfer taxes (if any) or fees payable on the transfer of any Transferred Shares shall be borne and paid equally by the Transferring Shareholder and the Non-transferring Shareholder.

(f) In the event that the Non-transferring Shareholder is unable to obtain the requisite shareholders or regulatory approval, the Non-transferring Shareholder shall not be obligated to proceed to closing of the purchase of the Transferred Shares as indicated in the Acceptance Notice.

If the Right of First Refusal is exercised, the Company will comply with the applicable requirements under Chapter 14 and/or Chapter 14A of the Listing Rules (as applicable).

Tag along right

(a) Neither UMP Medical nor the Seller (the "**Prospective Seller**") shall sell any of its shares of the Target Company held by it/her to any third party, unless (i) the Right of First Refusal provisions are complied with, (ii) the other shareholder (the "**Other Shareholder**") is provided the notice (the "**Tag-Along Notice**") and is offered the right and option to direct the Prospective Seller to require, as a condition of the sale, that the third party buys all the shares of the Other Shareholder (the "**Tag-Along Right**"), and (iii) the unanimous consent is obtained.

(b) The Other Shareholder desiring to exercise such option shall, within fourteen (14) days from the date of the Tag-Along Notice, provide the Prospective Seller with a written notice specifying the number of shares as to which it/she (the "**Tag-Along Offered Shares**") has an interest in selling pursuant to the Tag-Along Notice (a "**Tag-Along Notice of Interest**"), and shall cooperate in such manner as the Prospective Seller shall reasonably request to permit the sale of such shares pursuant to the Tag-Along Notice of Interest. The Tag Along Offered Shares shall represent all the shares that the Other Shareholder has.

(c) If the third party is unwilling to buy all of the shares offered by the shareholders of the Target Company, then the Prospective Seller and the Other Shareholder shall not sell their shares to such third party.

(d) If the Other Shareholder shall not have given a Tag-Along Notice of Interest within fourteen (14) days from the date of the Tag-Along Notice, the Other Shareholder shall be deemed to have waived its rights with respect to which a Tag-Along Notice of Interest shall not have been given.

If the Tag Along Right is exercised, the Company will comply with the applicable requirements under Chapter 14 and/or Chapter 14A of the Listing Rules (as applicable).

Reserved Matters

For so long as the Seller legally and beneficially owns at least 15 shares (representing 15% of the total issued share capital of the Target Company or such number of shares of the Target Company representing the voting and economic rights of the Seller in respect of her 15 shares as at the date after the implementation of any capital reorganisation by the Target Company including but not limited to share split, share consolidation or reduction of capital and save for retransfer by permitted transfer), the following are matters requiring unanimous consents of all shareholders of the Target Company:

(a) the creation or issue of any share or the grant of any options over any shares or the uncalled capital of the Target Company or the issue of any warrant, debentures, securities or other obligations convertible into shares or enter into any agreement to do any of the same;

(b) the capitalisation, repayment or other form of distribution (other than by way of dividends out of profits available for distribution) of any amount standing to the credit of any reserve of the Target Company on the redemption or purchase of any shares or any other reorganisation of share capital;

(c) the admission of any person and whether by subscription or transfer as a member of the Target Company other than in accordance with the provisions of the Sale and Purchase Agreement;

(d) the alteration of the memorandum of association and articles of association of the Target Company and the passing of any resolutions inconsistent with the provision of the Shareholders' Agreement;

(e) the amalgamation or merger of the Target Company with any other company or concern;

(f) the winding-up or liquidation of the Target Company;

(g) the alteration of the rights attaching to any of the shares of the Target Company;

(h) the lending of any moneys (otherwise than by way of deposit with a bank or other institution the normal business of which includes the acceptance of deposit), the granting of any credit or the giving of any guarantee or indemnity;

(i) the commencement, defence or settlement of any material litigation, arbitration or other legal proceedings concerning the Target Company and the directors of the Target Company with a claim amount of HK$1,000,000 or above;

(j) the acquisition or formation by the Target Company of any subsidiary or the acquisition of any share of any other company or the participation by the Target Company in any partnership or joint venture; and

(k) the borrowing of any moneys by the Target Company from any other third parties including banks, financial institutions and a registered money lender whose ordinary course of business involves money lending and borrowing or the creation of any contract or obligation to pay money or money's worth.

Restrictive Covenants and Undertakings

(a) By leveraging on the expertise, experience and reputation of the Target Company in the business of providing dermatological services in Hong Kong (the "**Relevant Business**"), UMP Medical agrees that, for a period from the date until the earlier of (i) the second anniversary after the completion date of the acquisition of the Stage 2 Put Shares by UMP Medical, or (ii) the second anniversary after the expiry date of exercise of the Stage 2 Put Option:

(i) in respect of medical dermatological services, the Target Company acknowledges that UMP Medical can continue to provide medical dermatological service by the Group through (A) doctors engaged by the Group as consultants or employees in any of the medical centres operated by the Group (the "**UMP Medical Centres**"), or (B) doctors engaged by the Group to provide medical services outside of the UMP Medical Centres to the members of the Group's corporate healthcare benefits plans;

(ii) in respect of dermatological services not covered in (i) above, UMP Medical shall procure that such shall be conducted through the Target Company (being a subsidiary of the Company) or any of its subsidiaries; and

(iii) UMP Medical shall ensure the Group not to solicit or entice away any dermatologists, employees or officers of the Target Company.

(b) The Seller undertakes to and covenants with and for the benefit of the other shareholder(s) of the Target Company and the Target Company that, unless otherwise approved by UMP Medical in writing, she will not, during the period when she is beneficially interested in any share of the Target Company‘ and for a period of eighteen (18) months after the date on which she has ceased to be beneficially interested in any share(s) of the Target Company, either on her own account or in conjunction with any other person or on behalf of any person, firm or company, in whatever capacity:

   (i) establish, operate, carry on or be engaged, concerned or interested (directly or indirectly) in carrying on within Hong Kong the Relevant Business;

   (ii) solicit or entice away, or attempt to solicit or entice away any dermatologists, employees or officers of the Target Company; and

   (iii) be employed or engaged in whatever capacity by any person, firm or company that engages (directly or indirectly) in the Relevant Business.

4. INFORMATION ABOUT THE PARTIES TO THE SALE AND PURCHASE AGREEMENT

Information on the Company

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.

Information on the Seller

The Seller is a founder of the Target Company. She has been serving as a director of the Target Company since 2005. As of the date of the Sale and Purchase Agreement, the Seller is the sole and direct shareholder of the Target Company. The Seller is a specialist in dermatology and venereology, and a Fellow of the Hong Kong Academy of Medicine (Medicine). She currently serves as a practising dermatologist in the Target Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Seller is not connected and has no relationship (i.e. business or otherwise) with any directors, senior management or substantial shareholders of the Company and their respective associates.

It is one of the Group's strategies to continue to expand the Group's healthcare service network and strengthen its service capabilities, which enables the Group to develop a healthy ecosystem for sustainable growth and to maintain competency as one of the leading corporate healthcare solution providers in Hong Kong. One of the executive Directors of the Company, Mr. Lee Kar Chung, Felix, who is in charge of the Group's M&A and strategy, was aware of the Target Company due to its strong reputation in the dermatology field. As the Group and the Target are both medical practitioners, the two sides first met in December 2016 with the intention of exploring business collaboration. Over time, the two sides extended the discussion beyond business collaboration, and Mr. Lee Kar Chung and the Seller started to explore the possibility of acquisition of the Target Company in 2017. After numerous discussions, the Company and the Seller engaged in negotiations on possible transaction terms which culminated in the entering into of the Sale and Purchase Agreement on 22 November 2018.

Information on the Target Company

The Target Company is a company incorporated in Hong Kong with limited liability and is directly wholly-owned by the Seller. It operates one medical centre principally providing dermatological services in Hong Kong, including the provision of specialist consultation services and dermatological treatments and procedures. The medical centre is operated with the brand of Skincentral, which located in Central, the central commercial district in Hong Kong. There are 5 specialists in dermatology engaged by the medical centre as of the Latest Practicable Date.

The Target Company leases the office premises located at Suites 1218, 1220 & 1221, Central Building, 1–3 Pedder Street, Central, Hong Kong from an independent third party to operate its medical centre on a fixed rent basis. The relevant lease agreements cover the period from 16 August 2017 to 15 August 2020. For the year ended 31 December 2015, 2016 and 2017, the aggregate rental paid by the Target Company for the office premises amounted to approximately HK$5.2 million, HK$6.3 million and HK$6.3 million, respectively. The Target Company does not expect there will be any material change to the current rent level during the remainder of the relevant lease agreements.

To the best of the Directors' knowledge, the Target Company has obtained all necessary license and permits for operation of the medical centre. Set out the below is a summary of relevant laws and regulations in relation to the operation of the medical centre:

Medical Registration Ordinance

Pursuant to the Medical Registration Ordinance, all practising medical practitioners (the "**Registered Medical Practitioners**") in Hong Kong are required to be registered with the Medical Council and shall not practise medicine, surgery or midwifery in Hong Kong, or any branch of medicine or surgery in Hong Kong, without a valid practising certificate.

To register with the Medical Council, a medical practitioner should, *inter alia*:

– have specific professional qualifications passed the licencing examination conducted by the Medical Council;

– have completed internship;

– not have been convicted of any criminal offence punishable with imprisonment;

– not been found guilty of professional misconduct; and

– be of good character.

Undesirable Medical Advertisements Ordinance

The Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong) (the "**Undesirable Medical Advertisements Ordinance**") aims to protect public health through prohibiting or restricting advertisements which may induce the seeking of improper management of certain health conditions.

Among other restrictions, according to the Undesirable Medical Advertisements Ordinance, no person shall publish, or cause to be published any advertisements likely to lead to the use of any medicine, surgical appliance or treatment for:

– the purpose of treating human beings for, or preventing them from contracting any of the diseases or conditions specified in schedule 1 to the Undesirable Medical Advertisements Ordinance subject to certain exceptions; or

– treating human beings for any purpose specified in schedule 2 to the Undesirable Medical Advertisements Ordinance.

Pharmacy and Poisons Ordinance

The Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong) (the "**Pharmacy and Poisons Ordinance**") regulates the sale and labelling of products which are classified as pharmaceutical products and medicine. The Pharmacy and Poisons Ordinance also requires all pharmacists in Hong Kong to be registered with the Pharmacy and Poisons Board and shall not practise without a valid practising certificate.

Under the Pharmacy and Poisons Regulations (Chapter 138A of the Laws of Hong Kong), pharmaceutical products must be registered before they can be sold, offered for sale, distributed or possessed for the purposes of sales, distribution or other use in Hong Kong.

Under the Pharmacy and Poisons Ordinance, pharmaceutical product or medicine means any substance or mixture of substances which:

– presented as having properties for treating or preventing disease in human beings or animals; or

– that may be used in, or administered to, human beings or animals, either with a view to (i) restoring, correcting or modifying physiological functions by exerting a pharmacological, immunological or metabolic action; or (ii) making a medical diagnosis.

Waste Disposal Ordinance

The Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) (the "**Waste Disposal Ordinance**") and the Waste Disposal (Clinical Waste) (General) Regulation (Chapter 354O of the Laws of Hong Kong) (the "**Waste Disposal Regulations**") provide for, among others, the control and regulation of the production, storage, collection and disposal of clinical waste.

Under the Waste Disposal Ordinance, clinical waste means waste consisting of any substance, matter or thing generated in connection with a dental, medical or nursing practice and a dental, medical, veterinary or pathological laboratory practice, and which consists wholly or partly of any of the materials specified in one or more of the groups listed below:

– used or contaminated sharps;

– laboratory waste;

– human and animal tissues;

– infectious materials;

– dressings; and

– such other wastes as specified by the Director of Environmental Protection.

The Private Healthcare Facilities Ordinance ("PHF Ordinance")

Under the PHF Ordinance, there will be four types of PHFs subject to regulation, namely (a) hospitals, (b) day procedure centres, (c) clinics and (d) health services establishments. Of these four types of PHFs, day procedure centres and health services establishments are newly created, while hospitals and clinics are already in existence under current legislation. Hospitals, day procedure centres and clinics focus on the practices of registered medical practitioners and registered dentists, and health services establishments cater for regulatory needs that might arise in future.

The PHF Ordinance was gazetted on 30 November 2018 and will come into operation on a day to be appointed by the Secretary for Food and Health by notice published in the Gazette.

Medical Clinics Ordinance

Under the Medical Clinics Ordinance (Chapter 343 of the Laws of Hong Kong) (the "**MCO**"), it is an offence for any person to do any medical diagnosis, or prescribes any medical treatment or takes part in any medical treatment of any person in a clinic which is not registered subject to certain exemptions. Clinics are required to be registered with the Registrar of Clinics (as defined in the MCO), the registration is valid for one year and is subject to re-registration annually.

A Registered Medical Practitioner should generally be appointed to be responsible for the medical management of the clinic. The Registrar of Clinics has a power to inspect any premises which are used for the purpose of a clinic.

Financial information of the Target Company

The table below sets out certain unaudited financial information (prepared under Hong Kong Financial Reporting Standards) of the Target Company for FY2016 and FY2017:

	FY2016	**FY2017**
	audited	audited
	HKD'000	*HKD'000*
Profit before taxation	16,625	16,454
Profit after taxation	13,902	13,757

The audited net asset value of the Target Company as at 31 December 2017 is approximately HKD7.7 million.

5. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

It is the intention of the Group to continue to expand the Group's healthcare service network and strengthen its service capabilities with a view to developing a healthy ecosystem for sustainable growth and to maintain competency as one of the leading corporate healthcare solution providers in Hong Kong.

The Board believes that the Acquisition will be complementary to the Group's clinical healthcare services. The Acquisition enables the Group to further expand its dermatology specialist service, in addition to its existing specialist services. Given the similar nature of services provided by the Group and the Target Company, the Directors believe that the Group and the Target Company may potentially share similar end-users and customers. The Group plans to make available to its existing customers and members dermatological services provided by Target Company, while the Group will also introduce to the Target Company's existing customers access to the Group's existing healthcare services (including but not limited to laboratory and imaging services). The Board is, therefore, of the view that the Acquisition is highly synergistic to, and is a lateral expansion of, the Group's existing business. It is the Group's intention to work closely with the Target Company to jointly explore further dermatological service offerings to be made to both the Group's and the Target Company's existing and potential customers. The Group and the Target Company will therefore continue to recruit medical professionals and administrative staff to further develop the existing offering of dermatology services and treatments.

The staff remuneration and retention policy of the Target Company has historically been, and after the completion of the Acquisition, is expected to continue to be implemented with a view to rewarding staff performance and long term staff retention. It primarily includes: (i) economic components such as basic salary determined with reference to the individual's position, seniority and length of service, performance bonus determined with reference to the metrics specific to the individual's job function and other benefits; and (ii) non-economic components such as personal development, job challenge and satisfaction, recognition, work environment, work safety and career advancement. The Target Company regularly makes reference to available market data and adjusts its remuneration structure with a view to remaining competitive. The Company does not currently expect there will be any material change to the current staff remuneration and retention policy of the Target Company in the immediate future.

The specialists have service agreements or employee agreements with the Target Company that can generally be terminated by either party serving two to three month's notice. The agreements generally contain a non-compete undertaking that prohibits the specialists from engaging in related practice within a restricted area for 12 months after termination. Based on the experiences of the Company working with over 20 specialists engaged in various medical specialties, the Directors are of the view that the length of such non-compete undertakings are reasonable and sufficient to protect the legitimate interest of the Target Company. The Group intends to retain the service of the specialists with a view to ensuring the continuity of operations of the Target Company's medical centre in the long term. In this connection, the Group intends to use its commercially reasonable endeavours to (i) ensure that the performance-pegged remuneration package is competitive and closely monitor market trends and movements; and (ii) proactively provide organisational support and motivation, such as sufficient access to information about organisational change and management transparency, encouraging and subsidising on-going learning and professional development opportunities, accommodating flexible or part-time practice hours and offering professional training leave. In addition, in the event that the profitability of the Target Company is adversely affected as a result of the departure of any specialists, the Company will be compensated by the Seller via the Profit Guarantee.

With respect to the Put Options granted to the Seller, the Board believes that such grants will align her interest with those of the Target Company and the Company in the long term, which will in turn benefit the Group as a whole.

The Transactions are therefore considered by the Directors (including the independent non-executive Directors) to be a good opportunity to provide synergies to the Group's existing business and future business development. The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. FINANCIAL IMPACT OF THE ACQUISITION

Upon Closing, the Target Company will become a non-wholly owned subsidiary of the Company. The financial information of the Target Company will be consolidated into the consolidated financial statements of the Company, and the Target Company will be accounted for as a subsidiary of the Company. The audited consolidated total assets and total liabilities of the Company as at 30 June 2018, as extracted from the 2018 annual report of the Company, were approximately HKD723.8 million and HKD101.7 million respectively. As set out in the unaudited pro forma financial information of the Enlarged Group in appendix III to this circular, after taking into account the effects of the Acquisition assuming Closing took place on 30 June 2018, the pro forma consolidated total assets and total liabilities of the Enlarged Group would have increased to approximately HKD766.8 million and HKD111.7 million, respectively.

As set out in the Accountants' Report, the Target Company recorded net profit after tax of HKD13.8 million and HKD7.7 million for the year ended 31 December 2017 and six months ended 30 June 2018, respectively. Having taken into account the reasons for, and benefits of, the Acquisition discussed in the section headed "Reasons for and benefits of the Transactions" in this circular, the Board believes that the Acquisition will benefit the Group in future.

As set out in note 3 to the Accountants' Report, there is no material financial impact on the financial statements of the Target Company upon adoption of the new financial reporting standards effective from 1 January 2018 and no material financial impact would arise should the Target Company prepared the historical financial information in accordance with the accounting policies of the Company. Accordingly, the financial statements of the Target Company as at 30 June 2018 as set out in Accountants' Report have been prepared in a manner consistent with the accounting policies adopted by the Company in the audited consolidated financial statements for the year ended 30 June 2018 and the unaudited pro forma financial information of the Enlarged Group has been compiled based on the statement of financial position of the Target Company as at 30 June 2018.

The Shareholders' attention is drawn to the unaudited pro forma financial information of the Enlarged Group set out in appendix III to this circular. Details of the financial impact of the Acquisition on the financial position of the Group together with the basis and assumptions taken into account in preparing the unaudited pro forma financial information are set out, for illustration purpose only, in appendix III to this circular.

7. IMPLICATIONS OF THE LISTING RULES

The Acquisition

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 25% and less than 100%, the Acquisition constitutes a major transaction of the Company under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Put Options

Under Rule 14.74(1) of the Listing Rules, as the discretion to exercise the Put Options belongs solely to the Seller, each of the Put Options is being classified as if it had been fully exercised at the time of grant. Although the actual exercise price is not determinable at the time of grant, pursuant to Rule 14.76(1) of the Listing Rules, each of the Put Options (grant and exercise) is being treated as a major transaction (acquisition) of the Company subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

Pursuant to the Sale and Purchase Agreement and the Shareholders' Agreement, the aggregate of the Purchase Price, the Stage 2 Consideration, the Stage 3 Consideration and the CoC Consideration is subject to a cap of HKD1 billion. Based on this cap amount, the Transactions as a whole (including the Acquisition, the grant and presumed exercise of the Put Options) constitute a major transaction of the Company, subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

Each of the grant of the Put Options is a term negotiated between UMP Medical and the Seller as part of the Transactions and no premium is payable for such grant.

8. EGM

A notice of EGM to be held at 9th Floor, Three Exchange Square, Central, Hong Kong on Tuesday, 15 January, 2019 at 2:30 p.m. is set out on pages EGM-1 to EGM-3 of this Circular, at which relevant resolutions will be proposed to approve, among others, (i) the Sale and Purchase Agreement, the Shareholders' Agreement, the Transactions and the transactions contemplated thereunder; and (ii) approving the allotment and issue of the Post-closing Consideration Shares pursuant to the specific mandate.

The proxy form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours (excluding any part of a day that is public holiday) before the time appointed for the holding the EGM or adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the relevant form of proxy shall be deemed to be revoked.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions approving (i) the Sale and Purchase Agreement, the Transactions and the transactions contemplated thereunder; and (ii) approving the allotment and issue of the Post-closing Consideration Shares pursuant to the specific mandate.

Voting Undertaking

Each of Dr. Sun Yiu Kwong, East Majestic Group Limited, EM Team Limited, Healthcare Ventures Holdings Limited, Ms. Kwok Cheuk Kwan, Jacquen, Dr. Sun Man Kin, Michael, Mr. Lee Kar Chung, Felix and Dr. Lee Pak Cheung, Patrick, has given an undertaking to vote in favour of the resolutions proposed at the EGM. Based on the information available to the Company as at the Latest Practicable Date, the aforesaid Shareholders hold or otherwise control an aggregate of over 50% of the voting rights of the Company.

9. RECOMMENDATION

The Directors consider that the resolutions as set out in the notice of the EGM are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of these resolutions.

10. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

11. GENERAL

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this supplemental circular misleading.

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Shareholders and potential investors should note that Closing is subject to the satisfaction and/or, the applicable waiver of conditions precedent. As the Transactions may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

By order of the Board
UMP Healthcare Holdings Limited
SUN Yiu Kwong
Chairman and Chief Executive Officer

A. SUMMARY OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for the year ended 30 June 2018 are set out from pages 120 to 262 in the annual report of the Company for the year ended 30 June 2018 (the "**Annual Report 2018**") published on 12 October 2018. The Annual Report 2018 is also posted on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.ump.com.hk. Please also see below hyperlink to the Annual Report 2018:

http://www1.ump.com.hk/assets/media/pdf/ir/C0722_180927_AR.pdf

The audited consolidated financial statements of the Group for the year ended 30 June 2017 are set out from pages 119 to 250 in the annual report of the Company for the year ended 30 June 2017 (the "**Annual Report 2017**") published on 23 October 2017. The Annual Report 2017 is also posted on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.ump.com.hk. Please also see below hyperlink to the Annual Report 2017:

http://www1.ump.com.hk/assets/media/pdf/ir/EW00722_AR%202017.pdf

The audited consolidated financial statements of the Group for the year ended 30 June 2016 are set out from pages 86 to 203 in the annual report of the Company for the year ended 30 June 2016 (the "**Annual Report 2016**") published on 7 October 2016. The Annual Report 2016 is also posted on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.ump.com.hk. Please also see below hyperlink to the Annual Report 2016:

http://www1.ump.com.hk/assets/media/pdf/ir/EW00722-AR2016.PDF

B. INDEBTEDNESS STATEMENT

Apart from normal trade payables and accruals arising from ordinary course of business, the Enlarged Group did not have, as at 31 October 2018 being the latest practicable date for the purpose of this indebtedness statement, any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any other mortgages and charges or any guarantees or any finance lease commitments or material contingent liabilities. The Enlarged Group did not have any bank loan facilities as at the aforesaid date.

C. WORKING CAPITAL STATEMENT

The Directors are of the opinion that following the Closing, after taking into account the financial resources available to the Enlarged Group, including the internally generated funds from its operations and cash and bank balances of the Enlarged Group, the Enlarged Group has sufficient working capital to satisfy its requirements for at least 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

D. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2018, being the date to which the latest published audited financial statements of the Group were made up.

E. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in the provision of corporate healthcare solutions through the design and administration of tailored healthcare benefits plans for its contract customers and the provision of medical, dental and auxiliary services in Hong Kong, Macau and mainland China.

As disclosed in the annual report of the Company for the financial year ended 30 June 2018, the Group's total consolidated revenue increased by 13.9% from HK$514.0 million in the financial year ended 30 June 2017 to HK$585.6 million in the financial year ended 30 June 2018, primarily due to (i) an increase in revenue from the provision of corporate healthcare solution services to contract customers and provision of clinical healthcare services to self-paid patients in Hong Kong and Macau, and (ii) an increase in revenue from the PRC healthcare business. The business of the Group has continued to be very cash generative, delivering an adjusted EBITDA of HK$64.8 million for the financial year ended 30 June 2018.

During the financial year ended 30 June 2018, in order to provide comprehensive services to the Group's customers, the Group has been active in making strategic acquisition to strengthen the Group's service offerings. The Group acquired a majority interest in a reputable imaging centre in Central, further expanding the capacity to deliver high quality imaging services to the Group's customers. In addition, the Group revamped central laboratory services with new facilities and product offerings to better serve the Group's network doctors.

Looking ahead, we are living in exciting times for Southern China. Nowhere is this seen more clearly than in the ambitious plans being drawn up for the Greater Bay Area initiative, and its goal of building a world-class city cluster across the Guangdong-Hong Kong-Macau region. By 2030, the region is expected to play a leading role in advanced manufacturing, innovation, shipping, trade and finance. The proposed initiative is a testament to the region's economic development and significance. Last year, the combined GDP of the 11 cities in the area reached US$1.4 trillion, or 12 percent of the national PRC economy, even though it is home to only 5 percent of the country's population. What the regional governments have further identified as a growing industry that Hong Kong can contribute significant to the region is healthcare. The respective regional governments realise that healthcare and education are the two areas in which they need significantly more input from the private sectors to provide innovative ideas and solutions.

Upon Closing, the Company believes that the Enlarged Group will benefit from the synergy created from the Acquisition. The Target Company will be complementary to the Group's existing clinical healthcare services and the Acquisition will enable the Group to further expand its specialist services in dermatology in addition to its existing specialist services. The Group's clienteles and members will gain access to the dermatological services provided by Target Company. The Enlarged Group will strengthen collaborations with strategic partners to establish a Hong Kong-PRC-Macau intercity service network to provide bespoke healthcare management services for the Group's customers, and will continue to seek any opportunities for the business and performance growth, and timely expansion of the Enlarged Group's operation and investment for sustainable development.

Subsequent to 30 June 2018, being the date to which the latest published audited accounts of the Company have been made up, save for the Transactions, (i) the Group has completed an acquisition of 70% equity interest in a group of companies which is engaged in the provision of medical physiotherapy service in Hong Kong from an independent third party for a consideration of HKD28.5 million, and (ii) the Company, Zheng He and Mr. Law Siu Wah Eddie entered into a subscription agreement on 24 October 2018, pursuant to which the Company agreed to issue, and Zheng He agreed to subscribe for, an aggregate of 110,411,000 warrants of the Company, further details of which are set out in the announcements of the Company dated 27 July 2018 and 30 August 2018 and the circular of the Company dated 29 October 2018. The transactions contemplated thereunder have been approved at the extraordinary general meeting of the Company held on 15 November 2018 and such warrants have been issued by the Company as at the Latest Practicable Date.

The following is the text of a report set out on pages II-1 to II-37, received from the independent reporting accountants, SW CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

SW CPA Limited
Certified Public Accountants
國滙會計師行有限公司
16/F., LOCKHART CENTRE, 301–307 LOCKHART ROAD, WANCHAI, HONG KONG
香港灣仔駱克道301–307號洛克中心16樓

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF UMP HEALTHCARE HOLDINGS LIMITED

Introduction

We report on the historical financial information of SkinCentral Limited (the ''Target Company'') set out on pages II-4 to II-37, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for each of the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 (the ''Relevant Periods''), and the statements of financial position of the Target Company as at 31 December 2015, 2016 and 2017 and 30 June 2018 and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information''). The Historical Financial Information set out on pages II-4 to II-37 forms an integral part of this report, which has been prepared for inclusion in the circular of UMP Healthcare Holdings Limited (the ''Company'') dated 24 December 2018 (the ''Circular'') in connection with the proposed acquisition of 60% equity interest in the Target Company by a subsidiary of the Company (the ''Proposed Acquisition'').

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA''). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2015, 2016 and 2017 and 30 June 2018 and of the Target Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2017 and other explanatory information (the ''Interim Comparative Financial Information''). The directors of the Target Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'' issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Target Company in respect of the Relevant Periods.

SW CPA Limited
Certified Public Accountants
Wong Kwok Hong, Stephen
Practising Certificate Number: P01235

Hong Kong
24 December 2018

HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA (the "Underlying Financial Statements") by the directors of the Target Company and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2015	**2016**	**2017**	**2017**	**2018**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Revenue	6	52,168	56,420	56,653	29,480	29,587
Cost of inventories and consumables		(7,043)	(6,204)	(5,996)	(2,818)	(2,334)
Other income	7	1	1	2	1	1
Staff costs		(17,514)	(19,433)	(20,539)	(10,508)	(7,984)
Professional services fees		(664)	(591)	(426)	(285)	(3,019)
Rental and related expenses		(6,069)	(7,332)	(7,445)	(3,689)	(3,774)
Depreciation		(1,778)	(2,238)	(2,142)	(1,083)	(1,126)
Other expenses		(3,482)	(3,998)	(3,653)	(1,846)	(2,080)
Profit before taxation	8	15,619	16,625	16,454	9,252	9,271
Income tax expense	9	(2,556)	(2,723)	(2,695)	(1,526)	(1,530)
Profit for the year/period and total comprehensive income for the year/period		13,063	13,902	13,759	7,726	7,741

STATEMENTS OF FINANCIAL POSITION

	NOTES	2015	2016	2017	As at 30 June 2018
		As at 31 December			
		HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Plant and equipment	12	7,429	5,792	5,415	4,468
Rental deposits	14	1,698	1,698	1,777	1,777
Deferred tax assets	19	–	–	34	151
		9,127	7,490	7,226	6,396
Current assets					
Inventories	13	731	885	1,107	1,746
Deposits, prepayments and other receivables	14	880	531	543	427
Amount due from a director	15	2,316	6,000	–	–
Amounts due from related companies	15	1,383	–	–	–
Bank balances and cash	16	5,373	4,910	5,469	7,386
		10,683	12,326	7,119	9,559
Current liabilities					
Trade and other payables	17	3,167	2,965	2,574	2,475
Deferred revenue	18	2,918	3,696	4,062	4,367
Amount due to a related company	15	–	28	–	–
Tax payable		2,370	436	5	1,652
		8,455	7,125	6,641	8,494
Net current assets		2,228	5,201	478	1,065
Total assets less current liabilities		11,355	12,691	7,704	7,461
Non-current liabilities					
Deferred tax liabilities	19	318	159	–	–
NET ASSETS		11,037	12,532	7,704	7,461
CAPITAL AND RESERVE					
Share capital	20	7,000	7,000	1,000	1,000
Retained profits		4,037	5,532	6,704	6,461
Total equity		11,037	12,532	7,704	7,461

STATEMENTS OF CHANGES IN EQUITY

	NOTES	Share capital HK$'000	Retained profits HK$'000	Total equity HK$'000
Balance at 1 January 2015		7,000	2,974	9,974
Profit and total comprehensive income for the year		–	13,063	13,063
Interim dividend	11	–	(12,000)	(12,000)
Balance at 31 December 2015 and 1 January 2016		7,000	4,037	11,037
Profit and total comprehensive income for the year		–	13,902	13,902
Interim dividend	11	–	(12,407)	(12,407)
Balance at 31 December 2016 and 1 January 2017		7,000	5,532	12,532
Reduction of capital	20	(6,000)	–	(6,000)
Profit and total comprehensive income for the year		–	13,759	13,759
Interim dividend	11	–	(12,587)	(12,587)
Balance at 31 December 2017 and 1 January 2018		1,000	6,704	7,704
Profit and total comprehensive income for the period		–	7,741	7,741
Interim dividend	11	–	(7,984)	(7,984)
Balance at 30 June 2018		1,000	6,461	7,461
Balance at 1 January 2017		7,000	5,532	12,532
Reduction of capital	20	(6,000)	–	(6,000)
Profit and total comprehensive income for the period		–	7,726	7,726
Balance at 30 June 2017 (unaudited)		1,000	13,258	14,258

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Operating activities					
Profit before taxation	15,619	16,625	16,454	9,252	9,271
Adjustments for:					
Depreciation of plant and equipment	1,778	2,238	2,142	1,083	1,126
Loss on plant and equipment written-off	–	76	–	–	35
Bank interest income	(1)	(1)	(1)	(1)	(1)
Operating cash flows before working capital changes	17,396	18,938	18,595	10,334	10,431
Decrease/(increase) in inventories	456	(154)	(222)	(51)	(639)
(Increase)/decrease in deposits, prepayments and other receivables	(558)	349	(91)	221	116
Increase/(decrease) in trade and other payables	226	(202)	(391)	420	(99)
(Decrease)/increase in deferred revenue	(161)	778	366	486	305
Changes in balances with related companies, net	(251)	1,354	(28)	(28)	–
Cash generated from operations	17,108	21,063	18,229	11,382	10,114
Hong Kong profits tax paid	(144)	(4,816)	(3,319)	–	–
Net cash generated from operating activities	16,964	16,247	14,910	11,382	10,114
Investing activities					
Payments for purchases of plant and equipment	(5,191)	(718)	(1,765)	(771)	(214)
Interest received	1	1	1	1	1
Net cash used in investing activities	(5,190)	(717)	(1,764)	(770)	(213)
Financing activities					
Advances to a director	(12,232)	(15,993)	(12,700)	(6,327)	(8,209)
Repayments from a director	–	–	113	65	225
Net cash used in financing activities	(12,232)	(15,993)	(12,587)	(6,262)	(7,984)

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net (decrease)/increase in cash and cash equivalents	(458)	(463)	559	4,350	1,917
Cash and cash equivalents at beginning of year/period	5,831	5,373	4,910	4,910	5,469
Cash and cash equivalents at end of year/period, represented by bank balances and cash	5,373	4,910	5,469	9,260	7,386

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company is a private company incorporated in Hong Kong with limited liability on 20 May 2005. The address of the Target Company's registered office and principal place of business is Room 1220, Central Building, 1 Pedder Street, Central, Hong Kong. The Target Company is principally engaged in the provision of medical consultation and treatment services.

The Historical Financial Information is presented in Hong Kong dollars ("HK$") which is also the functional currency of the Target Company.

2. BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong.

All HKFRSs effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been early adopted by the Target Company in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information as further explained in note 3 below.

The Historical Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Historical Financial Information contained in this Circular does not constitute the Target Company's statutory financial statements for any of the years ended 31 December 2015, 2016 and 2017. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

As the Target Company is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Target Company's auditor has reported on the statutory financial statements for each of the years ended 31 December 2015, 2016 and 2017. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Company has consistently adopted the HKFRSs, HKASs, amendments and interpretations ("HK(IFRIC)") issued by the HKICPA which are effective for the accounting periods beginning on 1 January 2018 throughout the Relevant Periods except that the Target Company adopted HKFRS 9 "Financial Instruments" on 1 January 2018 and adopted HKAS 39 "Financial Instruments: Recognition and Measurement" for the three years ended 31 December 2017. The adoption of these new and revised HKFRSs has had no material financial impact on the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for the Relevant Periods and the statements of financial position of the Target Company as at 31 December 2015, 2016 and 2017 and 30 June 2018. For the purpose of the Circular, it is considered that no material financial impact would arise should the Target Company prepared the historical financial information in accordance with the accounting policies of the Company.

During the six months ended 30 June 2018, the Target Company has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and financial guarantee contracts and 3) general hedge accounting.

The Target Company has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The Target Company has assessed that there is no difference between the carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018, therefore, the Target Company does not recognise any cumulative effect of initial application as an adjustment to the opening equity as at 1 January 2018.

Under HKFRS 9, the financial assets of the Target Company are measured at amortised cost, which were categorised as loans and receivables under HKAS 39, and the accounting for the Target Company's financial liabilities remains the same as it was under HKAS 39. Further details are set out in note 26(a). The accounting policies for financial instruments under HKFRS 9 and HKAS 39 are set out in note 4 below.

The Target Company had elected to consistently apply HKFRS 15 "Revenue from Contracts with Customers" throughout the Relevant Periods. In the opinion of the directors of the Target Company, had HKAS 18 been consistently applied throughout the Relevant Periods, there would be no impact on the financial position and performance of the Target Company, except the presentation and disclosure requirements in HKFRS 15 are more detailed than those under HKAS 18, which are set out in notes 6 and 18.

At the date of this report, the HKICPA has issued the following new standards, amendments and interpretations that are not yet effective. The Target Company has not early adopted these standards and amendments.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.

Except as described below, the directors of the Target Company anticipate that the application of these new standards and amendments will have no material impact on the Target Company's financial statements in the future.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Target Company currently presents operating lease payments as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

As at 30 June 2018, the Target Company has non-cancellable operating lease commitments of HK$13,650,150 as disclosed in note 21. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Under application of HKFRS 16, the Target Company will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short term leases. The combination of straight-line depreciation of the right-to-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. The directors of the Target Company anticipate that the application of HKFRS 16 will not significantly affect the financial position and performance of the Target Company upon adoption on 1 January 2019. These estimates are based on accounting policies, assumptions, judgements and estimation techniques that remain subject to change until the Target Company finalises its financial statements for the year ending 31 December 2019.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 ''Leases'', and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 ''Inventories'' or value in use in HKAS 36 ''Impairment of Assets''.

A fair value measurement of a non-financial asset takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are as follows:

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Target Company expects to be entitled in exchange for those goods or services. Specifically, the Target Company uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Target Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when ''control'' of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- the Target Company's performance creates and enhances an asset that the customer controls as the Target Company performs; or
- the Target Company's performance does not create an asset with an alternative use to the Target Company and the Target Company has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point of time when the customer obtains control of the distinct good or service.

A contract asset represents the Target Company's right to consideration in exchange for services that the Target Company has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Target Company's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Target Company's obligation to transfer goods or services to a customer for which the Target Company has received consideration (or an amount of consideration is due) from the customer.

Specifically, revenue is measured based on the consideration specified in a contract with a customer. The Target Company recognises revenue when it transfers control of a product or service to a customer. The Target Company recognises revenue from the following major sources: 1) provision of medical consultation and treatment services and 2) sales of pharmaceutical drugs and products.

Provision of medical consultation and treatment services

Revenue from the rendering of services is recognised when the services have been rendered to customers.

Certain services are sold on a prepaid basis. Payments received for the prepaid packages are recorded as deferred revenue at the time of receipt.

Deferred revenue is non-refundable and customers may not utilise all of their contracted rights within the service period. Any deferred revenue outstanding at the expiry of the service period, unless extended by management, is fully recognised in profit or loss.

Sales of pharmaceutical drugs and products

Revenue from sales of pharmaceutical drugs and products is recognised when control of the goods has been transferred, being at the point the customer purchases the goods at the clinic. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Interest income

Interest income is recognised by applying the effective interest rate, expect for short-term receivables where the recognition of interest would be immaterial.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Target Company as lessee

Assets held under finance leases are recognised as assets of the Target Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Target Company's policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the Historical Financial Information of the Target Company, transactions in currencies other than the functional currency of the Target Company (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (''MPF Scheme'') are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Target Company in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from ''profit before taxation'' as reported in the statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years/periods and items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are stated in the statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Target Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Impairment losses

At the end of each reporting period, the Target Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each assets in the unit.

The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero.

The amount of impairment loss that would otherwise have been allocated to the asset is allocated pro rata to other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years/periods. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments (before the adoption of HKFRS 9 on 1 January 2018)

Financial assets and financial liabilities are recognised when the Target Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Target Company's financial assets are classified as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposits, prepayments and other receivables, amounts due from a director, amounts due from related companies and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

Objective evidence of impairment for a portfolio of receivables could include the Target Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Target Company are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables and amount due to a related company) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition of financial assets and financial liabilities

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the assets expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

Financial instruments (under HKFRS 9)

Financial assets and financial liabilities are recognised when the Target Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquirer of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "other income" line item.

Impairment of financial assets

The Target Company recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 and financial guarantee contract. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Target Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Company always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Target Company measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on whether there is significant increases in credit risk since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Company has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Target Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Target Company considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Target Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Target Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Company, in full (without taking into account any collaterals held by the Target Company).

Irrespective of the above analysis, the Target Company considers that default has occurred when a financial asset is more than 30 days past due unless the Target Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;

- a breach of contract, such as a default or past due event;

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Target Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Target Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and all the cash flows that the Target Company expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Target Company are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities subsequently measured at amortised cost

All of the Target Company's financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Related parties

For the purposes of the Historical Financial Information, a party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and if that person:

(i) has control or joint control over of the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company,

or

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Target Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Company's accounting policies, which are described in note 4, the management of the Target Company is required to make judgments, estimates and assumptions about the reported amounts of revenue, expenses, assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the reported amounts of revenue, expenses, assets and liabilities within the following twelve months.

Estimated useful lives of plant and equipment

In applying the accounting policy on plant and equipment with respect to depreciation, the management of the Target Company estimates the useful lives of various categories of plant and equipment according to the experiences over the usage of them and also by reference to the relevant industrial norm. If the actual useful lives of them are less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining useful life.

Estimated allowance for inventories

The Target Company regularly reviews whether there are any indications of write-down of inventories if the carrying amount of an inventory is lower than its net realisable value. The Target Company tests semi-annually for the write-down of inventories. The net realisable value have been determined based on the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. The Target Company also assessed the net realisable value by taking into account whether the cost of inventories may be recoverable by assessing if those inventories are damaged, wholly or partially obsolete, or if their selling prices have declined.

6. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the net amounts received and receivable arising from (i) provision of medical consultation and treatment services and (ii) sales of pharmaceutical drugs and products in Hong Kong during the Relevant Periods.

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Provision of medical consultation and treatment services	45,338	49,142	49,635	25,918	26,037
Sales of pharmaceutical drugs and products	6,830	7,278	7,018	3,562	3,550
	52,168	56,420	56,653	29,480	29,587
Timing of revenue recognised:					
A point in time	41,429	47,650	45,810	24,034	23,428
Over time	10,739	8,770	10,843	5,446	6,159
	52,168	56,420	56,653	29,480	29,587

For provision of medical consultation and treatment services and sales of pharmaceutical drugs and products, the customers usually settle by credit cards, electronic payment system ("EPS") or cash. Payments by credit cards and EPS will normally be settled within one to two days.

Segment information

The Historical Financial Information reported to the directors of the Target Company, being the chief operating decision maker ("CODM") for the purpose of resources allocation and performance assessment, the CODM reviews the overall results and financial position of the Target Company as a whole prepared based on same accounting policies set out in note 4. Accordingly, the Target Company has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

Geographical information

No geographical segment information is presented as the Target Company's revenue are all derived from Hong Kong based on the location of goods delivered and services provided and all of the Target Company's non-current assets are located in Hong Kong by physical location of assets.

Information about major customers

No individual customer accounted for over 10% of the Target Company's total revenue during the Relevant Periods.

7. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Bank interest income	1	1	1	1	1
Others	–	–	1	–	–
	1	1	2	1	1

8. PROFIT BEFORE TAXATION

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit before taxation has been arrived at after charging:					
Directors' remuneration *(note 10)*	2,933	3,068	3,018	1,509	1,509
Staff salaries, wages, commission, bonuses and allowances	14,354	16,130	17,281	8,894	6,356
Retirement benefit scheme contributions, excluding those of directors	227	235	240	105	119
Total staff costs	17,514	19,433	20,539	10,508	7,984
Auditor's remuneration	33	35	39	18	18
Loss on plant and equipment written-off	–	76	–	–	35
Operating lease payments in respect of tenancy agreements of rented premises – minimum lease payments	5,154	6,264	6,324	3,132	3,212

9. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Current tax – Hong Kong Profits Tax:					
Charge for the year/period	2,463	2,902	2,908	1,565	1,647
Tax reduction in respect of previous year/period	(20)	(20)	(20)	–	–
Deferred tax *(note 19)*	113	(159)	(193)	(39)	(117)
	2,556	2,723	2,695	1,526	1,530

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the Relevant Periods.

The taxation for the Relevant Periods can be reconciled to the profit before taxation per the statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Profit before taxation	15,619	16,625	16,454	9,252	9,271
Tax at the Hong Kong Profits Tax rate of 16.5%	2,577	2,743	2,715	1,526	1,530
Tax effect of expenses not deductible for tax purpose	2	–	–	–	–
Tax deduction	(20)	(20)	(20)	–	–
Others	(3)	–	–	–	–
Income tax expense for the year/period	2,556	2,723	2,695	1,526	1,530

10. DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Directors' emoluments

Details of the emoluments paid or payable to the directors of the Target Company during the Relevant Periods are as follows:

For the year ended 31 December 2015	**Fees**	**Salaries, bonuses and allowances**	**Retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Name of directors				
Ms. Ho Tin Yee, Tinny	–	2,915	18	2,933
Mr. Chua Kien Han, John	–	–	–	–
	–	2,915	18	2,933

For the year ended 31 December 2016	Fees	Salaries, bonuses and allowances	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Name of directors				
Ms. Ho Tin Yee, Tinny	–	3,050	18	3,068
Mr. Chua Kien Han, John	–	–	–	–
	–	3,050	18	3,068

For the year ended 31 December 2017	Fees	Salaries, bonuses and allowances	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Name of directors				
Ms. Ho Tin Yee, Tinny	–	3,000	18	3,018
Mr. Chua Kien Han, John	–	–	–	–
	–	3,000	18	3,018

For the six months ended 30 June 2017 (unaudited)	Fees	Salaries, bonuses and allowances	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Name of directors				
Ms. Ho Tin Yee, Tinny	–	1,500	9	1,509
Mr. Chua Kien Han, John	–	–	–	–
	–	1,500	9	1,509

For the six months ended 30 June 2018	Fees	Salaries, bonuses and allowances	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Name of directors				
Ms. Ho Tin Yee, Tinny	–	1,500	9	1,509
Mr. Chua Kien Han, John	–	–	–	–
	–	1,500	9	1,509

(b) Employees' emoluments

The five highest paid individuals of the Target Company include one director of the Target Company for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 (unaudited) and 2018 respectively. The emoluments of the remaining four individuals for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 (unaudited) and 2018 respectively, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries, bonuses and allowances	5,332	4,451	4,133	2,097	1,252
Retirement benefit scheme contributions	72	63	72	36	35
	5,404	4,514	4,205	2,133	1,287

During the Relevant Periods, no emoluments were paid by the Target Company to any of the directors of the Target Company or the five highest paid individuals as an inducement to join or upon joining the Target Company or as compensation for loss of office. None of the directors of the Target Company waived any emoluments during the Relevant Periods.

11. DIVIDENDS

During the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, interim dividends of HK$17,143, HK$17,724, HK$125,867 and HK$79,844 per share, amounting to HK$12,000,000, HK$12,407,078, HK$12,586,735 and HK$7,984,440, respectively, were recognised as distributions by the Target Company.

During the six months ended 30 June 2017, no dividend was paid or declared by the Target Company.

12. PLANT AND EQUIPMENT

	Leasehold improvements	**Medical equipment**	**Furniture, fixtures and office equipment**	**Computer equipment and software**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At 1 January 2015	2,533	12,199	473	743	1,171	17,119
Additions	2,819	2,018	267	87	–	5,191
At 31 December 2015	5,352	14,217	740	830	1,171	22,310
Additions	–	655	18	45	–	718
Disposals	–	–	–	–	(1,171)	(1,171)
Write-off	–	(4,405)	–	–	–	(4,405)
At 31 December 2016	5,352	10,467	758	875	–	17,452
Additions	–	1,710	48	7	–	1,765
At 31 December 2017	5,352	12,177	806	882	–	19,217
Additions	–	205	5	4	–	214
Write-off	–	(1,359)	–	–	–	(1,359)
At 30 June 2018	5,352	11,023	811	886	–	18,072

	Leasehold improvements	Medical equipment	Furniture, fixtures and office equipment	Computer equipment and software	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated depreciation						
At 1 January 2015	2,409	8,824	372	590	908	13,103
Charge for the year	292	1,219	60	96	111	1,778
At 31 December 2015	2,701	10,043	432	686	1,019	14,881
Charge for the year	601	1,338	84	104	111	2,238
Written back on disposals	–	–	–	–	(1,130)	(1,130)
Elimination on write-off	–	(4,329)	–	–	–	(4,329)
At 31 December 2016	3,302	7,052	516	790	–	11,660
Charge for the year	594	1,412	85	51	–	2,142
At 31 December 2017	3,896	8,464	601	841	–	13,802
Charge for the period	288	769	45	24	–	1,126
Elimination on write-off	–	(1,324)	–	–	–	(1,324)
At 30 June 2018	4,184	7,909	646	865	–	13,604
Carrying values						
At 31 December 2015	2,651	4,174	308	144	152	7,429
At 31 December 2016	2,050	3,415	242	85	–	5,792
At 31 December 2017	1,456	3,713	205	41	–	5,415
At 30 June 2018	1,168	3,114	165	21	–	4,468

The above items of plant and equipment are depreciated on a straight-line basis as follows:

Leasehold improvements	20% per annum
Medical equipment	20% per annum
Furniture, fixtures and office equipment	20% per annum
Computer equipment and software	20%-33$^{1}/_{3}$% per annum
Motor vehicles	20% per annum

13. INVENTORIES

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Pharmaceutical supplies	637	830	842	1,333
Consumables	94	55	265	413
	731	885	1,107	1,746

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Rental deposits	1,698	1,698	1,777	1,777
Utility and other deposits	179	179	179	192
Prepaid expenses	205	192	364	229
Other receivables	496	160	–	6
Total deposits, prepayments and other receivables	2,578	2,229	2,320	2,204
Analysed for reporting purposes as:				
Non-current assets	1,698	1,698	1,777	1,777
Current assets	880	531	543	427
	2,578	2,229	2,320	2,204

15. AMOUNTS DUE FROM/(TO) A DIRECTOR/RELATED COMPANIES

	As at 31 December			As at 30 June	Maximum amount outstanding during the year/period			
	2015	**2016**	**2017**	**2018**	**2015**	**2016**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount due from a director *(note i)*	2,316	6,000	–	–	14,316	18,407	12,587	7,984
Amounts due from/(to) related companies *(note i)*								
– Skinovo Limited *(note ii)*	1,347	(28)	–	–	1,347	1,347	–	–
– Skin2skin Limited *(note iii)*	2	–	–	–	2	2	–	–
– Skyworld Force Limited *(note iv)*	27	–	–	–	27	46	–	–
– Mainwide Limited *(note iii)*	7	–	–	–	7	9	–	–
	1,383	(28)	–	–				

Notes:

(i) The amounts are non-trade in nature, unsecured, interest free and repayable on demand.

(ii) Skinovo Limited was controlled and 100% indirectly held by Ms. Ho Tin Yee, Tinny. It was deregistered on 14 July 2017.

(iii) Skin2skin Limited and Mainwide Limited were controlled and 100% held by Ms. Ho Tin Yee, Tinny.

(iv) Skyworld Force Limited was controlled by Ms. Ho Tin Yee, Tinny and Mr. Chua Kien Han, John, and was held as to 50% by Ms. Ho Tin Yee, Tinny and as to 50% by Mr. Chua Kien Han, John.

16. BANK BALANCES AND CASH

Bank balances carry interest at floating rates based on daily bank savings deposit rates.

Analysis of bank balances and cash denominated in currencies other than the functional currency of the Target Company is set out below:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
New Zealand dollars	2	2	2	2

17. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables				
– amounts due to third parties	135	493	566	685
– amount due to a related company *(note)*	427	–	–	–
	562	493	566	685
Payroll payable	1,564	2,185	1,808	1,304
Accruals	314	224	200	484
Other payables				
– amounts due to third parties	32	63	–	2
– amount due to a related company *(note)*	695	–	–	–
	3,167	2,965	2,574	2,475

Note:

The amounts due to Skinovo Limited are trade in nature, unsecured, interest free and have a credit period of 30 days.

The credit period of trade payables is ranging from 0 to 30 days. The Target Company has financial risk management policies in place to ensure that the payables are settled in a timely manner.

An ageing analysis of trade payables, based on invoice date, is as follows:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	472	422	515	534
31 – 90 days	13	37	44	116
Over 90 days	77	34	7	35
	562	493	566	685

18. DEFERRED REVENUE

Deferred revenue represents treatment course and service fees received in advance.

The movements in deferred revenue are as follows:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of year/period	3,079	2,918	3,696	4,062
Receipts from customers upon entering treatment contracts during the year/period	10,578	9,548	11,209	6,464
Revenue recognised upon provision of treatment services	(10,559)	(8,665)	(10,732)	(5,968)
Revenue recognised from expiry of prepaid treatment courses	(180)	(105)	(111)	(191)
At the end of year/period	2,918	3,696	4,062	4,367

The following table shows the aggregate amount of the transaction price allocated to performance obligations to be satisfied (or partially to be satisfied) as at the end of the reporting period.

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Performance obligations to be satisfied relating to provision of treatment services	2,918	3,696	4,062	4,367

Management of the Target Company expects that the performance obligations to be satisfied will be recognised as revenue ranges from one to three years according to the contract period and the timing of the transfer of those goods or services is at the discretion of the customers.

The following table shows the amount of revenue recognised during the Relevant Periods that was included in the deferred revenue balance at the beginning of the year/period.

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue recognised that was included in the balance of deferred revenue at the beginning of year/period					
– Provision of treatment services	1,855	1,553	2,459	1,648	1,786
– Expiry of prepaid treatment courses	180	105	111	51	191
	2,035	1,658	2,570	1,699	1,977

19. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities recognised and movements thereon during the Relevant Periods:

	Deferred revenue	Accelerated accounting/tax depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2015	(90)	(115)	(205)
Charge to profit or loss *(note 9)*	(30)	(83)	(113)
At 31 December 2015	(120)	(198)	(318)
(Charge)/credit to profit or loss *(note 9)*	(17)	176	159
At 31 December 2016	(137)	(22)	(159)
Credit to profit or loss *(note 9)*	137	56	193
At 31 December 2017	–	34	34
Credit to profit or loss *(note 9)*	–	117	117
At 30 June 2018	–	151	151

For the purpose of presentation in the Historical Financial Information, the following is the analysis of the deferred taxation:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax assets	–	–	34	151
Deferred tax liabilities	(318)	(159)	–	–
	(318)	(159)	34	151

20. SHARE CAPITAL

	Year ended 31 December						Six months ended 30 June	
	2015		2016		2017		2018	
	No. of shares	*Amount*	*No. of shares*	*Amount*	*No. of shares*	*Amount*	*No. of shares*	*Amount*
		HK$'000		*HK$'000*		*HK$'000*		*HK$'000*
Ordinary shares, issued and fully paid								
At the beginning of year/period	700	7,000	700	7,000	700	7,000	100	1,000
Reduction of capital	–	–	–	–	(600)	(6,000)	–	–
At the end of year/period	700	7,000	700	7,000	100	1,000	100	1,000

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Target Company do not have a par value.

By a special resolution passed by the sole shareholder of the Target Company on 25 January 2017, the paid-up share capital of the Target Company was reduced from HK$7,000,010 divided into 700 shares to HK$1,000,000 divided into 100 shares by repaying HK$6,000,010 to the sole shareholder of the Target Company, settled through reducing the amount due from a director.

21. OPERATING LEASE COMMITMENTS

At the end of each reporting period, the Target Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	6,264	3,915	6,424	6,424
In the second to fifth year inclusive	3,915	–	10,438	7,226
	10,179	3,915	16,862	13,650

Operating lease payments represent rentals payable by the Target Company for the dermatology clinic and office premises. Leases are negotiated for a term of two to three years.

22. RETIREMENT BENEFITS SCHEME

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Target Company in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are both required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Target Company with respect to the MPF Scheme is to make the required contributions. The cap of contribution amount was HK$1,500 per employee per month.

The retirement benefits schemes contributions arising from the MPF Scheme charged to the statements of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Target Company at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Target Company are disclosed in notes 8 and 10.

23. MAJOR NON-CASH TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information, the Target Company has the following non-cash transactions:

During the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the interim dividends declared to the sole shareholder of the Target Company amounted to HK$12,000,000, HK$12,407,078, HK$12,586,735 and HK$7,984,440, respectively, were settled through the amount due from a director.

During the year ended 31 December 2016, two motor vehicles were transferred to Ms. Ho Tin Yee, Tinny and Mr. Chua Kien Han, John at the carrying value of HK$40,228 and nil respectively. The consideration was settled through the amount due from a director.

24. RELATED PARTY DISCLOSURES

(a) Related party balances

Details of the outstanding balances with related parties are set out in the statements of financial position and in notes 15 and 17.

(b) Related party transactions

Save as disclosed elsewhere in the Historical Financial Information, the Target Company entered into the following transactions with its related parties during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Purchases of inventories from Skinovo Limited	5,015	–	–	–	–
Purchases of medical equipment from Skinovo Limited	695	–	–	–	–
Carrying value of motor vehicles transferred to Ms. Ho Tin Yee, Tinny and Mr. Chua Kien Han, John *(note 23)*	–	41	–	–	–
Banking facilities supported by personal guarantee provided by Ms. Ho Tin Yee, Tinny	500	–	–	–	–

(c) Compensation of key management personnel

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Short-term benefits	2,915	3,050	3,000	1,500	1,500
Post-employment benefits	18	18	18	9	9
	2,933	3,068	3,018	1,509	1,509

25. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that the Target Company will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balances. The Target Company's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Company consists of debt balance and equity balance. Equity balance consists of equity attributable to owners of the Target Company, comprising issued share capital and retained profits.

The management of the Target Company reviews the capital structure regularly. As part of this review, the management of the Target Company considers the cost of capital and the risk associated with each class of capital, and will balance its overall capital structure through new share issue as well as the issue of new debts.

26. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including bank balances and cash)	11,445	12,947	7,425	–
Financial assets at amortised cost	–	–	–	9,361
Financial liabilities				
Financial liabilities at amortised cost	3,167	2,993	2,574	2,475

(b) Financial risk management objectives and policies

The Target Company's major financial instruments include deposits and other receivables, amounts due from a director and related companies, bank balances and cash, trade and other payables and amount due to a related company. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

(i) Currency risk

The management of the Target Company considers that the exposure to currency risk is minimal.

(ii) Interest rate risk

The Target Company is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets, mainly the interest bearing bank balances. The management of the Target Company considers that the Target Company's exposure of bank balances are not significant as interest bearing bank balances are within short maturity period. The Target Company currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

No sensitivity analysis for bank balances is presented as the management considers that the exposure of the Target Company to interest rate risk on its variable-rate bank balances is limited during the Relevant Periods as the management does not anticipate a material change in interest rate on bank balances.

(iii) Credit risk

The Target Company trades only with recognised and creditworthy third parties. It is the Target Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Target Company's exposure to bad debts is not significant.

The credit risk of the Target Company's other financial assets, which comprise bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Concentrations of credit risk are managed by customer/counterparty.

(iv) Liquidity risk

In management of the liquidity risk, the Target Company monitors and maintains levels of bank balances and cash deemed adequate by the management to finance the Target Company's operations and mitigate the effects of fluctuations in cash flows. As at 31 December 2015, 2016 and 2017 and 30 June 2018, the Target Company has available unutilised short-term banking facilities of approximately HK$500,000, nil, nil and nil, respectively.

The following table details the Target Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Company can be required to pay.

	On demand or less than one month	1–3 months	3 months to 1 year	1–5 years	Total undiscounted cash flows	Carrying amounts
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2015						
Trade and other payables	3,167	–	–	–	3,167	3,167

	On demand or less than one month	1–3 months	3 months to 1 year	1–5 years	Total undiscounted cash flows	Carrying amounts
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2016						
Trade and other payables	2,965	–	–	–	2,965	2,965
Amount due to a related company	28	–	–	–	28	28
	2,993	–	–	–	2,993	2,993

	On demand or less than one month	1–3 months	3 months to 1 year	1–5 years	Total undiscounted cash flows	Carrying amounts
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2017						
Trade and other payables	2,574	–	–	–	2,574	2,574

	On demand or less than one month	1–3 months	3 months to 1 year	1–5 years	Total undiscounted cash flows	Carrying amounts
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2018						
Trade and other payables	2,475	–	–	–	2,475	2,475

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Target Company's statement of cash flows as cash flows from financing activities.

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Amount due from a director					
At the beginning of year/period	2,084	2,316	6,000	6,000	–
Financing cash flows	12,232	15,993	12,587	6,262	7,984
Non-cash changes:					
– transfer of motor vehicles settled through amount due from a director *(note 24)*	–	41	–	–	–
– transfer of amounts due from related companies to amount due from a director	–	57	–	–	–
– reduction of capital settled through amount due from a director	–	–	(6,000)	(6,000)	–
– interim dividend settled through amount due from a director	(12,000)	(12,407)	(12,587)	–	(7,984)
At the end of year/period	2,316	6,000	–	6,262	–

28. EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred after the reporting period which would have a material impact on the Target Company.

29. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company have been prepared in respect of any period subsequent to 30 June 2018.

The following is an illustrative and unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2018 (the ''Unaudited Pro Forma Financial Information'') of UMP Healthcare Holdings Limited (the ''Company'') and its subsidiaries (together referred to as the ''Group'') and SkinCentral Limited (the ''Target Company'') (together with the Group hereinafter collectively referred to as the ''Enlarged Group'') which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the acquisition of 60% equity interest in the Target Company (the ''Acquisition'') as if it had taken place on 30 June 2018.

The Unaudited Pro Forma Financial Information are prepared based on the audited consolidated statement of financial position of the Group as at 30 June 2018 as set out in the Group's published annual report dated 27 September 2018, the audited statement of financial position of the Target Company as at 30 June 2018 as set out in the accountants' report (the ''Accountants' Report '') of the Target Company included in the Appendix II to this circular (the ''Circular''), after giving effect to the unaudited pro forma adjustments as described in the accompanying notes. A narrative description of the pro forma adjustments of the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained has the Acquisition been completed on 30 June 2018, nor purport to predict the Enlarged Group's future financial position of operations.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Group for the year ended 30 June 2018, the Accountants' Report of the Target Company as set out in the Appendix II to this Circular, and other financial information included elsewhere in the Circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group is for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 30 June 2018 or at any future date.

Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group

	The Group 30 June 2018 (Audited)	The Target Company 30 June 2018 (Audited)	Pro Forma Adjustments (Unaudited)	(Unaudited)	The Enlarged Group 30 June 2018 (Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	
NON-CURRENT ASSETS					
Property, plant and equipment	103,809	4,468			108,277
Goodwill	62,637	–	95,523		158,160
Other intangible asset	111	–			111
Investments in joint ventures	1,196	–			1,196
Investments in associates	5,485	–			5,485
Held-to-maturity investments	58,570	–			58,570
Available-for-sale investments	9,848	–			9,848
Deferred tax assets	1,016	151			1,167
Deposits	15,696	1,777			17,473
Total non-current assets	258,368	6,396			360,287
CURRENT ASSETS					
Inventories	8,244	1,746			9,990
Trade receivables	78,800	–			78,800
Prepayments, deposits and other receivables	12,262	427			12,689
Financial assets at fair value through profit or loss	2,427	–			2,427
Held-to-maturity investments	10,927	–			10,927
Due from associates	5,640	–			5,640
Due from related companies	2,735	–			2,735
Due from a joint venture	415	–			415
Tax recoverable	977	–			977
Pledged deposits	1,352	–			1,352
Cash and cash equivalents	293,970	7,386	(77,500)		223,856
	417,749	9,559			349,808
Assets of a disposal group classified as held for sale	56,671	–			56,671
Total current assets	474,420	9,559			406,479

	The Group 30 June 2018 (Audited) *HK$'000* *Note 1*	The Target Company 30 June 2018 (Audited) *HK$'000* *Note 2*	Pro Forma Adjustments (Unaudited) *HK$'000* *Note 3*	(Unaudited) *HK$'000* *Note 4*	The Enlarged Group 30 June 2018 (Unaudited) *HK$'000*
CURRENT LIABILITIES					
Trade payables	39,152	685			39,837
Other payables, accruals and deferred income	48,486	6,157		1,500	56,143
Due to associates	207	–			207
Due to related companies	452	–			452
Tax payable	9,523	1,652			11,175
	97,820	8,494			107,814
Liabilities directly associated with the assets classified as held for sale	43	–			43
Total current liabilities	97,863	8,494			107,857
NET CURRENT ASSETS	376,557	1,065			298,622
TOTAL ASSETS LESS CURRENT LIABILITIES	634,925	7,461			658,909
NON-CURRENT LIABILITIES					
Deferred tax liabilities	1,606	–			1,606
Provision	2,222	–			2,222
Total non-current liabilities	3,828	–			3,828
NET ASSETS	631,097	7,461			655,081

Notes:

(1) The balances are extracted from the audited consolidated statement of financial position of the Group as at 30 June 2018, as set out in the Group's published annual report dated 27 September 2018.

(2) The balances are extracted from the audited statement of financial position of the Target Company as at 30 June 2018 as set out in the Accountants' Report of the Target Company included in Appendix II to this Circular.

(3) The Target Company is principally engaged in medical consultation and treatment services in Hong Kong. Upon the completion of the Acquisition, the Target Company will become a 60%-owned subsidiary of the Company. The identifiable assets and liabilities of the Target Company acquired by the Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value by acquisition method in accordance with HKFRS 3 (Revised) *Business Combinations* (''HKFRS 3 (Revised)'') issued by HKICPA.

For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that the fair values of the identifiable tangible assets and liabilities of the Target Company as at 30 June 2018 approximated to their carrying amounts as at 30 June 2018. In addition, pursuant to the sale and purchase agreement executed on 22 November 2018 (the ''Agreement''), the consideration of the Acquisition is HK$100,000,000 in total of which (i) a deposit of HK$30,000,000 had been paid pursuant to a non-binding memorandum of understanding prior to the date of the Agreement; (ii) an amount of HK$47,500,000 in cash shall be payable on the closing date; and (iii) the remaining sum of HK$22,500,000 to be settled by the allotment and issue of an aggregate of 7,500,000 shares of the Company (the ''Post-closing Consideration Shares''), at the issue price of HK$3 per share on the 1st anniversary of the date of closing, subject to a post-closing cash alternative (''Post-Closing Cash Alternative'') as stipulated in the Agreement.

In accordance with HKFRS 3 (Revised), the consideration transferred in a business combination is measured at fair value at the acquisition date and therefore, the Post-closing Consideration Shares shall be measured at the fair value as at the completion date of the Acquisition. If any of the events as stipulated in the Agreement occurs, the seller of the Target Company can request the Group to settle the Post-closing Consideration Shares by a payment of HK$22,500,000 in cash. Accordingly, for the purpose of the Unaudited Pro Forma Financial Information, it is assumed that the final consideration of the Acquisition is HK$100,000,000.

In accordance with HKFRS 3 (Revised), the excess of consideration over the fair value of identifiable net assets shall be accounted for as a goodwill. The adjustment represents goodwill arising from the Acquisition which is calculated as follows:

		HK$'000
Consideration		100,000
Less: Net assets of Target Company acquired		
Total identifiable assets of Target Company	(7,461)	
Non-controlling interest	2,984	(4,477)
Goodwill		95,523

The fair value of net assets acquired is subject to changes upon completion of the Acquisition because in accordance with HKFRS 3 (Revised), the fair value of all identifiable assets and liabilities of the Target Company shall be assessed on the date of completion and the consideration of the Acquisition shall be subject to changes based on the share price of the Company. Accordingly, the goodwill may be materially different from the calculation above.

In the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the directors of the Company had performed an impairment assessment of the goodwill in accordance with Hong Kong Accounting Standard 36 *Impairment of Assets* (''HKAS 36''). Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss will be recognised. An impairment loss recognised for goodwill will not be reversed in a subsequent period. Based on the latest information available to us when preparing the Unaudited Pro Forma Financial Information, the directors of the Company are not aware of any goodwill impairment indicator.

The directors of the Company confirmed that they will adopt consistent approach to assess impairment of goodwill in subsequent reporting periods in accordance with the requirements of HKAS 36 and will disclose in the Group's annual report the basis and assumptions adopted by the directors of the Company in the impairment assessment in accordance with the disclosure requirements in HKAS 36.

(4) The adjustments represented the estimated direct expenses of HK$1,500,000 for the Acquisition and for the purpose of preparation of the Unaudited Pro Forma Information of the Enlarged Group.

(5) Apart from the Acquisition, no other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions to the Enlarged Group entered into subsequent to 30 June 2018 for the Enlarged Group.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT IN THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Group.

EY 安永

24 December 2018

The Directors
UMP Healthcare Holdings Limited
Room 1404–08, Wing On House
71 Des Voeux Road Central
Hong Kong

Dear Sirs

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of UMP Healthcare Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and SkinCentral Limited (the "Target Company") (together with the Group hereinafter collectively referred to as the "Enlarged Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2018 and related notes as set out on pages III-1 to III-4 of the circular of the Company dated 24 December 2018 (the "Circular") (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page III-1 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of a 60% equity interest of the Target Company (the "Acquisition") on the Group's assets and liabilities as at 30 June 2018 as if the Acquisition had taken place at 30 June 2018. As part of this process, information about the Group's assets and liabilities has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 30 June 2018. Information about the Target Company's assets and liabilities has been extracted by the Directors from historical financial information included in the Accountants' Report of the Target Company as set out in Appendix II to the Circular.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 ("AG 7") *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information of the Enlarged Group and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the acquisition of the Target Company on unadjusted financial information of the Group as if the acquisition had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

Set out below is the management discussion and analysis of the Target Company's operation and financial performance for the three financial years ended 31 December 2015, 31 December 2016, 31 December 2017 and the six months periods ended 30 June 2017 and 30 June 2018, respectively. The following financial information is based on the accountants' report of the Target Company as set out in appendix II to this circular.

BUSINESS REVIEW

The Target Company is a company incorporated in Hong Kong with limited liability and is directly wholly-owned by the Seller. It operates a medical centre principally providing dermatological services in Hong Kong.

REVENUE

The following shows the amount of each significant category of revenue recognised by the Target Company for the periods specified below:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000* (unaudited)	*HKD'000*
Provision of medical consultation and treatment services	45,338	49,142	49,635	25,918	26,037
Sales of pharmaceutical drugs and products	6,830	7,278	7,018	3,562	3,550
Total Revenue	52,168	56,420	56,653	29,480	29,587

The total revenue of the Target Company for the years ended 31 December 2017 and 31 December 2016 was HKD56.7 million and HKD56.4 million respectively, which was kept relatively stable. The total revenue of the Target Company for the year ended at 31 December 2016 was HKD56.4 million which represents 8.2% growth when compared with that of HKD52.2 million for the year ended 31 December 2015. Such increase in revenue was mainly attributable to increase of revenue from the provision of medical consultation and treatment services and the growth of total number of patient visit. The total revenue of the Target Company for the six months ended 30 June 2018 and 30 June 2017 was HKD29.6 million and HKD29.5 million respectively, which remained relatively stable.

The Target Company's revenue is mainly generated from the provision of medical consultation and treatment services which accounted for approximately 86.9%, 87.1% and 87.6% of the total revenue, respectively for the three years ended 31 December 2015, 2016 and 2017, and accounted for approximately 87.9% and 88.0% of the total revenue, respectively, for the six months ended 30 June 2017 and 2018.

The Target Company's revenue derived from the sales of pharmaceutical drugs and products accounted for approximately 13.1%, 12.9% and 12.4% of the total revenue, respectively for the three years ended 31 December 2015, 2016 and 2017, and accounted for approximately 12.1% and 12.0% of the total revenue, respectively, for the six months ended 30 June 2017 and 2018.

COST OF INVENTORIES AND CONSUMABLES

The cost of inventories and consumables of the Target Company for the year ended 31 December 2017 was HKD6.0 million which represents 3.4% decrease when compared with that of HKD6.2 million for the year ended 31 December 2016. The decrease was mainly attributable to the decrease in sales of pharmaceutical drugs and products.

The cost of inventories and consumables of the Target Company for the year ended 31 December 2016 decreased by 11.9% when compared with that of HKD7.0 million for the year ended 31 December 2015. The decrease was mainly attributable to lower average costs of consumables per treatment.

The cost of inventories and consumables of the Target Company for the six months ended 30 June 2018 and 30 June 2017 was HKD2.3 million and HKD2.8 million, respectively. The decrease was mainly attributable to lower average costs of consumables per treatment.

STAFF COSTS

Staff costs include directors' remuneration, staff salaries, wages, commission, bonuses and allowances, and retirement benefit scheme contributions for doctors, nurses and administrative staff.

The increase in staff costs was in line with the increase in revenue from the year ended 31 December 2015 to the year ended 31 December 2016. Staff costs increased from HKD19.4 million for the year ended 31 December 2016 to HKD20.5 million for the year ended 31 December 2017 mainly due to increased payments to doctors.

Staff costs decreased from HKD10.5 million for the six months ended 30 June 2017 to HKD8.0 million for the six months ended 30 June 2018, primarily due to certain previously employed doctors changed their service arrangement with the Target Company to provision of professional services during the six months ended 30 June 2018.

PROFESSIONAL SERVICES FEES

Professional services fees represent fees paid to visiting doctors, which remained relatively stable at HKD0.7 million, HKD0.6 million and HKD0.4 million for the years ended 31 December 2015, 2016 and 2017 respectively.

Professional services fees increased from HKD0.3 million for the six months ended 30 June 2017 to HKD3.0 million for the six months ended 30 June 2018, primarily due to certain previously employed doctor changed their service arrangement with the Target Company to provision of professional services during the six months ended 30 June 2018.

OTHER EXPENSES

Other expenses mainly include bank charges, repair and maintenance, laboratory test charges and other administrative expenses.

Other expenses increased from HKD3.5 million for the year ended 31 December 2015 to HKD4.0 million for the year ended 31 December 2016. Excluding the loss on plant and equipment written-off for the year ended 31 December 2016, the increase in other expenses was in line with the increase in revenue.

Other expenses decreased from HKD4.0 million for the year ended 31 December 2016 to HKD3.7 million for the year ended 31 December 2017. The decrease was mainly attributable to reduced laboratory tests required and tightened control over other administrative expenses.

Other expenses increased from HKD1.8 million for the six months ended 30 June 2017 to HKD2.1 million for the six months ended 30 June 2018. The increase was primarily due to a combined increase in repair and maintenance, laboratory test charges, insurance and other administration expenses.

NET PROFIT AFTER TAX

Net profit after tax increased in line with the increase in revenue from the year ended 31 December 2015 to 2016, from the year ended 31 December 2016 to 2017 and from the six months ended 30 June 2017 to 2018. The net profit margin remained relatively stable at approximately 25.0%, 24.6% and 24.3% for the years ended 31 December 2015, 2016 and 2017 respectively, and at approximately 26.2% and 26.2% for the six months ended 30 June 2017 and 2018 respectively.

DEFERRED REVENUE

Certain services of the Target Company are sold on a prepaid basis. Payment received in advance for the treatment services are recorded as deferred revenue at the time of receipt. The balance of HKD2.9 million, HKD3.7 million, HKD4.1 million and HKD4.4 million as at 31 December 2015, 2016 and 2017 and 30 June 2018 respectively represent the performance obligations to be satisfied relating to provision of treatment services, which will be recognised as revenue according to the contract period and the timing of provision of service. All payment received in advance for the treatment services are non-refundable and non-exchangeable for other services or products.

The increase of the deferred revenue over the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 was mainly attributable to the reason that the revenue recognised from the deferred revenue upon provision of treatment services to the patients in a period was less than the payment received in advance from the patients for the treatment services in the same period.

LIQUIDITY AND FINANCIAL RESOURCES

During the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the Target Company financed its operations by its own cash and had no borrowings. As at 31 December 2015, 2016 and 2017 and 30 June 2018, the Target Company had bank balances and cash of HKD5.4 million, HKD4.9 million, HKD5.5 million and HKD7.4 million respectively and there was no pledged bank deposit and no outstanding borrowing. As at 31 December 2015, 2016 and 2017 and 30 June 2018, the Target Company had net current assets of HKD2.2 million, HKD5.2 million, HKD0.5 million and HKD1.1 million respectively.

For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the Target Company had capital expenditure of HKD5.2 million, HKD0.7 million, HKD1.8 million and HKD0.2 million respectively on plant and equipment.

INTEREST RATE OF BORROWING

As at 31 December 2015, 2016 and 2017 and 30 June 2018, the Target Company had no interest-bearing borrowings.

CONTINGENT LIABILITIES

As at 31 December 2015, 2016 and 2017 and 30 June 2018, the Target Company had no material contingent liabilities.

GEARING RATIOS

The Target Company had a gearing ratio of 0% as at 31 December 2015, 2016 and 2017 and 30 June 2018, which are calculated as total borrowings divided by total equity.

OPERATING LEASE COMMITMENTS IN RESPECT OF LAND AND BUILDINGS

Operating lease payments represent rentals payable by the Target Company for the clinic and office premises. Leases are negotiated for a term of two to three years. At the end of each reporting period, the Target Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Within one year	6,264	3,915	6,424	6,424
In the second to fifth year inclusive	3,915	–	10,438	7,226
	10,179	3,915	16,862	13,650

CHARGE ON ASSETS

The Target Company did not have any charge on assets as at 31 December 2015, 2016 and 2017 and 30 June 2018.

FOREIGN EXCHANGE RISK EXPOSURE

For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the Target Company's business and operations were principally based in Hong Kong, its operating revenues, operating expenses, and the principal assets and liabilities were denominated in Hong Kong dollars. The Target Company considered that it did not have any material exposure to fluctuation in exchange rate. Therefore, no hedging measures were applied.

LIQUIDITY RISK EXPOSURE

In management of the liquidity risk, the Target Company monitors and maintains levels of bank balances and cash deemed adequate by the management to finance the Target Company's operations and mitigate the effects of fluctuations in cash flows. As at 31 December 2015, 2016 and 2017 and 30 June 2018, the Target Company had net current assets of HKD2.2 million, HKD5.2 million, HKD0.5 million and HKD1.1 million respectively, and the Target Company considered that it did not have significant liquidity risk exposure.

CAPITAL STRUCTURE AND SHARE CAPITAL

As at 31 December 2015, 2016 and 2017 and 30 June 2018, the capital structure of the Target Company mainly comprised its share capital and reserves. As at 30 June 2018, the paid-up share capital of the Target Company was HKD1.0 million.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the Target Company did not have any significant investment, material acquisition or disposal of subsidiaries and associate company.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Target Company has no plan for material investments or capital assets which are not in the ordinary and usual course of its business.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2015, 2016 and 2017 and 30 June 2018, the Target Company had 22, 18, 22 and 22 employees respectively, who were remunerated according to nature of job position and trend in relevant industry, as well as their respective qualification and performance. The total staff costs of the Target Company for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately HKD17.5 million, HKD19.4 million, HKD20.5 million, HKD8.0 million, respectively.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which: (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required to be entered into the register required to be kept by the Company under Section 352 of the SFO; or (c) which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code were set out below:

(i) The Company

Name of Directors	Long/short position	Capacity	Number of Shares/ Underlying Shares	Note	Approximate percentage of Issued Shares Capital
Dr. Sun Yiu Kwong	Long position	Beneficial Owner	16,726,000		
	Long position	Beneficial Owner	2,300,000	1	
	Long position	Beneficial Owner	700,000	2	
	Long position	Interest of controlled corporation	243,756,343	3	
			263,482,343		**34.80%**
Ms. Kwok Cheuk Kwan, Jacquen	Long position	Beneficial Owner	17,748,657		
	Long position	Beneficial Owner	1,500,000	1	
	Long position	Beneficial Owner	500,000	2	
	Long position	Beneficial Owner	11,380,000	4	
			31,128,657		**4.11%**
Mr. Tsang On Yip, Patrick	Long position	Beneficial Owner	1,500,000	1	
	Long position	Beneficial Owner	400,000	2	
	Long position	Beneficial Owner	600,000	4	
			2,500,000		**0.33%**

Name of Directors	Long/short position	Capacity	Number of Shares/ Underlying Shares	Note	Approximate percentage of Issued Shares Capital
Dr. Sun Man Kin, Michael	Long position	Beneficial Owner	12,590,000		
	Long position	Beneficial Owner	1,500,000	1	
	Long position	Beneficial Owner	400,000	2	
			14,490,000		**1.91%**
Mr. Lee Kar Chung, Felix	Long position	Beneficial Owner	1,238,000		
	Long position	Beneficial Owner	1,500,000	1	
	Long position	Beneficial Owner	500,000	2	
	Long position	Beneficial Owner	10,242,000	4	
			13,480,000		**1.78%**
Dr. Lee Pak Cheung, Patrick	Long position	Beneficial Owner	19,565,000		
	Long position	Beneficial Owner	1,500,000	1	
	Long position	Beneficial Owner	400,000	2	
			21,465,000		**2.83%**
Mr. Lee Luen Wai, John *BBS JP*	Long position	Beneficial Owner	200,000		
	Long position	Beneficial Owner	300,000	1	
			500,000		**0.07%**
Dr. Li Kwok Tung, Donald *BBS JP*	Long position	Beneficial Owner	308,000		
	Long position	Beneficial Owner	300,000	1	
			608,000		**0.08%**
Mr. Yeung Wing Sun, Mike	Long position	Beneficial Owner	200,000	1	0.03%

Notes:

(1) These Shares represented the underlying Shares under the options granted by the Company pursuant to the Post-IPO Share Option Scheme.

(2) These Shares represented the awarded Shares granted by the Company pursuant to the Share Award Scheme and subject to vesting conditions attaching to such grant.

(3) Dr. Sun Yiu Kwong is deemed to be interested in the 199,601,343 Shares held by East Majestic Group Limited, being his controlled corporation, and is also deemed to be interested in 44,155,000 Shares held by EM Team Limited, also being his controlled corporation.

(4) These Shares represented the underlying Shares under the options granted by the Company on 18 August 2015 pursuant to the Pre-IPO Share Option Scheme.

(ii) Associated Corporations (within the meaning of the SFO)

Procure Medical Imaging & Laboratory Centre Limited (1)

Name of Directors	Long/short position	Capacity	Number of Shares/ Underlying Shares	Approximate percentage of Issued Shares Capital
Dr. Sun Man Kin, Michael	Long position	Beneficial Owner	625	6.25%

Causeway Bay MRI Centre Limited (2)

Name of Directors	Long/short position	Capacity	Number of Shares/ Underlying Shares	Approximate percentage of Issued Shares Capital
Dr. Sun Man Kin, Michael	Long position	Beneficial Owner	95	7.60%

Notes:

(1) UMP Medical Centre Limited, a wholly-owned subsidiary of the Company, holds 62.5% of the entire issued share capital of Procare Medical Imaging & Laboratory Centre Limited.

(2) UMP Medical Centre Limited, a wholly-owned subsidiary of the Company, holds 20% of the entire issued share capital of Causeway Bay MRI Centre Limited.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors of the Company, the following persons/entities (other than the Directors or chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of substantial shareholder	Long/short position Ordinary Shares	Capacity	Number of Shares/ Underlying Shares	Note	Approximate percentage of Issued Shares Capital
East Majestic Group Limited	Long position	Beneficial Owner	199,601,343	1	26.36%
EM Team Limited	Long position	Beneficial Owner	44,155,000	1	5.83%
Cheng Yu Tung Family (Holdings II) Limited	Long position	Interest held by its controlled corporations	110,411,000	2	14.58%
Cheng Yu Tung Family (Holdings) Limited	Long position	Interest held by its controlled corporations	110,411,000	2	14.58%
Chow Tai Fook Capital Limited	Long position	Interest held by its controlled corporations	110,411,000	2	14.58%
Chow Tai Fook (Holding) Limited	Long position	Interest held by its controlled corporations	110,411,000	2	14.58%
Chow Tai Fook Enterprises Limited	Long position	Interest held by its controlled corporations	110,411,000	2	14.58%
Healthcare Ventures Holdings Limited	Long position	Beneficial Owner	110,411,000	2	14.58%
China Resources National Corporation	Long position	Interest held by its controlled corporations	97,311,000	3	12.85%
CR Medical	Long position	Interest held by its controlled corporations	97,311,000	3	12.85%

Notes:

(1) Dr. Sun Yiu Kwong was deemed to be interested in the 199,601,343 Shares held by East Majestic Group Limited, being his controlled corporation, and was also deemed to be interested in the 44,155,000 Shares held by EM Team Limited, also being his controlled corporation.

(2) Healthcare Ventures Holdings Limited was wholly-owned by CTFE, which was wholly-owned by Chow Tai Fook (Holding) Limited ("**CTFH**"). CTFH was held as to 81.0% by Chow Tai Fook Capital Limited ("**CTFC**"), which was in turn held as to 49.0% by Cheng Yu Tung Family (Holdings) Limited ("**CYTF**") and as to 46.7% by Cheng Yu Tung Family (Holdings II) Limited ("**CYTFII**"). By virtue of the SFO, CTFE, CTFH, CTFC, CYTF and CYTFII were deemed to be interested in the same parcel of Shares in which Healthcare Ventures was interested.

(3) Pinyu Limited was the beneficial owner of the Shares. Pinyu Limited was wholly owned by Unison Champ Limited, which was wholly owned by China Resources Medical Holdings Company Limited (formerly known as China Resources Phoenix Healthcare Holdings Company Limited) (Stock code: 1515) ("**CR Medical**"). CR Medical was held as to 35.7% by CRH (Phoenix Healthcare) Limited and as to 0.3% by Commotra Company Limited. CRH (Phoenix Healthcare) Limited was wholly owned by China Resources Healthcare Group Limited, which was wholly owned by CRH (Healthcare) Limited. Both CRH (Healthcare) Limited and Commotra Company Limited were wholly owned by China Resources (Holdings) Company Limited, which was wholly owned by CRC Bluesky Limited. CRC Bluesky Limited was wholly owned by China Resources Co., Limited, which was wholly owned by China Resources National Corporation. By virtue of the SFO, Unison Champ Limited, CR Medical, CRH (Phoenix Healthcare) Limited, China Resources Healthcare Group Limited, CRH (Healthcare) Limited, China Resources Co., Limited, China Resources (Holdings) Company Limited, CRC Bluesky Limited and China Resources National Corporation were deemed to be interested in the same parcel of shares of the Company in which Pinyu Limited was interested.

According to disclosure of interest filings available on the Stock Exchange website, Snow Lake China Master Fund, Ltd. ("**SLCMF**") and Snow Lake China Master Long Fund, Ltd. ("**SLCMLF**") beneficially owned 97,750,000 and 20,382,000 Shares respectively. SLCMF was held as to 80.93% by Snow Lake China Offshore Fund, Ltd. ("**SLCOFL**") and accordingly SLCOFL was deemed to be interested in the 97,750,000 Shares held by SLCMF pursuant to the SFO. Snow Lake Capital Limited ("**SLCL**") and Snow Lake Capital (HK) Limited ("**SLCHKL**"), which were wholly controlled by Mr. Ma Sean, were the investment manager and the investment adviser to both SLCMF and SLCMLF respectively. Accordingly, Mr. Ma Sean, SLCL and SLCHKL were deemed to be interested in the aggregate holding of 118,132,000 Shares owned by SLCMF and SLCMLF pursuant to the SFO, representing, for illustrative purpose, 15.60% of the total issued share capital of the Company as at the Latest Practicable Date. Out of these 118,132,000 Shares, 84,476,000 Shares (representing, for illustrative purpose, 11.16% of the total issued share capital of the Company as at the Latest Practicable Date) were interests in cash-settled equity derivatives.

4. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group within two years immediately preceding the date of this circular and up to the Latest Practicable Date and are or may be material:

(a) the Sale and Purchase Agreement;

(b) the subscription agreement dated 24 October 2018 entered into among the Company, Zheng He and Mr. Law Sin Wah, Eddie, as more particularly described in the circular of the Company dated 29 October 2018;

(c) the legally binding amended and restated memorandum of understanding dated 30 August 2018 entered into between the Company and Zheng He to amend and supplement the terms of the memorandum of understanding dated 27 July 2018, as more particularly described in the announcement of the Company dated 30 August 2018; and

(d) the legally binding memorandum of understanding and dated 27 July 2018 entered into between the Company and Zheng He as more particularly described in the Company's announcement dated 27 July 2018.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the Group's businesses as required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

7. INTEREST IN CONTRACTS AND ASSETS

There was no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date in which any of the Directors was materially interested and which was significant in relation to the business of the Enlarged Group as a whole.

As disclosed in the announcement of the Company on 6 September 2018, the Company entered into the property leasing framework agreement dated 6 September 2018 with Rich Point Investment Holdings Limited, an associate of Dr. Sun Yiu Kwong, the chairman, chief executive officer and executive director of the Company, in respect of the properties of Dr. Sun Yiu Kwong and his associates (including Rich Point Investment Holdings Limited) for a term up to 30 June 2021. Please refer to the announcement of the Company dated 6 September 2018 for the details and principal terms of the lease agreements. Save as aforesaid, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 30 June 2018, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong from the date of this circular up to and including the date of the EGM (being not less than 14 days):

(a) the memorandum of association and bye-laws of the Company;

(b) the Sale and Purchase Agreement;

(c) the contracts referred to in the paragraph headed "Material contracts" in this Appendix;

(d) the audited consolidated financial statements of the Group for the two financial years ended 30 June 2017 and 30 June 2018; and

(e) this circular.

10. MISCELLANEOUS

(a) The registered address of the Company is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The company secretary of the Company is Ms. Ma Hoi Wan who is a practising member of the Hong Kong Institute of Certified Public Accountants.

(c) The principal place of business of the Company in Hong Kong is at Room 1404–08, 14/F, Wing On House, 71 Des Voeux Road Central, Hong Kong.

(d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The principal share registrar of the Company in the Cayman Islands is Conyers Trust Company (Cayman) Limited.

(f) The English text of this circular and the accompanying proxy form shall prevail over their respective Chinese texts in case of inconsistency.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**EGM**") of UMP Healthcare Holdings Limited (the "**Company**") will be held at 9th Floor, Three Exchange Square, Central, Hong Kong, on Tuesday, 15 January 2019 at 2:30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company. Capitalised terms defined in the circular of the Company dated 24 December 2018 (the "**Circular**") shall have the same meanings when used in this notice unless otherwise specified:

ORDINARY RESOLUTION

1. **"THAT**

(a) the Sale and Purchase Agreement (a copy of which had been marked "A", and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the form of the Shareholders' Agreement (a copy of which had been marked "B", and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(c) the grant by UMP Medical to the Seller, and the performance of the obligations of UMP Medical upon the exercise by the Seller, of the Stage 2 Put Option be and are hereby approved, confirmed and ratified;

(d) the grant by UMP Medical to the Seller, and the performance of the obligations of UMP Medical upon the exercise by the Seller, of the Stage 3 Put Option be and are hereby approved, confirmed and ratified;

(e) the grant by UMP Medical to the Seller, and the performance of the obligations of UMP Medical upon the exercise by the Seller, of the CoC Put Option be and are hereby approved, confirmed and ratified;

(f) conditional upon the Stock Exchange granting the approval of the listing of, and the permission to deal in, the Post-closing Consideration Shares, the allotment and issue of the Post-closing Consideration Shares credited as fully paid to the Seller pursuant to the Sale and Purchase Agreement be and is hereby approved, confirmed and ratified and that any one or more of the Directors be and is hereby authorised to allot and issue the Post-closing Consideration Shares in accordance with the terms of the Sale and Purchase Agreement and to take all steps as he/she or they may consider necessary, desirable or expedient to implement or give effect to the allotment and issue of the Post-closing Consideration Shares; and

(g) any one or more of the Directors be and is hereby authorised to sign and execute such other documents or supplemental agreements or deeds for and on behalf of the Company or any other member of the Group and to do all such things and take all such actions as he or they may consider necessary, desirable or expedient for the purpose of carrying out or giving effect to or otherwise in connection with the Sale and Purchase Agreement, the Shareholders' Agreement the Stage 2 Put Option, the Stage 3 Put Option, the CoC Put Option and the transactions contemplated thereunder."

By order of the Board
UMP Healthcare Holdings Limited
SUN Yiu Kwong
Chairman and Chief Executive Officer

Hong Kong, 24 December 2018

Notes:

(1) All resolutions at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating purely to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

(2) Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy or more than one proxy (where the shareholder holds two or more shares) to attend and vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.

On a show of hands, every shareholder who is present in person (or being a corporation, is present by a duly authorised representative) or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a shareholder which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. In the case of a poll, every shareholder present in person or by proxy or being a corporation, present by its authorised representative shall be entitled to one vote for each fully paid share held by him.

(3) In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(4) For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Thursday, 10 January 2019 to Tuesday, 15 January 2019 , both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 9 January 2019.

As at the date of this notice, the board of directors of the Company 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 and Mr. YEUNG Wing Sun, Mike as independent non-executive directors.