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金威医疗集团有限公司

Good Fellow Healthcare Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8143)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF A POSSIBLE ACQUISITION

The Board is pleased to announce that after the trading hours of the Stock Exchange on 13 March 2020, the Purchaser (a wholly-owned subsidiary of the Company), as the intended purchaser, entered into the MOU with the Vendor, as the intended vendor, pursuant to which the Purchaser intends to acquire and the Vendor intends to dispose of the Sale Equity.

The Board wishes to emphasise that no legally binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition materialises, it may constitute a notifiable transaction on the part of the Company. Moreover, the Possible Acquisition will be subject to certain conditions precedent which may not be able to be fulfilled or waived. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisition will be made by the Company in the event that any Formal Agreement has been signed.

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Major terms of the MOU

Date: 13 March 2020

Parties: (i) Ally Health International Limited (a wholly-owned subsidiary of the Company), as the intended purchaser

(ii) The Vendor, as the intended vendor

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

Pursuant to the MOU, the Purchaser intends to acquire and the Vendor intends to dispose of the Sale Equity, which represents either not less than 70% of the equity interest in the Target Hospital or the entire issued share capital in the Target Company, subject to the absolute discretion of the Purchaser.

Reorganisation

As at the date of this announcement, the Target Hospital is owned as to 40% by the Vendor and 60% by a PRC Company, which is an Independent Third Party.

Pursuant to the MOU, the Vendor undertakes to perform corporate reorganisation which include (i) the Vendor acquiring not less than 30% equity interest in the Target Hospital so that the Vendor will own not less than 70% equity interest in the Target Hospital; and (ii) the Vendor shall inject all his equity interest in the Target Hospital to the Target Company, so that upon completion of the Reorganisation, the Target Hospital will be owned by the Target Company of not less than 70% and the Target Company will be wholly-owned by the Vendor.

Consideration

The exact amount, the manner and the method of payment of the consideration for the Possible Acquisition will be subject to further negotiation between the parties to the MOU based on the results of the due diligence investigations, including but not limited to any profit guarantee that may be given by the Vendor.

The consideration for the Possible Agreement payable by the Purchaser to the Vendor could be paid by the Purchaser in cash or by allotting and issuing new Shares, or issuing promissory note(s) or a combination of any of the above which will be determined by the parties in the Formal Agreement.

Refundable deposit

Pursuant to the terms of the MOU, the Purchaser is required to pay the Refundable Deposit in the amount of HK\$1,000,000 no later than 45 Business Days upon signing of the MOU. If the Formal Agreement has been entered into between the Purchaser and the Vendor within 180 days after the execution of the MOU or such other date the Vendor and the Purchaser may determine, the Refundable Deposit shall form part of the consideration payable by the Purchaser for the Possible Acquisition. In the event, that the Possible Acquisition does not proceed, the Vendor shall refund the Refundable Deposit in full (without interest) to the Purchaser.

The Profit Guarantee

The parties to the MOU have agreed that in the Formal Agreement, the Vendor shall provide profit guarantee after completion of the Possible Acquisition. Detailed terms of the profit guarantee will be subject to parties' further negotiation in the Formal Agreement.

Due Diligence Review

The Purchaser will commence the due diligence review of the Target Group as soon as practicable after the execution of the MOU, and will in any event finish such review and financial analysis within 180 days after the execution of the MOU or such other date the Vendor and the Purchaser may determine.

Exclusivity Period

Pursuant to the MOU, in consideration of the payment of the Refundable Deposit and the expenses to be incurred by the Purchaser in the negotiation of the MOU and in conducting its due diligence review, the Vendor will not, and will procure directors, officers, employees, representatives and agents of the Vendor and/or the Target Company will not, directly or indirectly, for a period of 180 days commencing from the date of the MOU to (i) solicit, initiate or encourage inquiries or offers from, or (ii) initiate or continue negotiations or discussions with or furnish any information to, or (iii) enter into any agreement or statement of intent or understanding with, any person or entity other than the Purchaser with respect to the Possible Acquisition.

Formal Agreement

The Vendor and the Purchaser shall negotiate in good faith to procure that the Formal Agreement be entered into before the date falling 180 days from the date of execution of the MOU (or such later date to be agreed by the Vendor and the Purchaser), and in any event, on or before the date falling 270 days from the date of execution of the MOU.

Conditions precedent

It is intended that the Possible Acquisition will be conditional upon the fulfilment of the following conditions precedent:

- (i) if applicable, the completion of Reorganisation;
- (ii) the Purchaser being satisfied with the results of due diligence review on the Target Group to be conducted by the Purchaser;
- (iii) if necessary, the Shareholders passing at an extraordinary general meeting of the Company of an ordinary resolution approving the Formal Agreement and the transactions contemplated thereunder;
- (iv) if necessary, the Listing Committee of the Stock Exchange granting listing of, and permission to deal in the securities which may be issued to satisfy the consideration of the Possible Acquisition;
- (v) the obtaining of the legal opinion (in form and substance satisfactory to the Purchaser) to be issued by a firm of PRC legal advisers covering the Formal Agreement and the transactions (including the Reorganisation) contemplated thereunder; and
- (vi) any other conditions which may be agreed by the Vendor and the Purchaser in the Formal Agreement.

REASONS FOR AND BENEFITS OF THE POSSIBLE ACQUISITION

The Company is principally engaged in the provision of general hospital services including but not limited to medical wards, surgical wards, cosmetic surgery, dermatology and medical check up and examination. The Company is currently operating two hospitals in Jiaxing and Beijing, respectively, in the PRC.

The Target Company to be incorporated in the BVI will be principally engaged in investment holding.

The Target Hospital is a company established in the PRC in January 2012. The Target Hospital is principally engaged in the provision of specialist services of dermatology, aesthetics and plastic surgery, traditional Chinese medicine and radiology. The Target Hospital has been operating 常州曙光醫療美容醫院(Changzhou Shuguang Medical Beauty Hospital[#]), in Changzhou City, Jiangsu Province, the PRC for 8 years. Given that the Target Hospital has substantial knowledge and expertise in operating the hospital specialised in dermatology, aesthetics and plastic surgery, which is the fast growing specialty in the PRC, the Board believes that the Possible Acquisition will provide great value to the Company.

As mentioned in the third quarterly report 2019/2020 of the Company dated 14 February 2020, the Company has realised that the healthcare industry shows more potential for both financial and technological investments in the country in accordance with the economic targets of the country by the end of 2020 and the management would foresee more opportunities to expand their services through the general and specialised medical models.

Given the demand for quality healthcare services remains high, the Board considers that the Possible Acquisition is expected to bring long-term strategic value to the Company. The Directors consider that the Possible Acquisition, if materialises, will enable to Company to leverage on the Target Hospital's background and expertise to further penetrate the healthcare sector in the PRC by providing a wider range of services relating to the cosmetic surgery and dermatology specialty and would enable the Company to benefit from the competitive advantages of the Target Hospital. In view of the above, the Board considers that the MOU and the Possible Acquisition contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

The Board wishes to emphasise that no legally binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition materialises, it may constitute a notifiable transaction on the part of the Company. Moreover, the Possible Acquisition will be subject to certain conditions precedent which may not be able to be fulfilled or waived. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisition will be made by the Company in the event that any Formal Agreement has been signed.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	board of the Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	British Virgin Islands
“Company”	Good Fellow Healthcare Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM (Stock code: 8143)
“Director(s)”	director(s) of the Company
“Formal Agreement”	the formal sale and purchase agreement which may or may not be entered into in relation to the Possible Acquisition
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	independent third party(ies) who is(are) not connected with the Company and its connected persons (as defined in the GEM Listing Rules)
“MOU”	the non-legally binding memorandum of understanding dated 13 March 2020 entered into among the Purchaser and the Vendor setting out the preliminary understanding in relation to the Possible Acquisition
“Possible Acquisition”	the possible acquisition by the Purchaser from the Vendor of the Sale Equity as contemplated under the MOU
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Ally Health International Limited (康匯國際有限公司), a company incorporated in the BVI with limited liability, the entire issue share capital of which is directly wholly-owned by the Company
“Refundable Deposit”	the amount of HK\$1,000,000 payable by the Purchaser to the Vendor or its nominee no later than 45 Business Days upon signing of the MOU
“Reorganisation”	the reorganisation of the Target Hospital and the Target Company
“Sale Equity”	which will be either not less than 70% of the equity interest in the Target Hospital or the entire issued share capital in the Target Company, subject to the absolute discretion of the Purchaser
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	a company to be incorporated in the BVI with limited liability and all its issued share capital will be wholly-owned by the Vendor, the Target Company will be the holding company of the Target Hospital upon completion of the Reorganisation
“Target Group”	the Target Company and Target Hospital upon completion of the Reorganisation
“Target Hospital”	常州曙光醫療美容醫院有限公司 (Changzhou Shuguang Medical Beauty Hospital Limited [#]), a company established in the PRC with limited liability, is owned as to 40% by the Vendor and 60% by a PRC Company, which is an Independent Third Party as at the date of this announcement
“Vendor”	鄧瑞寶 (Deng Ruibao [#]), a PRC resident
“%”	per cent.

By order of the Board
Good Fellow Healthcare Holdings Limited
Ng Chi Lung
Chairman and Executive Director

Hong Kong, 13 March 2020

[#] *The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.*

As at the date of this announcement, the Board comprises Mr. Ng Chi Lung, Dr. Jiang Tao and Mr. Zheng Gang as executive Directors; Dr. Liu Chenli as a non-executive Director; and Ms. Wong Ka Wai, Jeanne, Dr. Lam Huen Sum and Mr. Lau Tak Kei Arthur as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purposes 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 announcement 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 announcement misleading.

This announcement will be published on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcement” page for at least 7 days from the date of publication and on the Company’s website at <http://www.gf-healthcare.com>.