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## **INNOVATIVE PHARMACEUTICAL BIOTECH LIMITED**

### **領航醫藥及生物科技有限公司**

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock Code: 399)**

### **INSIDE INFORMATION MEMORANDUM OF UNDERSTANDING IN RELATION TO A PROPOSED ACQUISITION**

This announcement is made by Innovative Pharmaceutical Biotech Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong).

#### **MEMORANDUM OF UNDERSTANDING**

The board of directors of the Company (the “**Board**”) is pleased to announce that on 11 March 2017, the Company and Hong Kong Modern Medical Holdings Limited) (the “**Vendor**”) entered into a memorandum of understanding (the “**MOU**”), pursuant to which the parties agreed to enter into further negotiation regarding a possible conditional acquisition by the Company, and the possible conditional disposal by the Vendor, of the controlling interest in HK.DNA Diagnostics Centre Limited (“**Target Company A**”), Hong Kong Modern Medical Service Limited (“**Target Company B**”) and Modern Medical Specialties Limited (“**Target Company C**”, and together with Target Company A and Target Company B, the “**Target Group**”) (the “**Proposed Acquisition**”). Subject to the finalization and entering into of the definitive agreements to be entered into by the Company (or any appropriate wholly-owned subsidiary of the Company assigned by the Company) and the Vendor (the “**Definitive Agreements**”) and upon completion of the Proposed Acquisition, companies of the Target Group will become subsidiaries of the Company.

Principal terms of the MOU is set out as follows:

### **Preliminary framework of the Proposed Acquisition**

The Company intends to acquire and the Vendor intends to dispose of the controlling interest in Target Company A, Target Company B and Target Company C.

The consideration for the Proposed Acquisition, the basis of consideration and the detailed payment methods shall be determined in the Definitive Agreements, which the parties shall enter into within 60 days upon signing of the MOU or at any later date which the Company and the Vendor may otherwise agree. Pursuant to the MOU, the Vendor and the Company intended that the consideration of the Proposed Acquisition to be agreed between the Company and the Vendor shall be determined with reference to, among other things, valuation of the Target Group prepared by an independent professional valuer to be appointed by the Company.

### **Refundable Earnest Money**

Within five (5) days upon signing of the MOU, the Company shall pay an earnest money of HK\$5 million to the Vendor (the “**Earnest Money**”). Should the parties fail to enter into the Definitive Agreements for the Proposed Acquisition within the Exclusivity Period (as defined below), the Earnest Money shall be refunded to the Company within five (5) business days upon the date which the Proposed Acquisition has fallen through.

In the event the Definitive Agreements are entered into by the Company (or any appropriate wholly-owned subsidiary of the Company assigned by the Company) and the Vendor during the Exclusivity Period (as defined below), the Earnest Money would become part of the payment of the consideration for the Proposed Acquisition.

### **Exclusivity Period and Due Diligence**

Pursuant to the MOU, the Vendor has agreed and undertaken that it shall not, directly or indirectly, engage in any discussion or negotiation with any third party in respect of any sale of share, asset or interest of the Target Group (a) within 60 days upon signing of the MOU or at any later date which the Company and the Vendor may otherwise agree; (b) upon mutual agreement and with written confirmation between the parties that the Proposed Acquisition has fallen through; or (c) upon a breach of contractual obligation on confidentiality by either party to the MOU (whichever is earlier) (the “**Exclusivity Period**”).

Within the Exclusivity Period, the Company shall be entitled to conduct business, financial and legal due diligence on the Target Group. The Vendor shall provide to the Company and/or procure the Company's access to all records and documents of the Target Group forthwith upon request for due diligence purpose and to respond forthwith to the enquiries of the Company.

### **Legal effect**

Save for preliminary framework provisions in relation to the Proposed Acquisition in the MOU, the MOU is legally binding on the Company and the Vendor.

### **Costs**

Each party to the MOU shall bear its own costs and expenses (including legal fees) incurred in connection with the preparation, negotiation, execution and performance of the MOU.

### **INFORMATION ON THE TARGET GROUP**

The Target Group consists of three limited liability companies all of which were incorporated in Hong Kong. The principal business operation of the Target Group is to provide one-stop accredited medical consultation and health examination services in Hong Kong. The Target Group currently operates three clinics which are situated in Tsim Sha Tsui, Mong Kok and Causeway Bay, respectively.

To the best of the knowledge, information and belief of the directors of the Company, the Vendor, each of the companies of the Target Group and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

### **INFORMATION ON THE GROUP**

The Company is an investment holding company and its subsidiaries are principally engaged in provision of genetic testing services, distribution of bio-industrial products and trading of beauty equipment and products.

### **REASONS FOR THE PROPOSED ACQUISITION**

The Board considers that the Proposed Acquisition is in line with the Group's investment strategy and current business. Given the solid operations of the Target Group's three clinics in Hong Kong, the Board considers that the Proposed Acquisition, if materialized, would immediately bring in new income stream to the Company and enable the Company to further strengthen its revenue and client base and therefore is in the interests of the Company and its shareholders as a whole.

## GENERAL

If the Proposed Acquisition materialises, it may constitute a notifiable transaction of the Company under the Listing Rules. Further announcement(s) in relation to the Proposed Acquisition will be made by the Company as and when appropriate in compliance with the Listing Rules.

**There is no assurance that any transactions referred to in this announcement will materialise or eventually be consummated. The shareholders of the Company and potential investors should note that the Proposed Acquisition is subject to, among other things, the signing of Definitive Agreements, the terms and conditions of which are yet to be agreed. The Proposed Acquisition may or may not proceed and the final structure and terms of the Proposed Acquisition, which are still subject to further negotiations between the parties, have yet to be finalised and may deviate from that set out in the MOU. In the event that the Definitive Agreements are signed, further announcement(s) will be made by the Company in compliance with the Listing Rules and all other applicable laws and regulation. The shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

By Order of the Board  
**Innovative Pharmaceutical Biotech Limited**  
**Tang Rong**  
*Executive Director*

Hong Kong, 11 March 2017

*As at the date of this announcement, the Board comprises Ms. Jiang Nian (chairman & non-executive director), Mr. Gao Yuan Xing (executive director), Mr. Tang Rong (executive director), Ms. Huang He (executive director), Ms. Xiao Yan (non-executive director), Ms. Wu Yanmin (non-executive director), Ms. Chen Weijun (independent non-executive director), Dr. Zhang Zhihong (independent non-executive director) and Mr. Wang Rongliang (independent non-executive director).*