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**China Renji Medical Group Ltd**

中國仁濟醫療集團有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 648)**

**MEMORANDUM OF UNDERSTANDING —  
IN RESPECT OF A POSSIBLE ACQUISITION  
INVOLVING INTERNET MEDICAL BUSINESS**

**THE MOU**

The Company is pleased to announce that on 16 June 2015, the Company entered into the non-legally binding MOU with the Vendors and the Guarantor in relation to the possible acquisition of the Target Group, which is principally engaged in the internet medical business in the PRC involving, among other things, (i) the provision of internet medical diagnosis/consultation services; (ii) the research and development of internet medical systems; and (iii) the design, development and production of the relevant internet medical equipment for use in the internet medical services.

**The Company wishes to emphasize that no binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement and the Possible Acquisition may or may not proceed. If the Possible Acquisition is materialised, it may constitute a major transaction for the Company under the Listing Rules and further announcement(s) will be made by the Company in compliance with the Listing Rules as and when appropriate.**

**Shareholders and potential investors of the Company should be aware that the MOU is non legally binding and, details and terms of the Possible Acquisition are subject to commercial negotiation between the parties to the MOU. As the Possible Acquisition may or may not proceed, shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## THE MOU AND THE POSSIBLE ACQUISITION

The Company is pleased to announce that on 16 June 2015, the Company entered into the non-legally binding memorandum of understanding (the “**MOU**”) with the Vendors and the Guarantor (as defined below) and details of which are summarised as follows:

### **Date:**

16 June 2015

### **Parties:**

- (i) Company as the purchaser;
- (ii) the registered shareholders (the “**Vendors**”) of the Target Group (as defined below); and
- (iii) the beneficial owner of the Target Group (the “**Guarantor**”).

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Vendors and the Guarantor are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

### **Subject matter of the Possible Acquisition**

Pursuant to the MOU, the Company intends to acquire and the Vendors/Guarantor intend to dispose of the entire equity interest of a group companies (the “**Target Group**”) which is principally engaged in the internet medical business in the PRC involving, among other things, (i) the provision of internet medical diagnosis/consultation services; (ii) the research and development of internet medical systems; and (iii) the design, development and production of the relevant equipment for use in the internet medical services.

### **Undertakings**

Pursuant to the MOU, the Vendors and the Guarantor have undertaken to the Company that:

- (i) the operating right of an internet medical service centre (the “**Sample Internet Medical Service Centre**”) located in a city in the PRC will be injected into the Target Group such that for the 12-month period commencing from the seventh month after the signing of the Formal S&P Agreement (the “**First Year**”), the audited net profit attributable to the internet medical business of the Sample Internet Medical Service Centre will not be less than HK\$3.75 million and will not be less than HK\$6.25 million for each of the successive 12-month periods following the First Year.
- (ii) within six months following completion of the Formal S&P Agreement, the Target Group will enter into letters of intent on cooperation with the relevant health and family planning commissions of the Xinjiang Autonomous Region, Inner Mongolia Autonomous Region and Ningxia Autonomous Region (collectively, the “**Three Autonomous Regions**”) for the provision of the internet medical services by the Target Group in respect of 31 cities within the Three Autonomous Regions, and by the end of the First Year, the Target Group will enter into relevant formal agreements with the relevant health and family planning commission in the Three Autonomous Regions in respect of such 31 cities.

- (iii) within the First Year, the Target Group shall establish not less than seven internet medical services centres, six internet medical services centres and one internet medical services centre for provision of internet medical services covering the entire region of Xinjiang Autonomous Region, Inner Mongolia Autonomous Region and Ningxia Autonomous Region, respectively.
- (iv) the audited net profit after taxation derived from the telemedicine business (excluding any non-recurring profit or other incomes which are not related to the internet medical business) of the Target Group will not be less than HK\$35 million during the First Year (the “**First Year Guaranteed Profit**”);
- (v) by the end of the 12-month period immediately following the First Year (the “**Second Year**”), the Target Group will establish seven and six additional internet medical service centres in the Xinjiang Autonomous Region and Inner Mongolia Autonomous Region, respectively;
- (vi) the audited net profit of the Target Group will not be less than HK\$70 million (the “**Second Year Guaranteed Profit**”) during the Second Year;
- (vii) the audited net profit of the Target Group will not be less than HK\$120 million (the “**Third Year Guaranteed Profit**”) during the 12-month period immediately following the Second Year (the “**Third Year**”).

### **Consideration**

The proposed consideration (the “**Consideration**”) for the Possible Acquisition will be not more than HK\$440 million and is payable by installments based on the following manners:

- (i) the first installment (the “**First Installment**”) will be the lower of HK\$30 million or the valuation (the “**Valuation**”) of the entire equity interest of the Target Group (mainly the copyright of the internet medical system developed by the Target Group and the medical imaging equipment proprietary rights, etc.) to be performed by a valuer to be jointly appointed by the Company, the Vendors and the Guarantor.

50% of the First Installment will be payable upon the signing of the Formal S&P Agreement in cash and the remaining 50% will be payable in cash within six months after the signing of the Formal S&P Agreement and upon the Target Group having entered into letters of intent on cooperation with the relevant health and family planning commission of the Three Autonomous Regions for its provision of the internet medical services in respect of the 31 cities within the Three Autonomous Regions.

- (ii) following the accomplishment of the First Year Guaranteed Profit, the Company will pay the second installment (the “**Second Installment**”) of HK\$70 million in cash. In the event that the Target Group fails to achieve the First Year Guaranteed Profit, the Second Installment will be deducted by 200% of the difference between the First Year Guaranteed Profit and the audited net profit for the First Year;
- (iii) following the accomplishment of the Second Year Guaranteed Profit, the Company will pay the third installment (the “**Third Installment**”) of HK\$140 million in cash. In the event that the Target Group fails to achieve the Second Year Guaranteed Profit, the Third Installment will be deducted by 200% of the difference between the Second Year Guaranteed Profit and the audited net profit for the Second Year; and

(iv) following the accomplishment of the Third Year Guaranteed Profit, the Company will pay the fourth installment (the “**Fourth Installment**”) of HK\$200 million either in cash or through the issuance of new shares of the Company (based on the share price of the Company as at the date of the Formal S&P Agreement), subject to the discretion of the Vendors. In the event that the Target Group fails to achieve the Third Year Guaranteed Profit, the Third Installment will be deducted by 160% of the difference between the Third Year Guaranteed Profit and the audited net profit for the Third Year.

### **Capital contribution**

Within a 36-month period following the completion of the Formal S&P Agreement, the Company will, depending on the progress of development and the working capital needs of the Target Group, contribute an amount up to HK\$300 million to the Target Group for purpose of, among other things, the upgrading of the internet medical systems and relevant hardware production, capital verification and establishment of the internet medical services centres.

### **Composition of the board of directors of the Target Company**

It is intended that the board of directors of the Target Group will comprise 5 directors, of which 3 (including the chairman of the board of directors) will be appointed by the Company and the remaining 2 will be appointed by the Vendors and/or the Guarantors. The chief executive officer and the chief financial officer will be appointed by the Vendors/Guarantor and the Company, respectively.

### **Exclusivity Period**

The Target Group, the Vendors and the Guarantor has undertaken to the Company that within three months after the signing of the MOU (the “**Exclusivity Period**”), unless with the prior written consent from the Company, no other parties to the MOU will negotiate, enter into memorandum of understandings, letters of intents, agreements or arrangements (whether verbally or in written form) which relates to the subject matters of the Possible Acquisition or hinders the transactions contemplated under the Possible Acquisition. During the Exclusivity Period, the Company will conduct due diligence review on the Target Group with a view to entering into the Formal S&P Agreement.

### **REASONS FOR AND BENEFIT OF THE POSSIBLE ACQUISITION**

The Group is principally engaged in and invests in healthcare and well-being business, including the operation of a chain of medical centres specialising in the diagnosis and treatment of tumours in the PRC, a chain of sports and healthcare clubhouses under the brandname of “Megafit” in the PRC and a retail chain of optical products and eye-care services under the brand name “Hong Kong Optical” in Hong Kong, as well as investment and asset management business (such as investment in securities, fixed/capital assets and distressed assets, and loan financing business). The Group is also the single largest shareholder of Rui Kang Pharmaceutical Group Investments Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, engaged in, the manufacture, research and development, sale and distribution of consumer cosmetic, health related and pharmaceutical products in the PRC and Hong Kong.

Telemedicine is a rapidly developing application of clinical medicine which involves the use of medical information exchanged from one site to another via electronic communication (such as phone, internet or other networks) for diagnosis of the patients located in remote villages/

areas. Telemedicine includes a growing variety of application and services using, for examples, two-way video, smart phones, wireless tools, internet and other forms of telecommunication technology. The use of telemedicine has spread rapidly and is increasingly integrated into the ongoing operations of hospitals, specialty departments, home health agencies, private physician offices as well as consumer's home and workplaces. Internet medical business is one of the major applications of telemedicine which is most beneficial for population living in isolated communities and remote regions and is also useful as a communication tool between general practitioners available at a remote location and specialists in another metropolitan location.

The application of "Internet Plus" concept has been promoted by the PRC government to integrate the development of the internet with medical services. In the 《全國醫療衛生服務體系規劃綱要(2015–2020年)》 (National Plan on Health and Medical Service System (Year 2015–2020)\*) issued by the State Council of the PRC in 2015, it proactively encourages the development and application of new technologies in internet, mobile network, the internet of things, cloud computation and other wearable devices for use in the medical sector with a view to promoting health information service and intelligent medical services on a national basis. In addition, in early 2015, the National Development and Reform Commission and the Nation Health and Family Planning Commission of the PRC have jointly promulgated that Ningxia Autonomous Region, Inner Mongolia Autonomous Region, Guizhou Province, Tibet Autonomous Region and Yunan Province to be the pilot provinces/regions for the development of the telemedicine/internet medical services. Notwithstanding the above, the PRC government has also sped up the laying of broad band network in rural areas of the PRC to enable citizens living in the rural areas to enjoy the benefits of the development of internet technology (such as internet medical services).

The Company has considered the Possible Acquisition will allow the Group to ride on the trend of the national medical reform and the internet technology development, and more importantly, to enable the Group to rapidly expand and gain a greater coverage for its healthcare business in the PRC with a view to achieving its business goal of becoming a fully integrated healthcare and well-being group in the PRC. As such, the Company has considered that the Possible Acquisition, which will allow the Group to tap into the growing telemedicine/internet medical business in the PRC, is in the interest of the Company and its shareholders as a whole.

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## DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings ascribed to them respectively:

“Company”	China Renji Medical Group Limited, a company incorporated in Hong Kong with limited liability whose issued shares are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Formal S&P Agreement”	the formal sale and purchase agreement in relation to the Possible Acquisition which may or may not be entered into by the Company, subject to the results of the negotiation between the parties to such sale and purchase agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Possible Acquisition”	the possible acquisition of the Target Group pursuant to the MOU
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes The Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of The Hong Kong Special Administrative Region of the PRC
“%”	per cent

By Order of the Board of  
**China Renji Medical Group Limited**  
**Chan Ka Chung**  
*Chairman*

\* *for identification purpose only*

Hong Kong, 16 June 2015

*As at the date of this announcement, the board of Directors comprises three executive Directors, namely Mr. Chan Ka Chung, Mr. Cheung Wai Kwan and Mr. Wang Jianguo; and four independent non-executive Directors, namely, Mr. Chan Yee Ping, Michael, Mr. Lam Chun Ho, Ms. Hu Xuezhen and Ms. Wu Yan.*