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合 生 創 展 集 團 有 限 公 司*

HOPSON DEVELOPMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 754)

website: <http://www.irasia.com/listco/hk/hopson>

CONNECTED TRANSACTIONS

(1) SUBSCRIPTION OF 20% OF YUANZHI CAYMAN BY JOYFUL FIT

(2) SUBSCRIPTION OF 20% OF HOOPLIFE BY YUANZHI BVI

AND

(3) SUBSCRIPTION OF 30% OF HOPSON COMMERCE BY YUANZHI BVI

TRANSACTIONS

On 3 November 2020 (after trading hours), (i) Joyful Fit, (ii) Yuanzhi Cayman, (iii) Yuanzhi BVI, (iv) Hooplife and (v) Hopson Commerce entered into the Subscription Agreement, pursuant to which:

- (a) Joyful Fit conditionally agreed to subscribe for, and Yuanzhi Cayman conditionally agreed to allot and issue, the Yuanzhi Shares at a total consideration of US\$182 million (the “Subscription (I)”). The Yuanzhi Shares represent 20% of the enlarged share capital of Yuanzhi Cayman immediately following the Completion;
- (b) Yuanzhi BVI conditionally agreed to subscribe for, and Hooplife conditionally agreed to allot and issue, the Hooplife Shares at a total consideration of US\$170 million (the “Subscription (II)”). The Hooplife Shares represent 20% of the enlarged share capital of Hooplife immediately following the Completion; and
- (c) Yuanzhi BVI conditionally agreed to subscribe for, and Hopson Commerce conditionally agreed to allot and issue, the Hopson Commerce Shares at a total consideration of US\$12 million (the “Subscription (III)”). The Hopson Commerce Shares represent 30% of the enlarged share capital of Hopson Commerce immediately following the Completion.

Completion of the Transactions is not inter-conditional but is expected to take place on the same date upon satisfaction or waiver of the conditions precedent under the Subscription Agreement, unless otherwise agreed by the parties thereto.

IMPLICATIONS UNDER THE LISTING RULES

As of the date of this announcement, each of Yuanzhi Cayman and Yuanzhi BVI is ultimately 100% held by Mr. Chu Mang Yee. As Mr. Chu Mang Yee is the ultimate controlling shareholder of the Company, each of Yuanzhi Cayman and Yuanzhi BVI is a connected person of the Company. Accordingly, each of the Transactions constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

Each of the issuance of new shares by Hooplife under Subscription (II) and by Hopson Commerce under Subscription (III) constitutes a deemed disposal of interest in a subsidiary by the Company under Rule 14.29 of the Listing Rules.

As the Subscription (II) and the Subscription (III) involve deemed disposal of the interest of two members of our Group to the same connected person, they are required to be aggregated pursuant to Rules 14A.81 and 14A.82 of the Listing Rules.

In respect of Subscription (I), since the highest applicable percentage ratio (other than profits ratio) calculated pursuant to Chapter 14 of the Listing Rules is more than 0.1% but less than 5%, Subscription (I) is subject to the annual reporting and announcement requirements, and is exempt from the Independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

In respect of Subscription (II) and Subscription (III), since the highest applicable percentage ratio (other than profits ratio) calculated on an aggregate basis pursuant to Chapter 14 of the Listing Rules is more than 0.1% but less than 5%, they are subject to the annual reporting and announcement requirements, and are exempt from the Independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

1. INTRODUCTION

The Board announces that, on 3 November 2020 (after trading hours), (i) Joyful Fit, (ii) Yuanzhi Cayman, (iii) Yuanzhi BVI, (iv) Hooplife and (v) Hopson Commerce entered into the Subscription Agreement, pursuant to which:

- (a) Joyful Fit conditionally agreed to subscribe for, and Yuanzhi Cayman conditionally agreed to allot and issue, the Yuanzhi Shares at a total consideration of US\$182 million. The Yuanzhi Shares represent 20% of the enlarged share capital of Yuanzhi Cayman immediately following the Completion;
- (b) Yuanzhi BVI conditionally agreed to subscribe for, and Hooplife conditionally agreed to allot and issue, the Hooplife Shares at a total consideration of US\$170 million. The Hooplife Shares represent 20% of the enlarged share capital of Hooplife immediately following the Completion; and

- (c) Yuanzhi BVI conditionally agreed to subscribe for, and Hopson Commerce conditionally agreed to allot and issue, the Hopson Commerce Shares at a total consideration of US\$12 million. The Hopson Commerce Shares represent 30% of the enlarged share capital of Hopson Commerce immediately following the Completion.

2. THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are set out below:

2.1 Date

3 November 2020 (after trading hours)

2.2 Parties

- (1) Joyful Fit, a wholly-owned subsidiary of the Company (as subscriber for Yuanzhi Shares)
- (2) Yuanzhi Cayman, a connected person of the Company (as issuer of Yuanzhi Shares)
- (3) Yuanzhi BVI, a connected person of the Company (as subscriber for Hooplife Shares and Hopson Commerce Shares)
- (4) Hooplife, a wholly-owned subsidiary of the Company (as issuer of Hooplife Shares)
- (5) Hopson Commerce, a wholly-owned subsidiary of the Company (as issuer of Hopson Commerce Shares)

2.3 Subject matter

Subject to the terms of the Subscription Agreement:

- (a) Joyful Fit conditionally agreed to subscribe for, and Yuanzhi Cayman conditionally agreed to allot and issue, the Yuanzhi Shares to Joyful Fit. The Yuanzhi Shares represent 20% of the enlarged share capital of Yuanzhi Cayman immediately following the Completion;
- (b) Yuanzhi BVI conditionally agreed to subscribe for, and Hooplife conditionally agreed to allot and issue, the Hooplife Shares to Yuanzhi BVI. The Hooplife Shares represent 20% of the enlarged share capital of Hooplife immediately following the Completion; and
- (c) Yuanzhi BVI conditionally agreed to subscribe for, and Hopson Commerce conditionally agreed to allot and issue, the Hopson Commerce Shares to Yuanzhi BVI. The Hopson Commerce Shares represent 30% of the enlarged share capital of Hopson Commerce immediately following the Completion.

Upon the Completion, both Hooplife and Hopson Commerce will continue to be subsidiaries of the Company and their results will continue to be consolidated into the accounts of the Group.

2.4 Consideration

(a) *Subscription (I)*

The consideration payable by Joyful Fit for subscription of Yuanzhi Shares is US\$182 million. The payment of such consideration will be funded by internal resources of our Group.

(b) *Subscription (II)*

The consideration payable by Yuanzhi BVI for subscription of Hooplife Shares is US\$170 million.

(c) *Subscription (III)*

The consideration payable by Yuanzhi BVI for subscription of Hopson Commerce Shares is US\$12 million.

2.5 Basis for the determination of the Consideration

The considerations under the Subscription Agreement were arrived at after arm's length negotiation between the parties to the Subscription Agreement with reference to the following factors:

- (i) Yuanzhi Group's existing business and future development plan are in line with the direction of the Group's business development plan. See section "5. Reasons for and benefits of the Transactions" below for further details;
- (ii) the pre-money valuation of Yuanzhi Cayman as at 30 June 2020 in the amount of approximately US\$910 million using income approach and market approach according to the valuation report prepared by an independent valuer appointed by the Group;
- (iii) the pre-money valuation of Hooplife and Hopson Commerce as at 30 June 2020 in the amount of approximately US\$850 and US\$40 million, respectively, using market approach according to the valuation report prepared by an independent valuer appointed by Yuanzhi Group; and
- (iv) the financial information of Yuanzhi Cayman, Hooplife and Hopson Commerce. See section "3. Information of Target Companies" below for further details.

2.6 Payment of consideration

(a) *Subscription (I)*

The relevant consideration payable for the Yuanzhi Shares shall be paid to Yuanzhi Cayman (or its nominee) by cash in US\$182 million (or equivalent amount if paid in other currencies) at or before the Completion.

(b) *Subscription (II)*

The relevant consideration payable for the Hooplife Shares shall be paid to Hooplife (or its nominee,) by cash in US\$170 million (or equivalent amount if paid in other currencies) at or before the Completion.

(c) *Subscription (III)*

The relevant consideration payable for the Hopson Commerce Shares shall be paid to Hopson Commerce (or its nominee) by cash in US\$12 million (or equivalent amount if paid in other currencies) at or before the Completion.

2.7 Conditions precedent

Completion of the Subscriptions under the Subscription Agreement are not inter-conditional but is expected to take place on the same date upon satisfaction or waiver of the conditions precedent below.

(a) *Subscription (I)*

The conditions precedent to be satisfied (or waived by Joyful Fit, except that condition (3) may not be waived) prior to completion of Subscription (I) are:

- (1) completion of due diligence exercise on Yuanzhi Group to the satisfaction of Joyful Fit;
- (2) the representations and warranties given by Yuanzhi Cayman and/or Yuanzhi BVI under the Subscription Agreement remaining true, accurate and not misleading in all material respects from the date of the Subscription Agreement up to the Completion Date (both days inclusive);
- (3) (if applicable) any third party consent or approval for, or condition to, Joyful Fit's consummation of Subscription (I) as may be required under any contract binding on any member of the Group having been obtained or waived or satisfied;

- (4) there being no event which constitutes or may constitute an adverse effect on the lawful existence, business, assets, financials, operation or any other aspects of Yuanzhi Group from the date of the Subscription Agreement up to the Completion Date (both days inclusive);
- (5) the provision of a confirmation by Yuanzhi BVI and Yuanzhi Cayman confirming the matters under paragraph 2.7(a)(2) and (4) above to the satisfaction of Joyful Fit; and
- (6) none of the termination events under the Subscription Agreement exists prior to Completion.

Joyful Fit shall, as soon as practicable, provide a confirmation to Yuanzhi BVI and Yuanzhi Cayman confirming the matters under paragraph 2.7(a)(3) above.

(b) *Subscription (II)*

The conditions precedent to be satisfied (or waived by Yuanzhi BVI, except that condition (2) may not be waived) prior to completion of Subscription (II) are:

- (1) the representations and warranties given by Hooplife under the Subscription Agreement remaining true, accurate and not misleading in all material respects from the date of the Subscription Agreement up to the Completion Date (both days inclusive);
- (2) (if applicable) any third party consent or approval for, or condition to Hooplife's consummation of Subscription (II) as may be required under any contract binding on any member of the Group having been obtained or waived or satisfied;
- (3) there being no event which constitutes or may constitute an adverse effect on the lawful existence, business, assets, financials, operation or any other aspects of Hooplife Group from the date of the Subscription Agreement up to the Completion Date (both days inclusive);
- (4) the provision of a confirmation by Hooplife confirming the matters under paragraph 2.7(b)(1), (2) and (3) above to the satisfaction of Yuanzhi BVI; and
- (5) none of the termination events under the Subscription Agreement exists prior to Completion.

(c) *Subscription (III)*

The conditions precedent to be satisfied (or waived by Yuanzhi BVI, except that condition (2) may not be waived) prior to completion of Subscription (III) are:

- (1) the representations and warranties given by Hopson Commerce under the Subscription Agreement remaining true, accurate and not misleading in all material respects from the date of the Subscription Agreement up to the Completion Date (both days inclusive);
- (2) (if applicable) any third party consent or approval for, or condition to, Hopson Commerce's consummation of Subscription (III) as may be required under any contract binding on any member of the Group having been obtained or waived or satisfied;
- (3) there being no event which constitutes or may constitute an adverse effect on the lawful existence, business, assets, financials, operation or any other aspects of Hopson Commerce Group from the date of the Subscription Agreement up to the Completion Date (both days inclusive);
- (4) the provision of a confirmation by Hopson Commerce confirming the matters under paragraph 2.7(c)(1), (2) and (3) above to the satisfaction of Yuanzhi BVI; and
- (5) none of the termination events under the Subscription Agreement exists prior to Completion.

2.8 Special rights of Joyful Fit as minority shareholder in Yuanzhi Cayman

Restrictions

Upon Completion, without the prior written consent of Joyful Fit, Yuanzhi Cayman shall not, and shall procure that its subsidiaries shall not, take, permit to occur, approve, authorize, or agree or commit to do any of the following:

- (1) any adverse amendment or change to the rights or powers of Joyful Fit as a holder of ordinary shares of Yuanzhi Cayman;
- (2) any amendment or change to the articles of association of Yuanzhi Cayman, which may bring adverse effect to Joyful Fit or the ordinary shares of Yuanzhi Cayman held by Joyful Fit;
- (3) any action that creates, authorizes or issues (i) any class or series of equity securities or any equity securities convertible into, exchangeable for, or exercisable into any equity securities having rights, preferences, privileges or powers superior to or on a parity with ordinary shares, or (ii) any additional ordinary shares;

- (4) any transaction which may result in a change of control of Yuanzhi Cayman;
- (5) any material change to the business scope, or nature of business, or cessation of any business line of any subsidiary of Yuanzhi Cayman; or
- (6) the commencement of or consent to any proceeding in connection with (i) bankruptcy or insolvency of Yuanzhi Cayman, or (ii) liquidation, winding up, dissolution, reorganization, or arrangement of any subsidiary of Yuanzhi Cayman.

Director nomination right

Upon Completion, Joyful Fit shall be entitled to nominate one director to the board of directors of Yuanzhi Cayman.

2.9 Completion

Completion of the Transactions shall take place on the same date upon satisfaction or waiver of the conditions precedent under the Subscription Agreement, unless otherwise agreed by the parties thereto.

2.10 Termination

The Subscription Agreement may be terminated prior to the Completion (a) if the Completion of the last transaction among Subscription (I), Subscription (II) or Subscription (III) has not been consummated by 31 December 2020 (unless extended by mutual written consent of the Parties), (b) by mutual written consent of the Parties, (c) by any non-breaching Party, by written notice to all other Parties if there has been a material misrepresentation or material breach of a covenant or agreement contained in the Subscription Agreement on the part of any breaching Party, and such breach, if curable, has not been cured within 14 days of notice of such breach, or (d) if due to change of applicable laws, the consummation of the transactions contemplated under the Subscription Agreement would become prohibited under applicable laws.

If the Subscription Agreement is terminated, the Subscription Agreement will be of no further force or effect upon termination provided that (i) any of Subscription (I), Subscription (II) and Subscription (III) which has been completed in accordance with the Subscription Agreement shall not be affected or unwound; (ii) the termination will not relieve any Party from any liability for any breach of the Subscription Agreement; and (iii) certain provisions relating to announcements, notices and governing law shall survive the termination of the Subscription Agreement.

3. INFORMATION OF TARGET COMPANIES

3.1 General information on Yuanzhi Cayman and Yuanzhi Group

Yuanzhi Cayman is an investment holding company incorporated in the Cayman Islands in 2020. Yuanzhi Group primarily operates “Betterlife”, an online deal matching platform in the PRC with a current focus on transactions in real property sector by providing real estate developers and real estate intermediaries with transaction matching and platform technical services.

As at the date of this announcement, Yuanzhi Cayman is directly owned as to 55% by Sounda BVI (I), and as to 45% by Sounda BVI (II), respectively. Each of Sounda BVI (I) and Sounda BVI (II) is ultimately and beneficially owned 100% by Mr. Chu Mang Yee and Yuanzhi Cayman is thus a connected person of our Company. See section “6. Implications under the Listing Rules” below for further details.

Upon the Completion, the then shareholding structure of Yuanzhi Cayman will be as follows:

| Shareholders | % of the issued share capital of Yuanzhi Cayman |
|---------------------|--|
| Sounda BVI (I) | 44 |
| Sounda BVI (II) | 36 |
| Joyful Fit | 20 |

3.2 Financial information on Yuanzhi Group

The unaudited total assets and total net assets of Yuanzhi Group based on the audited consolidated financial statements of Betterlife and its subsidiaries prepared in accordance with the PRC GAAP as at 31 December 2019 were approximately RMB1,048,093,000 and RMB147,635,000, respectively.

The unaudited net profit before and after taxation of Yuanzhi Group based on the audited consolidated financial statements of Betterlife and its subsidiaries prepared in accordance with the PRC GAAP for the financial years ended 31 December 2018 and 2019 are as follows:

| | Year ended 31 December | |
|----------------------------|-------------------------------|----------------|
| | 2018 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Net profit before taxation | 75,213 | 108,514 |
| Net profit after taxation | 72,577 | 81,385 |

3.3 General information on Hooplife and Hooplife Group

Hooplife is a company incorporated in the Cayman Islands in 2018. Hooplife Group is providing property management services, value-added services to non-property owners, and community value-added services in the PRC. As at the date of this announcement, Hooplife is wholly owned by Hooplife One, which is in turn a wholly-owned subsidiary of the Company. Upon the Completion, the then shareholding structure of Hooplife will be as follows:

| Shareholders | % of the issued share capital of Hooplife |
|---------------------|--|
| Hooplife One | 80 |
| Yuanzhi BVI | 20 |

3.4 Financial information on Hooplife Group

According to the unaudited combined financial statements of Hooplife Group prepared in accordance with Hong Kong Financial Reporting Standards, the unaudited combined total assets and total net assets of Hooplife Group as at 31 December 2019 were approximately HK\$2,329,861,000 and HK\$687,124,000, respectively; and the unaudited combined net profit before and after taxation of Hooplife Group for the financial years ended 31 December 2018 and 2019 are as follows:

| | Year ended 31 December | |
|--|-------------------------------|-----------------|
| | 2018 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net profit before taxation (<i>Note</i>) | 313,043 | 501,490 |
| Net profit after taxation (<i>Note</i>) | 230,473 | 373,958 |

Note: The above financial information of Hooplife Group included the finance incomes of the loan due from its related parties (after tax) of approximately HK\$175,135,000 and HK\$133,979,000, and the finance costs on asset-backed securities (after tax) of approximately HK\$85,912,000 and HK\$20,345,000 in 2018 and 2019 respectively.

Based on the unaudited combined financial statements of Hooplife Group, Hooplife Group recorded finance incomes (after tax) of the loan due from its related parties in an amount of approximately HK\$175,135,000 and HK\$133,979,000 for the years ended 31 December 2018 and 2019, respectively, and incurred finance costs (after tax) on asset-backed securities in an amount of approximately HK\$85,912,000 and HK\$20,345,000 for the years ended 31 December 2018 and 2019, respectively.

For illustration purposes and assuming that the finance incomes of the loan due from its related parties and incurred finance costs on asset-backed securities were excluded, the adjusted unaudited net profits of Hooplife Group for the two years ended 31 December 2018 and 31 December 2019 would be as follows:

| | Year ended 31 December | |
|--|-------------------------------|-----------------|
| | 2018 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Adjusted net profit before taxation, excluded extraordinary items | 194,079 | 349,978 |
| Adjusted net profit after taxation, excluded extraordinary items | 141,250 | 260,324 |

3.5 General information on Hopson Commerce and Hopson Commerce Group

Hopson Commerce is an investment holding company incorporated in the Cayman Islands in 2020. Hopson Commerce Group, provides operation planning and consultancy services in commercial real estate industry. As at the date of this announcement, Hopson Commerce is wholly owned by Lucky Steady, a direct wholly-owned subsidiary of the Company.

Upon the Completion, the then shareholding structure of Hopson Commerce will be as follows:

| Shareholders | % of the issued share capital of Hopson Commerce |
|---------------------|---|
| Lucky Steady | 70 |
| Yuanzhi BVI | 30 |

3.6 Financial information on Hopson Commerce Group

The unaudited total assets and total net liabilities of Hopson Commerce Group based on management accounts prepared in accordance with the PRC GAAP as at 31 December 2019 were approximately HK\$7,260,648,000 and HK\$2,286,000, respectively.

The unaudited net profit/(loss) before and after taxation of Hopson Commerce Group based on management accounts prepared in accordance with the PRC GAAP for the financial years ended 31 December 2018 and 2019 are as follows:

| | Year ended 31 December | |
|-----------------------------------|-------------------------------|-----------------|
| | 2018 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net (loss)/profit before taxation | (16,930) | 64,136 |
| Net (loss)/profit after taxation | (12,707) | 51,768 |

4. INFORMATION ON THE PARTIES

4.1 The Company

The Company is an investment holding company incorporated in Bermuda. The Group is mainly engaged in the development of residential properties in Mainland China. The Group is also involved in commercial properties investment, property management, infrastructure and equity investment businesses.

4.2 Joyful Fit

Joyful Fit is an investment holding company incorporated in the BVI in 2019. As at the date of this announcement, Joyful Fit is an indirect wholly-owned subsidiary of the Company.

4.3 Yuanzhi Cayman

See section “3. Information of Target Companies” above.

4.4 Hooplife

See section “3. Information of Target Companies” above.

4.5 Yuanzhi BVI

Yuanzhi BVI is an investment holding company incorporated in the BVI in 2019. As at the date of this announcement, Yuanzhi BVI is a direct wholly-owned subsidiary of Yuanzhi Cayman.

4.6 Hopson Commerce

See section “3. Information of Target Companies” above.

5. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group continues to pursue the strategy of industry diversification. In the residential property, commercial property, property management, infrastructure and equity investment sectors, it will continue to base itself in the three major economic zones of the Pearl River Delta, the Yangtze River Delta, and the Huanbohai to steadily and deeply cultivate the property market in first-tier cities. During the first half of 2020 (when there was an outbreak of epidemic), new technologies represented by cloud computing, big data, and artificial intelligence developed rapidly. The Group took advantage of the situation and formally made equity investment as one of its principal business activities in 2020, and plans to continue to invest in high-tech companies so as to incubate and cultivate the high-tech investment business segment for the Group, and help the Group to gradually transform from a property developer and as an operator of commercial property to a comprehensive investment holding platform which is technology-enabled and industry-driven.

Relying on technologies such as big data technology and artificial intelligence technology, Yuanzhi Group is committed to building an ecological platform for technology empowerment, and intends to become a multi-business, all-round technical solution and service provider. Yuanzhi Group primarily operates “Betterlife”, an online platform with a current focus on transactions in real property sector by providing real estate developers and real estate intermediaries with transaction matching and platform technical services. The Group’s equity investment in Yuanzhi Group is in line with the Group’s strategic development direction and the strategy of industry diversification, and it is believed that this long-term equity investment will increase the overall income of the Group in the future. At the same time, Yuanzhi Group will also strategically invest in Hooplife Group and Hopson Commerce Group.

The strategic investment by Yuanzhi Group in Hooplife Group and Hopson Commerce Group will allow better development of technical services and technology related to big data, intelligent computing engines and mobile internet technology to the latter companies. Hooplife Group can further develop smart communities and smart life service (using internet and mobile technology to connect residents, residential community and various service providers for different needs). As for Hopson Commerce Group, the introduction of new technology could support its building of a technical service platform for traditional businesses to operate and manage commercial projects online, and to provide full-life-cycle consulting and provide smart solutions for full range of business projects, which not only realizes the transformation of the Hopson Commerce Group to apply intelligent and modern technology management, but also enhances the vitality of commercial properties managed by the Hopson Commerce Group and better achieve the synergy value of the Hopson Commerce Group’s diversified businesses. Integration of the underlying technology and business models can generate new capabilities for Hooplife Group and Hopson Commerce Group and also accelerate the growth of their business.

Moreover, the Board is of the view that the current valuation of Yuanzhi BVI and the consideration of the Transactions are fair and reasonable.

The Board (including the independent non-executive Directors) considers that the terms of the Subscription Agreement are fair and reasonable and are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, except for (1) Ms. Chu Kut Yung ("Ms. Chu"), who is a Director of the Company and the daughter of Mr. Chu Mang Yee (who has interest in Yuanzhi Cayman and Yuanzhi BVI as further detailed in section "6. Listing Rule Implications" below) and (2) Mr. Au Wai Kin ("Mr. Au"), who is a Director of the Company and the director of Joyful Fit, Yuanzhi Cayman and Hopson Commerce, no member of the Board has any material interest in the Transactions. Ms. Chu and Mr. Au did not vote in the relevant board resolution of the Company approving the Transactions.

5.1 Expected gain or loss from the Subscription (II) and Subscription (III)

As Hooplife and Hopson Commerce will remain as a subsidiary of the Company upon Completion, the Group is not expected to recognise any actual gain or loss as a result of the Subscription (II) and Subscription (III).

5.2 Use of proceeds from the Subscription (II) and Subscription (III)

The proceeds raised from the Subscription (II) is expected to be US\$170 million, which will be applied for (i) development of property management and value-added services, (ii) operation, (iii) strategic investment, cooperation and acquisition or merger opportunities to expand the scale of business, (iv) improving and expanding facilities and equipment, and (v) general working capital of Hooplife Group.

The proceeds raised from the Subscription (III) is expected to be US\$12 million, which will be applied for operation and general working capital of Hopson Commerce Group.

6. IMPLICATIONS UNDER THE LISTING RULES

As of the date of this announcement, each of Yuanzhi Cayman and Yuanzhi BVI is ultimately 100% held by Mr. Chu Mang Yee. As Mr. Chu Mang Yee is the ultimate controlling shareholder of the Company, each of Yuanzhi Cayman and Yuanzhi BVI is a connected person of the Company. Accordingly, each of the Transactions constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

Each of the issuance of new shares by Hooplife under Subscription (II) and by Hopson Commerce under Subscription (III) constitutes a deemed disposal of interest in a subsidiary by the Company under Rule 14.29 of the Listing Rules.

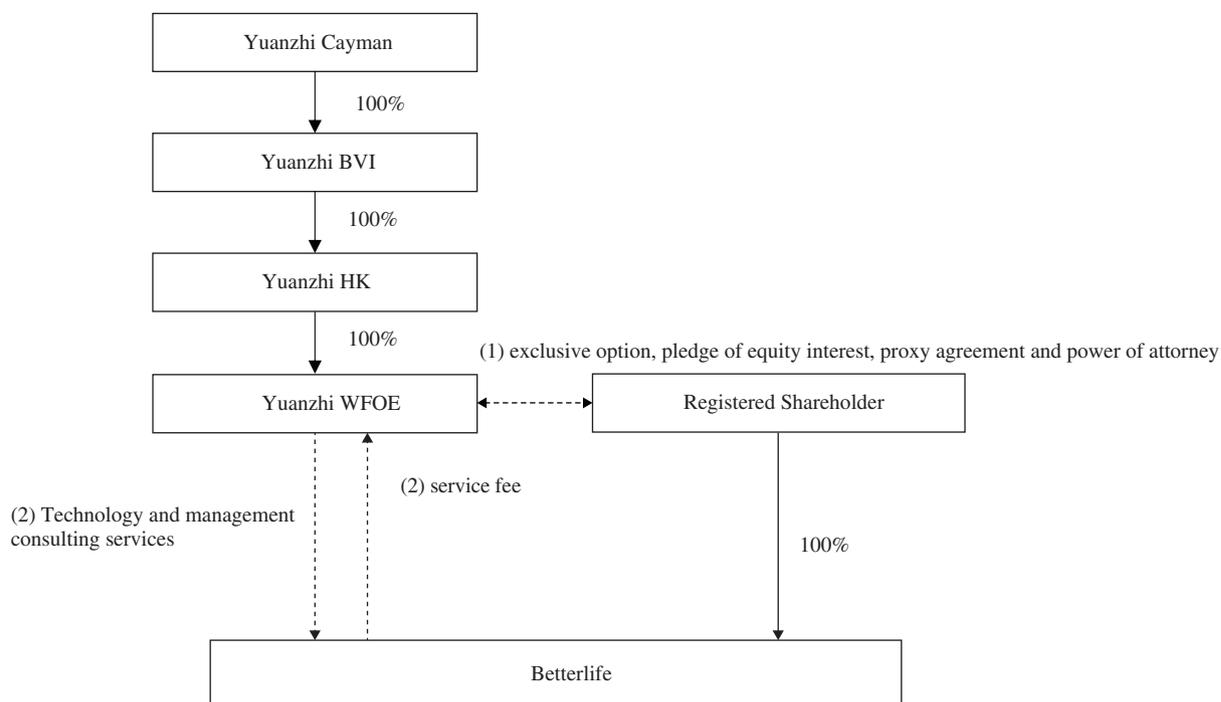
As Subscription (II) and Subscription (III) involve deemed disposal of the interest of two members of our Group to the same connected person, they are required to be aggregated pursuant to Rules 14A.81 and 14A.82 of the Listing Rules.

In respect of Subscription (I), since the highest applicable percentage ratio (other than profits ratio) calculated pursuant to Chapter 14 of the Listing Rules is more than 0.1% but less than 5%, Subscription (I) is subject to the annual reporting and announcement requirements, and is exempt from the Independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

In respect of Subscription (II) and Subscription (III), since the highest applicable percentage ratio (other than profits ratio) calculated on an aggregate basis pursuant to Chapter 14 of the Listing Rules is more than 0.1% but less than 5%, they are subject to the annual reporting and announcement requirements, and are exempt from the Independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

7. CONTRACTUAL ARRANGEMENTS ADOPTED BY YUANZHI GROUP

Yuanzhi Group adopts the Contractual Arrangements due to the foreign ownership restriction on the value-added telecommunication services (“VATS”) industry in the PRC, the further details of which are set out in the section “7.1 Reasons for use of the Contractual Arrangements” below. Set out below are the Contractual Arrangements entered into between Yuanzhi WFOE and Betterlife, the simplified structure of Contractual Arrangements and the flow of economic benefits from Betterlife to Yuanzhi WFOE, an indirect wholly owned-subsidiary of Yuanzhi Cayman according to the Contractual Arrangements:



Note 1: Denotes the control by Yuanzhi WFOE over the Registered Shareholder through (i) an exclusive option to acquire all or any part of the equity interests in and/or assets of Betterlife, (ii) a pledge of equity interests in Betterlife, and (iii) a proxy agreement and power of attorney to exercise all shareholders’ rights in Betterlife.

Note 2: Exclusive technology and management consulting services agreement between Yuanzhi WFOE and Betterlife in exchange for a service fee from Betterlife.

————> Denotes direct legal and beneficial ownership in the equity interest.

-----> Denotes contractual relationships under the Contractual Arrangements.

7.1 Reasons for use of the Contractual Arrangements

Yuanzhi Group, which includes controlled entities via the Contractual Arrangements, primarily operates an online deal matching platform “Betterlife” in the PRC. Prior to entering into the Contractual Arrangements, Betterlife was not operated by Yuanzhi WFOE, whose real estate deal matching business was not VATS related. Yuanzhi Group plans to expand its scope of services, which involves certain VATS related business in the PRC in the near future and has obtained the relevant VATS Licences for the Relevant Business. However, the applicable laws and regulations in the PRC (see further details below) have restrictions on foreign investors’ direct engagement in the VATS business in the PRC. In light of such foreign ownership restriction, Yuanzhi WFOE, entered into a series of Contractual Arrangements with Betterlife. According to the Information and Communication Management Office* (信息通信管理處) of Beijing Communication Administration’s (北京市通信管理局) oral confirmation, our PRC Legal Advisors have confirmed that there has been no legal impediment encountered by Yuanzhi Group in the course of its application for the relevant licences in condition that the material it submitted meets the requirements. By entering into the Contractual Arrangements, this has allowed Yuanzhi WFOE to exercise full control over Betterlife and consolidate the financial results of Betterlife into the accounts of Yuanzhi WFOE as if it were a subsidiary of Yuanzhi WFOE.

The granting of the VATS License and operating of VATS business in the PRC are mainly subject to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020 Edition) (the “Negative List”), the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), the Telecommunications Regulations of the People’s Republic of China and the Strengthening the Administration of Foreign Investment in Operating Value-added Telecommunications Business (《關於加強外商投資經營增值電信業務管理的通知》).

According to these PRC laws, regulations and rules, a foreign investor who invests in a VATS business in the PRC is subject to ownership percentage restrictions and requires prior experience in and a proven track record of operating value-added telecommunications businesses overseas (“Qualification Requirement”). Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirement. As confirmed by our PRC Legal Advisors, according to the Negative List, the Relevant Business would fall within the scope of “Restricted” business under the Negative List and is thus subject to foreign investment restrictions.

Our PRC Legal Advisors consulted with the Information and Communication Management Office of Beijing Communication Administration in respect of the Contractual Arrangements to be adopted by Yuanzhi Group. According to our PRC Legal Advisors, such administration provided oral confirmation that: (i) at present, there is no specific standard for “good performance” and “operating experience” in relation to the Qualification Requirement and the MIIT, the approval authority for foreign investment in telecommunication services, will review whether such requirements are met on a case-by-case basis. As Yuanzhi Group has no

overseas performance and experience in investing in and operating value-added telecommunication services, it will not be approved for investment and operation of value-added telecommunication services in the PRC. The signing and performance of Contractual Arrangements does not violate regulations regarding foreign investment in telecommunication services.

In light of the above and as advised by our PRC Legal Advisors, we were given to understand that (i) the foreign investment in the VATS business is restricted under current PRC laws and regulations; (ii) the Qualification Requirement applies to the VATS business regardless of the percentage of foreign shareholding; and (iii) as of the date of this announcement, no applicable PRC laws, regulations or rules have provided clear guidance or interpretation on the Qualification Requirement. There are substantial uncertainties for a sino-foreign equity joint venture to obtain the VATS Licence.

Based on the above and as confirmed by our PRC Legal Advisors, in order to achieve the business purpose of Yuanzhi WFOE, the Contractual Arrangements, through which Yuanzhi WFOE is able to exercise full control over Betterlife and consolidate the financial results of Betterlife into the accounts of Yuanzhi WFOE, have been utilized to minimise the potential conflict with relevant PRC laws and regulations.

Upon Completion, the Company will not obtain a majority control of Yuanzhi Group and as such, it is not in a position to require Yuanzhi Group to reorganize its existing Contractual Arrangements. However, the Company intends to monitor the development of the relevant PRC laws and regulations on the foreign ownership restriction and work closely with Yuanzhi Group to take all reasonable steps to comply with the other requirements or unwind the Contractual Arrangements to the extent possible and practicable under the relevant PRC laws and regulations.

7.2 Major terms of the Contractual Arrangements

(a) *Exclusive Technology and Management Consulting Services Agreement*

Yuanzhi WFOE and Betterlife entered into the Exclusive Technology and Management Consulting Services Agreement, pursuant to which Betterlife agrees to engage Yuanzhi WFOE as its exclusive service provider. Accordingly, Yuanzhi WFOE shall provide business support, technology and management consulting services related to the business scope of Betterlife and/or its subsidiaries in exchange for a service fee. The services to be provided by Yuanzhi WFOE may include, but not limited to (a) design, development and maintenance of application software for computer and mobile devices; (b) design, development and maintenance of webpages and websites necessary for the business activities of Betterlife and/or its subsidiaries; (c) provision of other technical support and system maintenance necessary for the business activities of Betterlife and/or its subsidiaries; and (d) professional management and consultancy training to staff of Betterlife and/or its subsidiaries.

Pursuant to the Exclusive Technology and Management Consulting Services Agreement, Betterlife shall pay to Yuanzhi WFOE a service fee which equals to the net profit of Betterlife for the year after deduction of necessary costs, expenses, and taxes of Betterlife, offsetting the prior-year loss (if required by applicable laws) etc. Yuanzhi WFOE has the right to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of Betterlife, provided that any adjusted amount shall not exceed the amount mentioned above.

The Exclusive Technology and Management Consulting Services Agreement is for an indefinite term commencing from the date of such agreement (i.e. 15 October 2020), until it is terminated (i) by Yuanzhi WFOE by giving a 30 days' prior notice of termination; or (ii) upon the acquisition of the entire interests (direct or indirect) in Betterlife from its shareholder by Yuanzhi WFOE or its designated purchaser pursuant to the Exclusive Option Agreement. Betterlife is not contractually entitled to terminate or discharge from the Exclusive Technology and Management Consulting Services Agreement.

(b) *Exclusive Option Agreement*

Yuanzhi WFOE, the Registered Shareholder and Betterlife entered into the Exclusive Option Agreement, pursuant to which Yuanzhi WFOE or any person designated by Yuanzhi WFOE (“designee”) is granted an irrevocable and exclusive right to, when the relevant PRC laws and regulations permits, purchase from the Registered Shareholder all or any part of the equity interests in Betterlife for RMB1 or the lowest price permissible under the relevant PRC laws and regulations (the “base price”), and to purchase from Betterlife all or any part of its asset at the net book value unless the relevant government authorities or the PRC laws require that another amount to be used as the purchase price which is higher than the base price or the net book value (where applicable), in which case the purchase price shall be the lowest amount under such requirement. The Registered Shareholder and/or Betterlife have undertaken to return to Yuanzhi WFOE or its designee, on the following working day upon receipt of the purchase price, any consideration they receive in the event that Yuanzhi WFOE or designee exercises such option.

The Exclusive Option Agreement shall remain in force during the operating period of Betterlife and such period renewed in accordance with the PRC laws commencing from the date of such agreement (i.e. 15 October 2020), until it is terminated (i) by Yuanzhi WFOE by giving a 30 days' prior notice of termination; or (ii) upon the acquisition by Yuanzhi WFOE and/or its designee of the entire equity interests in Betterlife held by the Registered Shareholder or all assets of Betterlife pursuant to the Exclusive Option Agreement. Betterlife and the Registered Shareholder are not contractually entitled to terminate or discharge from the Exclusive Option Agreement.

(c) *Equity Pledge Agreement*

Yuanzhi WFOE, the Registered Shareholder and Betterlife entered into the Equity Pledge Agreement, pursuant to which the Registered Shareholder shall pledge all of its equity interests in Betterlife to Yuanzhi WFOE to secure the performance of all its obligations and the obligations of Betterlife under the Contractual Arrangements. Pursuant to the Equity Pledge Agreement, Yuanzhi WFOE has a first priority pledge on the equity interests in Betterlife held by the Registered Shareholder. Under the Equity Pledge Agreement, if the Registered Shareholder and/or Betterlife breaches any obligation under the Contractual Arrangements, Yuanzhi WFOE, as the pledgee, is entitled to request the Registered Shareholder to transfer the pledged equity interests, entirely or partially to Yuanzhi WFOE and/or any entity or person as designated by Yuanzhi WFOE. In addition, pursuant to the Equity Pledge Agreement, the Registered Shareholder undertakes to Yuanzhi WFOE, among other things, not to transfer the interest in its equity interests in Betterlife and not to create any pledge thereon without prior written consent by Yuanzhi WFOE.

The Equity Pledge Agreement is for an indefinite term commencing on the date of the agreement (i.e. 15 October 2020), until (i) all the relevant obligations under the Contractual Arrangements have been fulfilled; (ii) all the relevant debts under the Contractual Arrangements have been settled; (iii) all other Contractual Arrangements have been invalidated or terminated; or (iv) it is terminated by Yuanzhi WFOE by giving a 30 days' prior notice of termination. The Registered Shareholder and Betterlife are not contractually entitled to terminate or discharge from the Equity Pledge Agreement.

(d) *Proxy Agreement*

Yuanzhi WFOE, the Registered Shareholder and Betterlife entered into the Proxy Agreement, pursuant to which the Registered Shareholder agrees to enter into power of attorney to irrevocably authorise Yuanzhi WFOE to exercise all of its rights and powers as shareholder of Betterlife. Yuanzhi WFOE will act on behalf of the Registered Shareholder on all matters pertaining to Betterlife and exercise all of its rights as a shareholder thereof, including (i) to convene, attend and vote in a shareholders' meeting in accordance with Betterlife articles of association; (ii) to exercise all shareholder's rights of and the rights to vote as shareholder in Betterlife in accordance with the PRC laws and articles of Betterlife; and (iii) to nominate and appoint legal representative, director, supervisor, chief executive officer and other senior management member of Betterlife.

The Proxy Agreement shall remain in force during the operating period of Betterlife and such period renewed in accordance with the PRC laws commencing from the date of such agreement (i.e. 15 October 2020), until it is terminated (i) by Yuanzhi WFOE by giving a 30 days' prior notice of termination; or (ii) upon the acquisition of the entire equity

interests in, and/or all assets of, Betterlife by Yuanzhi WFOE pursuant to the Exclusive Option Agreement. The Registered Shareholder and Betterlife are not contractually entitled to terminate or discharge from the Proxy Agreement.

(e) *Power of Attorney*

The Registered Shareholder has issued a power of attorney (which forms part of the Proxy Agreement) to Yuanzhi WFOE, pursuant to which it irrevocably authorizes Yuanzhi WFOE (including its successor and liquidator) or a person designated by Yuanzhi WFOE to act on its behalf to exercise all its rights and powers as the sole shareholder of Betterlife, including (i) rights to convene and attend shareholders' meeting; (ii) rights to exercise voting rights in a shareholders' meeting; (iii) rights to sign minutes or resolutions of shareholders' meetings or other legal documents; (iv) rights to instruct directors or the legal representative of Betterlife to act in accordance with all instructions of Yuanzhi WFOE or its designated person; (v) rights to process registration, review, approval and other legal procedures with relevant governmental authorities or regulatory bodies; and (vi) other shareholders' rights under the articles of association of Betterlife.

(f) *Undertaking Letters by Mr. Chu Wai Hong and Ms. Liu Huiying*

Each of Mr. Chu Wai Hong (ultimately and beneficially holding 99% of interest in the Registered Shareholder) and Ms. Liu Huiying (ultimately and beneficially holding 1% of interest in the Registered Shareholder) has executed a written undertaking in favour of Yuanzhi WFOE to the effect that, among others: (i) he/she has full knowledge of and irrevocably consents to the execution, delivery and performance of Contractual Arrangements by the Registered Shareholder and Betterlife; (ii) he/she will take all necessary actions to ensure the achievement of the objectives of the Contractual Arrangements, which shall not be affected by the change of his/her equity interest in the Registered Shareholder and Betterlife; (iii) he/she undertakes not to take any actions, initiate any claims or suit contrary to the intent of the Contractual Arrangements and (iv) the undertakings, confirmation, consent and authorization contained in the Undertaking Letters shall not be affected by the death, loss of or restriction on capacity of him/her. The term and validity of the Undertaking Letters shall be the same as the Exclusive Option Agreement.

Mr. Chu Wai Hong is the son of Mr. Chu Mang Yee (the ultimate controlling shareholder of the Company) and elder brother of Ms. Chu Kut Yung, an executive director of the Company. As such, Mr. Chu Wai Hong is an associate of each of Mr. Chu Mang Yee and Ms. Chu and therefore a connected person of the Company. Ms. Liu Huiying is the mother of Mr. Chu Mang Yee and therefore, she is an associate of Mr. Chu Mang Yee and a connected person of the Company.

(g) *Transferability of rights and obligations of Yuanzhi WFOE under the Contractual Arrangements*

Each of the Contractual Arrangements provides that the rights and obligations of Yuanzhi WFOE under the relevant agreement are transferrable to any third party without the consent of Betterlife and/or the Registered Shareholder (as the case may be).

(h) *Succession of rights and obligations of the Registered Shareholder and/or Betterlife*

Each of the Exclusive Option Agreement, the Power of Attorney and the Equity Pledge Agreement provides that its provisions shall be binding on the successor or permitted assignee of the Registered Shareholder and/or Betterlife (as the case may be).

(i) *Dispute Resolution*

Each of the Contractual Arrangements provides to the effect that:

- (a) any dispute, controversy or claim arising out of or in connection with the performance, interpretation, breach, termination or validity of the Contractual Arrangements shall be resolved through negotiation after one party delivers to the other parties a written negotiation request setting out the specific statements of the disputes or claims;
- (b) if the parties are unable to settle the dispute within 30 days of delivery of such written negotiation request, any party shall have the right to refer the dispute to and have the dispute finally resolved by arbitration administered by the Beijing Arbitration Commission in Beijing, the PRC under the prevailing effective arbitration rules thereof. The results of the arbitration shall be final and binding on all relevant parties;
- (c) the arbitration commission shall have the right to award remedies over the equity interest in Betterlife and its property interest and other assets, injunctive relief (for the conduct of business or to compel the transfer of assets), or order the winding up of Betterlife; and
- (d) upon request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. The courts of PRC, Hong Kong, the Cayman Islands and the place where the principal assets of Betterlife are located shall be considered as having jurisdiction for the above purposes.

See section “7.4(g) Certain terms of the Contractual Arrangements may not be enforceable under PRC laws” below for the relevant risks.

(j) *Loss Sharing*

None of the Contractual Arrangements provides that Yuanzhi WFOE is obligated to share the losses of Betterlife or provide financial support to Betterlife. Further, Yuanzhi WFOE is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under PRC laws and regulations, Yuanzhi WFOE, as the primary beneficiary of Betterlife, is not required to share the losses of Betterlife or provide financial support to Betterlife.

Despite the foregoing, given that the Yuanzhi WFOE conducts its businesses in the PRC through Betterlife and that Betterlife financial results of operations are consolidated into the Yuanzhi WFOE's consolidated financial statements and results of operations under the applicable accounting principles, Yuanzhi WFOE's business, financial condition and results of operations may be adversely affected if Betterlife suffers losses.

(k) *Internal Control*

In order to have effective control over and to safeguard the assets of Betterlife, the following internal control measures (among others) have been put in place by Yuanzhi WFOE:

- The Registered Shareholder has irrevocably undertaken, during the term of the Exclusive Option Agreement, it will not sell, transfer, mortgage or otherwise dispose of the asset of Betterlife or be allowed to place any encumbrances on them;
- During the term of the Exclusive Technology and Management Consulting Services Agreement, Yuanzhi WFOE shall have the right to periodically obtain financial information of Betterlife and conduct independent audit of financial information provided to Yuanzhi WFOE.

(l) *Legality of Contractual Arrangements*

Yuanzhi WFOE's right to deal with the pledged equity interest in Betterlife under the Equity Pledge Agreement and its option to acquire the equity interest in and/or the assets of Betterlife under the Exclusive Option Agreement are confined to be carried out in a manner as permitted by the relevant PRC laws and regulations.

Based on their understanding and the numerous precedents of PRC domestic internet content providers controlled by overseas companies through contractual arrangements, our PRC Legal Advisors are also of the opinion that:

- (i) each of the Contractual Arrangements is not deemed as “concealing illegal intentions with a lawful form” and void under the PRC Contract Law;

- (ii) each of Contractual Arrangements is legal, valid and binding on the parties thereto and will be enforceable under applicable PRC laws and regulations (save for the dispute resolution clauses contained in the Contractual Arrangements, further details of which are set out in section “7.4(g) Certain terms of the Contractual Arrangements may not be enforceable under PRC laws” below);
- (iii) the Contractual Arrangements do not require any approvals from the PRC governmental authorities, except that (a) the pledges under the Equity Pledge Agreement is required to be registered with the relevant local administration bureau for SAMR; and (b) the Exclusive Option Agreement is subject to approval and/or registration with MOFCOM or its branch, local administration bureau for SAMR, and the MIIT or its branch upon the exercise by Yuanzhi WFOE or its designee of its option rights under the Exclusive Option Agreement to acquire all or part of the equity interests in or assets of Betterlife; and
- (iv) the adoption of the Contractual Arrangements is unlikely to be deemed invalid under the existing PRC laws and regulations, except for that the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets of Betterlife, injunctive relief and/or winding up of Betterlife, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in Betterlife in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, as of the date of this announcement, Yuanzhi WFOE and Betterlife have not encountered any interference from any governing bodies in operating its business through Betterlife under the Contractual Arrangement.

7.3 Board’s view on the Contractual Arrangements

Based on and subject to the factors set out in section “7.2(1) Legality of Contractual Arrangements” above, the Board is of the view that the Contractual Arrangements which confer significant control and economic benefits from Betterlife to Yuanzhi WFOE is enforceable under the relevant laws and regulations.

7.4 Risks relating to the Contractual Arrangements

(a) *The PRC government may determine that the Contractual Arrangements do not comply with applicable regulations*

There can be no assurance that the Contractual Arrangements will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing or future applicable PRC laws and regulations, or that the relevant governmental or judicial authorities may in the future interpret the existing laws or regulations with the result that the Contractual Arrangements will be not deemed to be in compliance of the PRC laws and regulations.

If Betterlife or any of its subsidiaries were deemed as foreign-invested enterprises under any of such future laws, regulations and rules, and any of the businesses that Yuanzhi WFOE operate would be in any Negative List for foreign investment and therefore be subject to any foreign investment restrictions or prohibitions, further actions will be required to be taken by Yuanzhi WFOE under such laws, regulations and rules and may materially and adversely affect the Yuanzhi WFOE's business and financial condition.

Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing contractual arrangements, Yuanzhi WFOE may face uncertainties as to whether it can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect its corporate structure and business operations.

(b) *Significant uncertainties exist in relation to the interpretation and implementation of the Foreign Investment Law*

The Foreign Investment Law of the PRC, which took effect on 1 January 2020, specifically stipulates four forms of investment activities which constitute foreign investment, including, among other things, investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council. Conducting operations through structured contracts has been adopted by many PRC-based companies, including the Yuanzhi Group, to obtain and maintain required or necessary licences and permits in the industries that foreign investment is currently restricted or prohibited in China. While the Foreign Investment Law does not mention concepts such as “actual control” and “controlling PRC companies by contracts or trusts” that were included in the previous drafts, nor does it specify regulations on controlling through contractual arrangements, it is possible that structured contracts will be recognized as foreign investment under the limb of “investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council” or the State Council may prescribe new laws, administration regulations or provisions to provide

for the same. Whether the Contractual Arrangements will be found or deemed to be in violation of the foreign investment access requirements and how the Contractual Arrangements will be handled in such scenarios are uncertain.

(c) *Yuanzhi WFOE may bear economic risk which may arise from difficulties in the operation of Betterlife*

Although Yuanzhi WFOE will not be obligated to share the losses of Betterlife under the Contractual Arrangements, as the primary beneficiary of Betterlife, Yuanzhi WFOE will bear economic risks which may arise from difficulties in the operation of the business of Betterlife. In the event that Betterlife requires financial assistance from Yuanzhi WFOE, Yuanzhi WFOE may decide and resolve, at its sole and absolute discretion, to provide financial support to Betterlife in any manner permitted by relevant laws and regulations of the PRC in order to maintain its operation.

(d) *The exercise of the option to acquire the ownership of Betterlife may be subject to substantial costs*

Under the Exclusive Option Agreement, Yuanzhi WFOE will be granted an irrevocable and exclusive right to purchase from the Registered Shareholder all or any part of its equity interests in Betterlife for RMB1 or the lowest price permissible under the relevant PRC laws and regulations, and to purchase from Betterlife all or any part of its asset for at the net book value unless the relevant government authorities or the PRC laws requires that another amount to be used as the purchase price, in which case the purchase price shall be the lowest amount under such requirement. Despite the foregoing, the relevant PRC authorities may require Yuanzhi WFOE to pay a substantial amount of enterprise income tax with reference to the market value if the purchase price is set below the market value.

(e) *The Registered Shareholder may potentially have a conflict of interests with Yuanzhi Group*

The Registered Shareholder may have potential conflicts of interest with Yuanzhi Group. Although there are provisions under the Power of Attorney to prevent those situations, conflicts of interest may still arise when the interest of the Registered Shareholder does not align with that of Yuanzhi Group. In the event that a conflict of interest arises and cannot be resolved, Yuanzhi Group may have to resort to dispute resolution which could cause disruption to the business of Yuanzhi Group. Yuanzhi Group's ability to enforce the Contractual Arrangements may also be hindered pending resolutions of such conflicts.

(f) *The Contractual Arrangements may not be as effective in providing operational control over Betterlife as direct ownership*

The Contractual Arrangements may not provide control as effective as direct ownership. Yuanzhi WFOE will rely on its rights under the Contractual Arrangements and the cooperation of Betterlife or the Registered Shareholder to effect changes in the management of Betterlife and make an impact on its business decision making, as opposed to exercising its rights directly as a shareholder. If Yuanzhi WFOE loses effective control over Betterlife, it would be unable to consolidate the financial results of Betterlife.

(g) *Certain terms of the Contractual Arrangements may not be enforceable under PRC laws*

The Contractual Arrangements provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the Beijing Arbitration Commission in the PRC. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the equity interest and/or assets of Betterlife, injunctive relief and/or winding up of Betterlife. In addition, the Contractual Arrangements contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal.

However, our PRC Legal Advisors have advised that the abovementioned provisions contained in the Contractual Arrangements may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in Betterlife in case of disputes. Therefore, such remedies may not be available to Yuanzhi WFOE, notwithstanding the relevant contractual provisions contained in the Contractual Arrangements.

(h) *The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional tax may be imposed*

The PRC tax authorities have the power to audit or challenge arrangements and transactions among related parties under the applicable PRC laws and regulations. There could be material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements does not represent a fair price subject to arm's length negotiations and adjust any of those entities' income in the form of a transfer pricing adjustment. Such adjustment could increase the relevant tax liabilities. In addition, there is a risk that the PRC tax authorities may take the view that Betterlife is dodging its tax obligations, which may not be rectified within the specified timeline required by PRC tax

authorities. As a result, the PRC tax authorities may impose late payment fees and other penalties for under-paid taxes, which could materially and adversely affect business, financial condition and results of operations of Yuanzhi Group.

(i) *The Company does not have any insurance which covers the risks relating to the Contractual Arrangements and the transactions contemplated thereunder*

The insurance of the Group does not cover the risks relating to the Contractual Arrangements and the transactions contemplated thereunder, and the Group has no intention to purchase any new insurance in this regard. If any risk arises from the Contractual Arrangements in the future, such as those affecting the enforceability of the Contractual Arrangements and the relevant agreements for the transactions contemplated thereunder and the operation of the Group, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. In addition, as mentioned above, there are relevant internal control measures to reduce the operational risk.

DEFINITIONS

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

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| “Betterlife” | Betterlife Technology (Zhuhai) Company Limited* (優選好生活科技(珠海)有限公司), a limited liability company incorporated in the PRC and a consolidated affiliated entity of Yuanzhi Cayman |
| “Board” | the board of Directors |
| “BVI” | British Virgin Islands |
| “Company” | Hopson Development Holdings Limited, a company incorporated in Bermuda and whose shares are listed on the Main Board of the Stock Exchange |
| “Completion Date” | the date when the Completion occurs |
| “Completion” | completion of the Transactions in accordance with the terms of the Subscription Agreement |
| “connected person(s)” | has the meaning as ascribed to this term under the Listing Rules |

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| “Contractual Arrangements” | collectively, (i) the exclusive technology and management consulting services agreement (the “Exclusive Technology and Management Consulting Services Agreement”) dated 15 October 2020 entered into between Yuanzhi WFOE and Betterlife, (ii) the exclusive option agreement (the “Exclusive Option Agreement”) dated 15 October 2020 entered into among Yuanzhi WFOE, Betterlife and the Registered Shareholder, (iii) the equity pledge agreement (the “Equity Pledge Agreement”) dated 15 October 2020 entered into among Yuanzhi WFOE, Betterlife and the Registered Shareholder, (iv) the proxy agreement (the “Proxy Agreement”) dated 15 October 2020 entered into among Yuanzhi WFOE, Betterlife and the Registered Shareholder, (v) the power of attorney (the “Power of Attorney”) dated 15 October 2020 executed by the Registered Shareholder, and (vi) the undertaking letters (the “Undertaking Letters”) dated 15 October 2020 executed by each of Mr. Chu Wai Hong (朱偉航) and Ms. Liu Huiying (劉惠英) |
| “Director(s)” | the director(s) of the Company |
| “EDI Licence” | Value-added Telecommunications Service Operating Permit for provision of online data and transaction processing services |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Hooplife Group” | Hooplife and its subsidiaries (including controlled entities via contractual arrangements, if any) from time to time |
| “Hooplife One” | Hooplife One Limited (合生景祥有限公司), a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company |
| “Hooplife Shares” | 20 new ordinary shares of Hooplif e, representing 20% of the enlarged share capital of Hooplif e immediately following the Completion |
| “Hooplife” | Hooplife Technology Group Limited (合生活科技集團有限公司), a company incorporated in the Cayman Islands with limited liability and an indirect wholly-owned subsidiary of the Company immediately before completion of the Subscription (II) |
| “Hopson Commerce” | Hopson Technological Commerce Group Limited, a company incorporated in the Cayman Islands with limited liability and an indirect wholly-owned subsidiary of the Company immediately before completion of the Subscription (III) |

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| “Hopson Commerce Group” | Hopson Commerce and its subsidiaries (including controlled entities via contractual arrangements, if any) from time to time |
| “Hopson Commerce Shares” | 60 new ordinary shares of Hopson Commerce, representing 30% of the enlarged share capital of Hopson Commerce immediately following the Completion |
| “ICP Licence” | Value-added Telecommunications Service Operating Permit for Internet Information Services |
| “Independent Shareholders” | the Shareholders other than Mr. Chu Mang Yee, his associates and any Shareholder with a material interest in the Transactions |
| “Joyful Fit” | Joyful Fit Limited (怡康有限公司), a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Lucky Steady” | Lucky Steady Enterprises Limited (祥堅企業有限公司), a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company |
| “MIIT” | Ministry of Industry and Information Technology of the PRC |
| “MOFCOM” | the Ministry of Commerce of the PRC |
| “NDRC” | the National Development and Reform Commission of the PRC |
| “Negative List” | The Special Administrative Measures for Access of Foreign Investment (Negative List) (2020 Edition) |
| “Party” | a party to the Subscription Agreement and “Parties” shall be construed accordingly |
| “PRC GAAP” | generally accepted accounting principles in the PRC |
| “PRC Legal Advisors” | Jingtian & Gongcheng, the legal advisor to the Company as to the laws of the PRC |
| “PRC” | the People’s Republic of China which, for the purpose of this announcement, excludes the Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Registered Shareholder” | Guangdong Yuanzhi Technology Company Limited* (廣東元知科技有限公司), a limited liability company incorporated in the PRC and ultimately owned as to 99% by Mr. Chu Wai Hong (朱偉航) and 1% by Ms. Liu Huiying (劉惠英) |

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| “Relevant Business” | the intended businesses to be operated by Betterlife and certain operating companies of Yuanzhi Group in the PRC which are subject to, among other, VATS Licence requirement |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SAMR” | State Administration for Market Regulation |
| “Shareholder(s)” | holders of the shares of the Company |
| “Sounda BVI (I)” | Sounda Hopson Technology Holdings Limited (新達合生科技控股有限公司), a company incorporated in the BVI with limited liability and ultimately held as to 100% by Mr. Chu Mang Yee. It is a connected person of the Company |
| “Sounda BVI (II)” | Sounda Hopson Technology Investment Limited (新達合生科技投資有限公司), a company incorporated in the BVI with limited liability and ultimately held as to 100% by Mr. Chu Mang Yee. It is a connected person of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription (I)” | subscription of the Yuanzhi Shares by Joyful Fit contemplated under the Subscription Agreement |
| “Subscription (II)” | subscription of the Hooplife Shares by Yuanzhi BVI contemplated under the Subscription Agreement |
| “Subscription (III)” | subscription of the Hopson Commerce Shares by Yuanzhi BVI contemplated under the Subscription Agreement |
| “Subscription Agreement” | Subscription Agreement dated 3 November 2020 and entered into among Joyful Fit, Yuanzhi Cayman, Yuanzhi BVI, Hooplife and Hopson Commerce |
| “Target Companies” | collectively, Yuanzhi Cayman, Hooplife and Hopson Commerce |
| “Transactions” | collectively, Subscription (I), Subscription (II) and Subscription (III) |
| “US\$” | United States dollars, the lawful currency of the United States of America |
| “VATS” | value-added telecommunication services |
| “VATS Licence” | value-added telecommunication service operating permit, which includes without limitation, the ICP Licence and EDI Licence |

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| “Yuanzhi BVI” | Million Surplus Developments Limited (百盈發展有限公司), a company incorporated in the BVI with limited liability, a wholly-owned subsidiary of Yuanzhi Cayman. It is a connected person of the Company |
| “Yuanzhi Cayman” | Meta Group Limited, a company incorporated in the Cayman Islands with limited liability and ultimately held as to 100% by Mr. Chu Mang Yee. It is a connected person of the Company |
| “Yuanzhi Group” | Yuanzhi Cayman and its subsidiaries (including controlled entities via contractual arrangements, if any) from time to time |
| “Yuanzhi HK” | Merit Talent Investments Limited (添才投資有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Yuanzhi BVI. It is a connected person of the Company |
| “Yuanzhi Shares” | 25 new ordinary shares of Yuanzhi Cayman, representing 20% of the enlarged share capital of Yuanzhi Cayman immediately following the Completion |
| “Yuanzhi WFOE” | Beijing Yuanzhi Zhichen Technology Co., Ltd.* (北京元知智宸科技有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Yuanzhi HK. It is a connected person of the Company |

By order of the Board
Hopson Development Holdings Limited
Chu Kut Yung
Chairman

Hong Kong, 3 November 2020

As at the date of this announcement, the Board comprises eight Directors. The executive Directors are Ms. Chu Kut Yung (Chairman), Mr. Zhang Fan (Co-president), Mr. Au Wai Kin, Mr. Xie Bao Xin and Mr. Bao Wenge; and the independent non-executive Directors are Mr. Lee Tsung Hei, David, Mr. Tan Leng Cheng, Aaron and Mr. Ching Yu Lung.

* *For identification purpose only, certain names of PRC established companies or entities and PRC laws and regulations have been included in this announcement in both Chinese and English languages. In the event of inconsistency, the Chinese language shall prevail.*