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## **HENGSHI MINING INVESTMENTS LIMITED**

**恒實礦業投資有限公司**

*(incorporated in the British Virgin Islands and continued in the Cayman Islands with limited liability)*

**(Stock Code: 1370)**

### **MEMORANDUM OF UNDERSTANDING IN RELATION TO THE POSSIBLE ACQUISITION OF A TARGET COMPANY IN THE PRC**

#### **MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION**

The Board announces that on 28 April 2017 (after trading hours), the Company entered into the non-legally binding MOU with the Vendor, in relation to the Possible Acquisition.

Save for the payment of the Deposit, the refund of the Deposit, the termination of the MOU, the undertakings and warranties by the Vendor, confidentiality, notice, expenses, governing law, the MOU does not constitute any legally binding commitment in respect of the Possible Acquisition.

**The Board wishes to emphasise that no 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 is materialised, it may constitute a notifiable transaction on the part of the Company. 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 any Formal Agreement has been signed.

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong).

## **MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION**

The Board announces that on 28 April 2017 (after trading hours), the Company entered into the non-legally binding MOU with the Vendor in relation to the Possible Acquisition.

**Date:** 28 April 2017

### **Parties:**

The Purchaser: The Company (or any of its subsidiary)

The Vendor: A PRC resident who, as at the date of this announcement, held 99% of the interest in the Target Company

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

### **Major terms of the MOU**

#### *Assets to be acquired*

Under the MOU, the Company (through any of its subsidiary) intends to acquire the entire equity interest in the Target Company upon completion of the Reorganisation.

#### *Consideration*

The consideration for the Possible Acquisition shall be not more than RMB400 million which may be settled by the Company by a combination of cash and issue of consideration shares. Within 10 business days after the signing of the MOU, the Company is required to pay the Deposit.

#### *Conditions precedent*

The Possible Acquisition is conditional upon (among other matters):

- (i) the entering into of the Formal Agreement;
- (ii) the satisfaction of the Company (in its absolute discretion) on the due diligence results of the Target Group;
- (iii) completion of the reorganisation to the satisfaction of the Company (in its absolute discretion); and
- (iv) the obtaining of all necessary consents and approval (including those from the Stock Exchange, other governmental authority, regulatory body and the shareholders of the Company, if applicable) on the Possible Acquisition.

### *Undertakings and warranties by the Vendor*

The Vendor has undertaken (and shall procure the other equity holder of the Target Company), among other things, from the date of the MOU up to (i) the date of the Formal Agreement; (ii) the first anniversary of the date of the MOU; or (iii) such other date as mutually agreed by the parties to the MOU in writing (whichever is later) (the “**Exclusivity Period**”), to ensure that without prior written consent of the Company, no sale, transfer, disposal of (or in such other manner) of any direct or indirect interest in or investment of the Target Group by the Vendor, the directors of the Target Group or other equity holder of the Target Company (whether by themselves or through their respective agents or associates) and in relation to the equity interest in the Target Company, not to:

- (i) negotiate, discuss, enter into any memorandum, agreement or arrangement (whether such is legally binding or not) with any party (whether directly or indirectly) (except pursuant to the MOU); and
- (ii) accept, solicit or consider any offer (except pursuant to the MOU).

### *Termination of the MOU*

The MOU shall terminate upon the occurrence of any of the following events (whichever is earlier):

- (i) the entering into of the Formal Agreement; or
- (ii) the seventh day from the issue of a written termination notice by the Company.

The Vendor shall fully refund the Deposit (without interest) to the Company within 5 days in the event that the MOU is terminated in accordance with point (ii) above.

### *No legal binding effect*

Save for the payment of the Deposit, the refund of the Deposit, the termination of the MOU, the undertakings and warranties by the Vendor, confidentiality, notice, expenses, governing law, the MOU does not constitute any legally binding commitment in respect of the Possible Acquisition.

## **INFORMATION ON THE TARGET GROUP**

The Target Company is a company incorporated in PRC with limited liability and is principally engaged in the logistics management and distribution of the pharmaceutical products and medical devices in the Beijing-Tianjin-Hebei region of PRC. The Target Company possesses the qualification to engage in online sale of pharmaceutical products with other enterprises.

The Subsidiary is a company incorporated in PRC with limited liability and is principally engaged in the operation of pharmacy retail chain stores in Hebei Province, PRC.

### **Reasons for the Possible Acquisition**

Our Group has entered the broad healthcare market of PRC via the acquisition of Xinan Investments Limited and its subsidiaries in July 2016. The future business development direction for our Group's medical segment will focus on expansion of our medical-related services in the Beijing-Tianjin-Hebei region including hospital management, introduction of specialist out-patient services, logistics management and distribution of pharmaceutical products and medical devices, etc.

Our Group plans to enter into the logistics management and distribution of pharmaceutical products and medical devices market via acquisition of the Target Company, and intends to adopt measures such as being the sole pharmaceutical products supplier of our downstream hospital management network, in order to enhance overall operation efficiency. Our Group also intends to leverage on the Target Company's qualification to engage in online sale of pharmaceutical products and the Subsidiary's retail chain network in pharmacy, to expand the scale of our business in logistics management and distribution of pharmaceutical products and medical devices.

Our Directors consider that the Potential Acquisition is in line with the strategy of business transformation and would assist our Group to achieve diversification of business. Further, the sustained and stable business of the Target Company may provide our Group with an additional source of revenue and stable cash flow.

Accordingly, the Board considers that the MOU and the Potential Acquisition are in the interest of our Company and our Shareholders as a whole.

### **General**

The MOU does not constitute legally-binding commitment in respect of the Possible Acquisition. The Possible Acquisition is subject to the execution of the Formal Agreement.

If the Formal Agreement is entered into, it is expected that the Possible Acquisition will constitute a notifiable transaction on the part of the Company pursuant to the Listing Rules. In this regard, the Company will comply with the reporting, disclosure and/or Shareholder's approval requirements (if applicable) under the Listing Rules.

**The Board wishes to emphasise that no 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 is materialised, it may constitute a notifiable transaction on the part of the Company. 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 any Formal Agreement has been signed.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Company”	Hengshi Mining Investments Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Deposit”	the amount of RMB15,000,000 payable by the Company to the Vendor
“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
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any persons or company(ies) and their respective ultimate beneficial owners, to the best of the Director’s knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the non-legally binding memorandum of understanding dated 28 April 2017 entered into among the Company and the Vendor setting out the preliminary understanding in relation to the Possible Acquisition

“Possible Acquisition”	the possible acquisition by the Company the 100% interest in the Target Company upon completion of the Reorganisation
“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
“Reorganisation”	the reorganisation of the Target Group which shall be to the satisfaction of the Company (in its absolute discretion)
“Shareholders”	holder(s) of the issued shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a company established in the PRC which is wholly-owned by the Target Company
“Target Company”	a company established in the PRC which as at the date of this announcement, was held by the Vendor as to 99%
“Target Group”	the Target Company and the Subsidiary
“Vendor”	a PRC resident and an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board  
**Hengshi Mining Investments Limited**  
**Mr. Li Yanjun**  
*Chairman*

Beijing, 28 April 2017

*As at the date of this announcement, the executive Directors are Mr. Li Yanjun, Mr. Leung Hongying Li Ziwei (also known as Li Ziwei), Mr. Huang Kai, Mr. Sun Jianhua, Mr. Li Jinsheng and Mr. Tu Quanping and the independent non-executive Directors are Mr. Ge Xinjian, Mr. Meng Likun and Mr. Kong Chi Mo.*