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**H.BROTHERS** | ENTERTAINMENT

**華 誼 騰 訊 娛 樂**

**華 誼 騰 訊 娛 樂 有 限 公 司**  
**Huayi Tencent Entertainment Company Limited**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 419)**

**ANNOUNCEMENT RELATING TO**  
**(1) CORPORATE RESTRUCTURING IN RELATION TO**  
**PINGTAN XINBAN CLINIC COMPANY LIMITED AND**  
**(2) THE ENTERING INTO OF VIE CONTRACTUAL ARRANGEMENTS**

**THE CORPORATE RESTRUCTURING AND THE VIE CONTRACTUAL ARRANGEMENTS**

The Board is pleased to announce that on 20 December 2021, (i) the Company, PIL (a wholly-owned subsidiary of the Company), ROL (a wholly-owned subsidiary of the Company), the WFOE (a wholly-owned subsidiary of the Company), the Target Company, YZN, the Founding Shareholders and Ms. HAN Lihui entered into the Second Supplemental Agreement to effect the Corporate Restructuring and (ii) the WFOE entered into a set of VIE Contractual Arrangements with the OPCO, YZN and/or the PRC Equity Owners, in order for the Target Group to provide the Extended Services on the existing Online Platform, being the provision of structured management channel for suppliers of pharmaceutical products/medical devices (which mainly comprise pharmaceutical manufacturers), providing them with the services of personnel communication management, digital marketing, information resources management, product management, personnel management, online healthcare seminars and other services, which involve the charging of service fees for the information and other services provided on the existing Online Platform. The Corporate Restructuring is necessary for the Target Group to provide the Extended Services in view of relevant restrictions under PRC laws.

Through the VIE Contractual Arrangements, the WFOE will have effective control over the finance and operation of the Target Group, and will enjoy the economic interests and benefits generated by the Target Group. Upon the entering into of the VIE Contractual Arrangements, the financial results of the OPCO will continue to be consolidated into the consolidated financial statements of the Group and the OPCO will continue to be an indirect non-wholly owned subsidiary of the Company.

## **IMPLICATIONS UNDER THE LISTING RULES FOR THE CORPORATE RESTRUCTURING**

### ***The setting up of the joint venture of the Platform Co under the Second Supplemental Agreement***

As one or more applicable percentage ratio in respect of the setting up of the joint venture of the Platform Co under the Second Supplemental Agreement (on an aggregate basis with the Capital Increase and Acquisition Agreement because the Second Supplemental Agreement and the Capital Increase and Acquisition Agreement were entered into by the Group with the same parties within a 12-month period) exceeds 5% but all the applicable percentage ratios are below 25%, such transactions contemplated under the Second Supplemental Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the notification and announcement requirements, but are exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Moreover, since Mr. WANG Jian and Ms. SHANG Jing are both directors and substantial shareholders of the OPCO, which is a subsidiary of the Company, Mr. WANG Jian and Ms. SHANG Jing are connected persons of the Company at subsidiary level, the entering into of the Second Supplemental Agreement also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the notification and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

### ***The Share Transfer Agreement and the Loan Agreement***

As one or more applicable percentage ratio in respect of the transactions under the Share Transfer Agreement and the Loan Agreement (on an aggregate basis with the Capital Increase and Acquisition Agreement because the transactions contemplated under the Share Transfer Agreement and the Loan Agreement and the Capital Increase and Acquisition Agreement involved the acquisition and disposal of equity interest in the OPCO within a 12-month period) exceeds 5% but all the applicable percentage ratios are below 25%, the transactions contemplated under the Share Transfer Agreement and the Loan Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the notification and announcement requirements, but are exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

### ***The VIE Contractual Arrangements***

As each of Mr. WANG Jian and Ms. SHANG Jing is a substantial shareholder and a director of the OPCO, a subsidiary of the Company, as a result of the Second Supplemental Agreement and the VIE Contractual Arrangements, each of them will also become a substantial shareholder and a director of the Platform Co, a subsidiary of the Company, and Ms. HAN Lihui will become a substantial shareholder of the OPCO, each of Mr. WANG Jian, Ms. SHANG Jing and Ms. HAN Lihui is or will become a connected person of the Company at subsidiary level, and the transactions contemplated under the VIE Contractual Arrangements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the notification and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

## INTRODUCTION

Reference is made to the announcement of the Company dated 7 April 2021 (the “**Acquisition Announcement**”) as supplemented by the announcements of the Company dated 21 April 2021 and 17 May 2021 respectively.

The Board is pleased to announce that on 20 December 2021, (i) the Company, the Investor (“**PIL**”) (a wholly-owned subsidiary of the Company), ROL (a wholly-owned subsidiary of the Company), the WFOE (a wholly-owned subsidiary of the Company), the Target Company (the “**OPCO**”), YZN, the Founding Shareholders and Ms. HAN Lihui entered into the second supplemental agreement to the Capital Increase and Acquisition Agreement (the “**Second Supplemental Agreement**”) to effect the Corporate Restructuring and (ii) the WFOE entered into a set of VIE Contractual Arrangements with the OPCO, YZN and/or the PRC Equity Owners, in order for the Target Group to provide the extended services on the existing Online Platform, being the provision of structured management channel for suppliers of pharmaceutical products/medical devices (which mainly comprise pharmaceutical manufacturers), providing them with the services of personnel communication management, digital marketing, information resources management, product management, personnel management, online healthcare seminars and other services, which involve the charging of service fees for the information and other services provided on the existing Online Platform (the “**Extended Services**”). The Corporate Restructuring is necessary for the Target Group to provide the Extended Services in view of relevant restrictions under PRC laws.

Through the VIE Contractual Arrangements, the WFOE will have effective control over the finance and operations of the Target Group, and will enjoy the economic interests and benefits generated by the Target Group. Upon the entering into of the VIE Contractual Arrangements, the financial results of the OPCO will continue to be consolidated into the consolidated financial statements of the Group and the OPCO will continue to be an indirect non-wholly owned subsidiary of the Company.

## SUMMARY AND CURRENT STATUS OF THE TRANSACTIONS UNDER THE CAPITAL INCREASE AND ACQUISITION AGREEMENT

As disclosed in the announcement of the Company dated 17 May 2021, the completion of the Capital Increase and the Acquisition from BDT took place on 29 April 2021 (being the Completion Date), on which the Target Company received from PIL the amount in USD equivalent of the First Cash Investment of RMB37,480,000, following which the Group (through PIL) owns 51% equity interest in the OPCO.

Pursuant to the Capital Increase and the Acquisition Agreement:–

- (A) the payment of the balance of the consideration of the Capital Increase, (I) in the form of the First Consideration Shares and the Second Cash Investment, shall be made after the satisfaction of the First Performance Target (being, among other things, at any time within one year from the Completion Date, the aggregate amount of the revenue of the Target Group reaches RMB150,000,000 as shown in the Target Group's consolidated management accounts reported in accordance with Hong Kong Financial Reporting Standards), and (II) in the form of the Second Consideration Shares, Third Consideration Shares and Third Cash Investment, shall be made after the satisfaction of the Second Performance Target (being, among other things, at any time within one year from the satisfaction of the First Performance Target, (i) the aggregate amount of the revenue of the Target Group calculated from the day after the satisfaction of the First Performance Target reaches RMB600,000,000 as shown in the Target Group's consolidated management accounts reported in accordance with Hong Kong Financial Reporting Standards, and (ii) the net profits after taxation of the Target Group calculated from the day after the satisfaction of the First Performance Target reaches RMB40,000,000 as shown in the Target Group's consolidated management accounts reported in accordance with Hong Kong Financial Reporting Standards); and
- (B) the Group shall be obliged to acquire the remaining 49% of the total equity interest in the Target Company from the Founding Shareholders (being the Further Acquisition) after the First Performance Target and the Second Performance Target are satisfied and provided that there is no nominee holding arrangement in relation to equity interest in the Target Company, for the considerations (I) in the form of Fourth Consideration Shares after the satisfaction of the Second Performance Target, (II) in the form of Fifth Consideration Shares after the satisfaction of the Guaranteed Profits in the first 12 months following the completion of the Further Acquisition, and (III) in the form of Sixth Consideration Shares after the satisfaction of the Guaranteed Profits during the 13th to the 24th month following the completion of the Further Acquisition.

As at the date of this Announcement, the First Performance Target has not yet been satisfied.

## BACKGROUND AND REASONS FOR THE CORPORATE RESTRUCTURING AND THE USE OF THE VIE CONTRACTUAL ARRANGEMENTS

As disclosed in the Acquisition Announcement, the Group's investment in the Target Group through the Acquisitions is to develop its strategic layout in the realms of pharmaceutical and medical care services in the PRC. While YZN (a wholly-owned subsidiary of the OPCO) is principally engaged in the development of e-commerce technology platforms, and is the developer and operator of the Online Platform, at the time when the Group acquired equity interest in the OPCO pursuant to the Capital Increase and Acquisition Agreement, the Online Platform was principally engaged into the provision of services such as electronic prescription circulation, online platform for patients to purchase pharmaceutical products, and charging suppliers of pharmaceutical products for platform usage (the “**Original Services**”). According to the PRC Legal Adviser, the provision of the Original Services constitutes “online data processing and transaction processing (operational e-commerce)”, and is not subject to any foreign shareholding restriction.

Recently, YZN has started to provide the Extended Services, being the provision of structured management channel for suppliers of pharmaceutical products/medical devices (which mainly comprise pharmaceutical manufacturers), providing them with the services of personnel communication management, digital marketing, information resources management, product management, personnel management, online healthcare seminars and other services, which involve the charging of service fees for the information and other services provided on the existing Online Platform. YZN holds the Value-added Telecommunications Business Licence (the “**Licence**”) for the businesses of provision of the Original Services and of the Extended Services (the “**Principal Businesses**”).

As advised by the PRC Legal Adviser, according to the relevant regulations including the Telecommunication Regulations of the PRC (《中華人民共和國電信條例》), the Classification Catalogue of Telecommunications Services (《電信業務分類目錄》) and the E-commerce Law (《電子商務法》) of the PRC, the business activities of selling goods or providing services to users through the Internet are regarded as e-commerce, the business of using data and transaction processing application platform connecting to the Internet and providing users with online data processing and transaction processing via the Internet constitutes business of “online data processing and transaction processing (operational e-commerce)”; and the charging of fees through the collection, development and processing of information and development of information platform and provision of information via the Internet constitute “Internet information service business operating for profit (other than App store)”. Accordingly, the Principal Businesses involve (1) online data processing and transaction processing (operational e-commerce) businesses (being the provision of the Original Services) and (2) Internet information service businesses operating for profit (other than App store) (being the provision of the Extended Services). These businesses are carried out concurrently and are inalienable.

According to the Foreign Investment Law of the PRC (the “**Foreign Investment Law**”) which took effect on 1 January 2020, the PRC adopts the management systems of pre-establishment national treatment and negative list for foreign investment. Foreign investors shall not invest in any field forbidden by the negative list for access of foreign investment. For any field restricted by the negative list for access of foreign investment, foreign investors shall conform to the investment conditions provided in the negative list.

In respect of the online data processing and transaction processing businesses (operational e-commerce) of YZN, according to the relevant law and regulations as stipulated in the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020) (Order No. 32 of the National Development and Reform Commission and the Ministry of Commerce) (《外商投資准入特別管理措施(負面清單)(2020年版)》(國家發展和改革委員會、商務部令第 32 號)) (the “**Negative List**”), Notice of the Ministry of Industry and Information Technology on Removing the Restrictions on Foreign Equity Ratios in Online Data Processing and Transaction Processing (Operating E-commerce) Business (No. 196 [2015] of the Ministry of Industry and Information Technology) (工業和信息化部關於放開在線數據處理與交易處理業務(經營類電子商務)外資股比限制的通告(工信部通信〔2015〕196號)) and the Notice of the Ministry of Industry and Information Technology on Issues Concerning Hong Kong and Macao Service Providers Carrying out Telecommunications Services in the Mainland” (No.222 [2016] of the Ministry of Industry and Information Technology) (《工業和信息化部關於港澳服務提供者在內地開展電信業務有關問題的通告》(工信部通信〔2016〕222 號)) (collectively the “**Notices**”), the setting up of joint ventures in the PRC by foreign investors (including Hong Kong and Macau service providers) to provide the business of value-added telecommunications of online data processing and transaction processing businesses (operational e-commerce) is not subject to any shareholding restriction.

In respect of the Internet information service business operating for profit (other than App store) of YZN, according to the Negative List and the Notices, foreign investors (including Hong Kong and Macau service providers) may set up joint ventures in the PRC to provide value-added telecommunication business of information service businesses (other than App store) but are restricted to hold no more than 50% equity interest.

According to the official website of the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), if any holder of the Licence shall at any time invite foreign investment, such Licence holder shall disclose such intention and re-apply for the relevant Licence. As advised by the PRC Legal Adviser, in practice, the relevant government authority would investigate every layer of the shareholding structure of an entity which is applying for or has obtained the Licence up to and until the ultimate shareholder(s) are revealed to determine whether such entity is regarded as a “foreign investor”.



Furthermore, as verified and confirmed by the PRC Legal Adviser's consultation with the Ministry of Industry and Information Technology of the PRC, according to the Regulations on the Administration of Foreign-invested Telecommunications Enterprises (Revised in 2016) (Order No. 666 of the State Council of the PRC) (《外商投資電信企業管理規定(2016年修訂)》(中華人民共和國國務院令第666號)), a foreign investor who invests in a value-added telecommunications services company shall have a good track record and operational experience in providing value-added telecommunications business (the “**Qualification Requirement**”) in the PRC. There are no clear rules, measures, procedures, guidance or reference standard issued by PRC regulatory authority on the Qualification Requirement. In practice, the relevant authority would verify whether such foreign investor has previously been engaged in telecommunications business outside the PRC, or whether such foreign investor has previously held any equity interest in the PRC enterprises engaged in the telecommunications business. The Group has not had any actual engagement in telecommunications business outside the PRC, and also has not held any equity interest in the PRC enterprises engaged in the telecommunications business other than the OPCO. Therefore, the Company directly or indirectly holding equity interest in YZN would make it very difficult and uncertain for YZN to continue to hold or renew the Licence to carry on the value-added telecommunications business, and the time and the prolonged process of application with unknown results would incur extra costs for the Company.

In view of the above, the PRC Legal Adviser advises that given that YZN has been engaging in the Principal Businesses, in the absence of clear guidance to determine whether the Company meets the Qualification Requirement and in view of the Group's lack of the relevant qualification, the Company cannot directly or indirectly hold any equity interest in the Target Group despite its intention to own more than 50% equity interest in the Target Group.

In order to comply with the relevant PRC laws and regulations while achieving the commercial intention of the parties, the Corporate Restructuring was carried out and, the VIE Contractual Arrangements were entered into among the WFOE, the OPCO, YZN and/or the PRC Equity Owners. Through the VIE Contractual Arrangements, the WFOE will have effective control over the finance and operations of the Target Group and will enjoy the entire economic interests and benefits generated by the Target Group despite the lack of registered equity ownership.

## THE CORPORATE RESTRUCTURING

### *The Second Supplemental Agreement*

On 20 December 2021, the Company, PIL (a wholly-owned subsidiary of the Company), ROL (a wholly-owned subsidiary of the Company), the WFOE (a wholly-owned subsidiary of the Company), the OPCO, YZN, the Founding Shareholders and Ms. HAN Lihui entered into the second supplemental agreement to the Capital Increase and Acquisition Agreement (the “**Second Supplemental Agreement**”).

Pursuant to the Second Supplemental Agreement, among other things,

- (i) the Company shall procure PIL to transfer 51% equity interest in the OPCO to Ms. HAN Lihui, whereas PIL and Ms. HAN Lihui shall enter into the Share Transfer Agreement and the PRC Subsidiary and Ms. HAN Lihui shall enter into the Loan Agreement (the details of which are set out under the section headed “THE CORPORATE RESTRUCTURING – The Share Transfer Agreement and the Loan Agreement” in this announcement), and PIL, the OPCO and the Founding Shareholders shall enter into a termination agreement to terminate the Shareholders’ Agreement;
- (ii) a joint venture company to be incorporated in the Cayman Islands (the “**Platform Co**”) shall be set up with shareholding proportions as to 51%, 21.9%, 21%, 0.1% and 6% to be held by the Company, Mr. WANG Jian, Ms. SHANG Jing, Mr. LIN Jincong (through Mr. WANG Jian) and the Employees Shareholding Platform (through Ms. SHANG Jing) respectively, reflecting the intended shareholding in the OPCO immediately after the completion of the Acquisition from BDT and the Capital Increase as contemplated under the Capital Increase and Acquisition Agreement;
- (iii) the Company shall, upon the setting up of the Platform Co, transfer 100% in ROL to the Platform Co, so that ROL will become a wholly-owned subsidiary of the Platform Co, and the WFOE (a wholly-owned subsidiary of ROL incorporated under the laws of the PRC) will also become a wholly-owned subsidiary of the Platform Co, whereas the Company, Mr. WANG Jian, Ms. SHANG Jing and the Platform Co shall enter into the Platform Co Shareholders’ Agreement (the details of which are set out under the section headed “THE CORPORATE RESTRUCTURING – The Platform Co Shareholders’ Agreement” in this announcement); and
- (iv) the WFOE, the OPCO, YZN and/or the PRC Equity Owners shall enter into the VIE Contractual Arrangements (the aforesaid (i) to (iv) collectively, the “**Corporate Restructuring**”).

Due to certain personal reasons on the part of Mr. LIN Jincong and the Employees Shareholding Platform, they would not directly hold any interest in the Platform Co. Instead, they have appointed Mr. WANG Jian and Ms. SHANG Jing as nominees to hold equity interest in the Platform Co on their behalves respectively.



Changes to the provisions of the Capital Increase and Acquisition Agreement pursuant to the Second Supplemental Agreement are as follows:

*Provision under the Capital Increase and Acquisition Agreement:*

*Corresponding changes under the Second Supplemental Agreement:*

- |    |   |  |
|----|---|--|
| 1. | The equity interest in the Target Company that PIL will acquire pursuant to the Capital Increase and Acquisition Agreement will be in the nature of preference shares which shall entitle PIL to right of first refusal and right of co-sale in relation to disposal of equity interest by other shareholders of the Target Company, pre-emption right in relation to further fund raising by the Target Company, dividends preference, liquidation preference and other rights as stipulated in the Shareholders' Agreement. | The equity interest in the Platform Co that the Company holds under the Supplemental Agreement will be in the nature of preference shares which shall entitle the Company to right of first refusal and right of co-sale in relation to disposal of equity interest by other shareholders of the Platform Co, pre-emption right in relation to further fund raising by the Platform Co, dividends preference, liquidation preference and other rights as stipulated in the Platform Co Shareholders' Agreement.                              |
| 2  | Within 10 Working Days after the satisfaction of the First Performance Target, (a) the First Consideration Shares shall be issued to the Founding Shareholders in proportion to the Founding Shareholders' shareholding in the Target Company after the completion of the Restructuring; and (b) the Second Cash Investment shall be paid by PIL to the Target Company in cash, which will be accounted for as additional paid-in capital of the Target Company.  | Within 10 Working Days after the satisfaction of the First Performance Target, (a) the First Consideration Shares shall be issued to the Founding Shareholders in proportion to their shareholding in the Platform Co immediately after the completion of the Corporate Restructuring; and (b) the Second Cash Investment shall be paid by the Company to the Platform Co in cash, which will be injected into the WFOE through ROL and will be accounted for as additional paid-in capital of the WFOE.                                     |
| 3. | Within 10 Working days after the satisfaction of the Second Performance Target, (a) the Second Consideration Shares and the Third Consideration Shares shall be issued to the Founding Shareholders in proportion to the Founding Shareholders' shareholding in the Target Company after the completion of the Restructuring; and (b) the Third Cash Investment shall be paid by PIL to the Target Company in cash, which will be accounted for as additional paid-in capital of the Target Company.                          | Within 10 Working days after the satisfaction of the Second Performance Target, (a) the Second Consideration Shares and the Third Consideration Shares shall be issued to the Founding Shareholders in proportion to their shareholding in the Platform Co immediately after the completion of the Corporate Restructuring; and (b) the Third Cash Investment shall be paid by the Company to the Platform Co in cash, which will be injected into the WFOE through ROL and will be accounted for as additional paid-in capital of the WFOE. |

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The Second Cash Investment and the Third Cash Investment, which will be accounted for as additional paid-in capital of the WFOE, may be used for provision of financial assistance to the Target Group based on the Target Group's operational needs.
5. Subject to the First Performance Target and the Second Performance Target having been satisfied and there being no nominee holding arrangement in relation to equity interest in the Target Company, PIL (or another affiliate of the Company) shall be obliged to acquire the remaining 49% of the total equity interest in the Target Company from the Founding Shareholders within 30 Working Days from the date of satisfaction of the Second Performance Target at the consideration of up to RMB196,000,000.

Subject to the First Performance Target and the Second Performance Target having been satisfied and there being no nominee holding arrangement in relation to equity interest in the OPCO, the Company (or its designated wholly-owned subsidiary) shall be obliged to acquire the remaining 49% of the total equity interest in the Platform Co (currently 22% and 27% owned by Mr. WANG Jian and Ms. SHANG Jing respectively) within 30 Working Days from the date of satisfaction of the Second Performance Target at the consideration of up to RMB196,000,000.
6. (a) Within 10 Working Days after the Further Acquisition Completion Date, the Fourth Consideration Shares shall be issued to the Founding Shareholders in proportion to the Founding Shareholders' shareholding in the Target Company immediately before the Further Acquisition Completion Date.

(a) Within 10 Working Days after the Further Acquisition Completion Date, the Fourth Consideration Shares shall be issued to the Founding Shareholders in proportion to their shareholding in the Platform Co immediately before the Further Acquisition Completion Date.
- (b) After the satisfaction of the Guaranteed Profits in the first 12 months following the completion of the Further Acquisition and within 60 days after the expiry of the 12-month period following the completion of the Further Acquisition, the Fifth Consideration Shares shall be issued to the Founding Shareholders in proportion to the Founding Shareholders' shareholding in the Target Company immediately before the Further Acquisition Completion Date.

(b) After the satisfaction of the Guaranteed Profits in the first 12 months following the completion of the Further Acquisition and within 60 days after the expiry of the 12-month period following the completion of the Further Acquisition, the Fifth Consideration Shares shall be issued to the Founding Shareholders in proportion to their shareholding in the Platform Co immediately before the Further Acquisition Completion Date.

(c) After the satisfaction of the Guaranteed Profits during the 13th to the 24th month following the completion of the Further Acquisition and within 60 days after the expiry of the 24-month period following the completion of the Further Acquisition, the Sixth Consideration Shares shall be issued to the Founding Shareholders in proportion to the Founding Shareholders' shareholding in the Target Company immediately before the Further Acquisition Completion Date.

(c) After the satisfaction of the Guaranteed Profits during the 13th to the 24th month following the completion of the Further Acquisition and within 60 days after the expiry of the 24-month period following the completion of the Further Acquisition, the Sixth Consideration Shares shall be issued to the Founding Shareholders in proportion to their shareholding in the Platform Co immediately before the Further Acquisition Completion Date.

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Should the Further Acquisition (which shall refer to the acquisition of 49% of the total equity interest in the Platform Co pursuant to the Second Supplemental Agreement) take place in accordance with the Capital Increase and Acquisition Agreement as supplemented by the Second Supplemental Agreement, the Founding Shareholders shall unconditionally dispose of their equity interest (representing 49% equity interest) in the OPCO in accordance with the Company's instructions, and any consideration received by the Founding Shareholders for such disposal of equity interest in the OPCO shall be transferred to the Company in full, and the Company shall procure the transferee(s) of such equity interest in the OPCO to enter into a set of VIE contractual arrangements.

Save for the amendments as stated above, all other terms and conditions of the Capital Increase and Acquisition Agreement (including but not limited to the terms concerning the determination of the number and issue price of the Consideration Shares, the First Performance Target, the Second Performance Target, the Guaranteed Profits and the adjustments to the consideration for the Further Acquisition in case of failure to satisfy the Guaranteed Profits) shall remain in full force and effect.

***Considerations under the Second Supplemental Agreement, the Share Transfer Agreement and the Loan Agreement, basis of determination of the considerations and use of proceeds***

***The Share Transfer Agreement and the Loan Agreement***

Pursuant to the Second Supplemental Agreement, on 20 December 2021,

- (1) PIL (as transferor) entered into the Share Transfer Agreement with Ms. HAN Lihui (as transferee), pursuant to which PIL agreed to sell and Ms. HAN Lihui agreed to purchase 51% equity interest in the OPCO for a consideration of RMB8,870,000, which was determined with reference to 51% of the net asset value of the OPCO as at 31 October 2021 and shall be paid upon PIL's request in accordance with PIL's written instruction; and
- (2) the PRC Subsidiary (as lender) entered into the Loan Agreement with Ms. HAN Lihui (as borrower), pursuant to which the PRC Subsidiary agreed to grant a loan for an amount of RMB8,870,000 to Ms. HAN Lihui within 30 days after (a) Ms. HAN Lihui having become the lawful registered shareholder of the OPCO; (b) the VIE Contractual Arrangements having been duly entered into, legally valid and performed; (c) the consideration under the Share Transfer Agreement becoming payable by Ms. HAN Lihui to PIL as required by applicable laws or regulations or the accounting requirements of the Company and/or PIL; and (d) Ms. HAN Lihui having provided relevant bank account details to the PRC Subsidiary, for the sole purpose of payment of the consideration under the Share Transfer Agreement. Such loan shall be repayable by Ms. HAN Lihui upon the receipt of consideration by Ms. HAN Lihui for the sale of 51% equity interest in the OPCO to the entity designated by the Company or the transfer of 51% equity interest in the OPCO by Ms. HAN Lihui in accordance with the Exclusive Purchase Right Agreements, and all such consideration received by Ms. HAN Lihui shall be repaid to the WFOE as repayment under the Loan Agreement, with any excess amount of such consideration exceeding the loan amount being treated as loan interest payable to the PRC Subsidiary while any shortfall of the loan amount exceeding such consideration being waived by the PRC Subsidiary.

From the Group's perspective, the amount of loan to be granted to Ms. HAN Lihui pursuant to the Loan Agreement is the same as the consideration to be received from Ms. HAN Lihui under the Share Transfer Agreement. There will be no net cash flow arising from the execution of the Share Transfer Agreement and the Loan Agreement.

***Setting up of joint venture structure of the Platform Co***

The consideration involved in relation to the setting up of the joint venture of the Platform Co is HK\$4.90, being the consideration for the issue of shares by the Platform Co (a company newly incorporated by the Company in August 2021) to Mr. WANG Jian and Ms. SHANG Jing, which is the nominal value of such shares and shall be payable upon allotment of such shares. The proceeds of the consideration will be used for the general working capital of the Platform Co.

No gain or loss is expected to accrue to the Group as a result of the issue of shares by the Platform Co to Mr. WANG Jian and Ms. SHANG Jing or the disposal of shares in the OPCO to Ms. HAN Lihui.

### ***The Platform Co Shareholders' Agreement***

Pursuant to the Second Supplemental Agreement, the Company, Mr. WANG Jian, Ms. SHANG Jing and the Platform Co shall enter into the Platform Co Shareholders' Agreement to make provisions for the management and administration of the Platform Co's affair. The principal terms of the Platform Co Shareholders' Agreement, which are substantially similar to that of the Shareholders' Agreement that have been terminated, are set out below:

### ***Board composition***

The board of directors of the Platform Co shall comprise 5 directors, of which 3 directors shall be appointed by the Company (including the chairman of the board of directors) and 1 director shall be appointed by each of Mr. WANG Jian and Ms. SHANG Jing respectively.

The quorum of a meeting of the board of directors of the Platform Co shall be three with the presence of at least one director appointed by the Company.

The provisions relating to the composition, appointment, rule of discussion, voting mechanisms and other matters, with respect to the board of directors of the Platform Co under the Platform Co Shareholders' Agreement shall also apply, mutatis mutandis, to the subsidiaries of ROL and the WFOE and their respective boards of directors.

### ***Dividend***

The Company shall be entitled to receive in priority to payment of dividend to other shareholders of the Platform Co, amounting to annualized returns of 10% on the total amount invested by the Company in the Platform Co.

### ***Liquidation preference***

In the event of liquidation of the Platform Co, before any payment or distribution of the Platform Co's property or assets will be made or set apart for Mr. WANG Jian and Ms. SHANG Jing, the Company will be paid out of the assets of the Platform Co legally available for distribution to its members a liquidation preference in an amount equal to the sum of (i) the registered capital corresponding to the equity interest in the Platform Co held by the Company plus an interest of simple interest of 10% per annum and (ii) the amount of all dividends declared but not paid which the Company is entitled to.

### ***Restrictions on transfer of shares, rights of first refusal and co-sale, and pre-emption rights***

The sale, assignment and transfer of equity interest in the Platform Co shall be made in accordance with the Platform Co Shareholders' Agreement.

Mr. WANG Jian and Ms. SHANG Jing shall not, without the prior written consent of the Company, dispose of and pledge any of its equity interest in the Platform Co, within five years after the Completion Date.

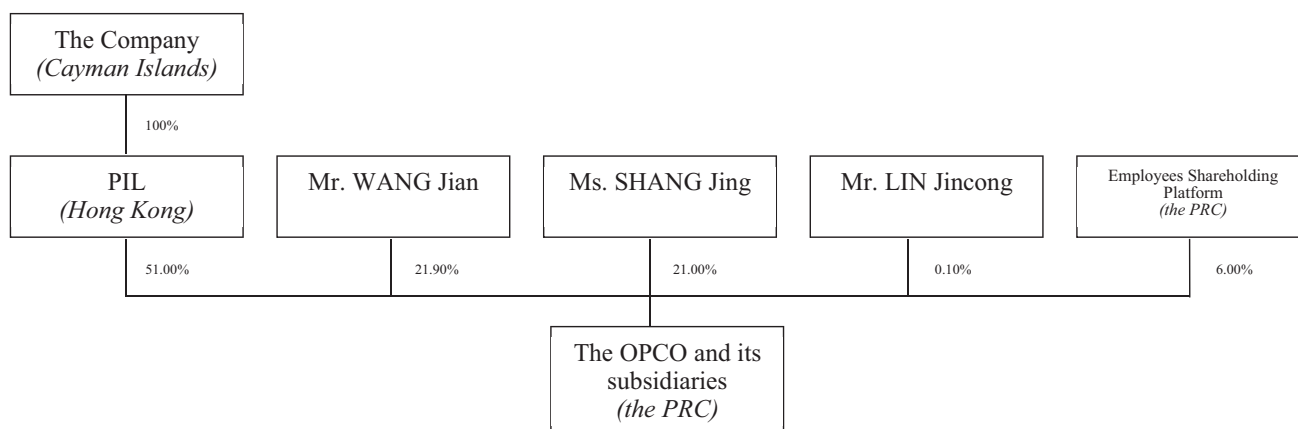
The Company shall have (i) rights of first refusal and co-sale on disposal of equity interest by other shareholders of the Platform Co, (ii) pre-emption rights with respect to any future issue or sale by the Platform Co of any shares or share equivalents of the Platform Co, and (iii) rights to compulsorily demand the Platform Co and/or Mr. WANG Jian and/or Ms. SHANG Jing to buy-back and/or purchase the shares of the Platform Co held by the Company in the event of serious breach of the obligations under the Platform Co Shareholders' Agreement and other transaction documents under the Capital Increase and Acquisition Agreement on the part of the Platform Co and/or Mr. WANG Jian and/or Ms. SHANG Jing without rectification within reasonable time.

### ***Non-compete Undertaking***

Mr. WANG Jian and Ms. SHANG Jing undertake that, from the Completion Date up to the later of (i) two years after Mr. WANG Jian and Ms. SHANG Jing cease to directly or indirectly hold any interest in the Platform Co or its subsidiaries; and (ii) two years after Mr. WANG Jian and Ms. SHANG Jing cease to hold any office in the Platform Co or its subsidiaries, Mr. WANG Jian and Ms. SHANG Jing shall not directly or indirectly hold any interest in any entity that is engaged in any business that competes with the Platform Co and its subsidiaries.

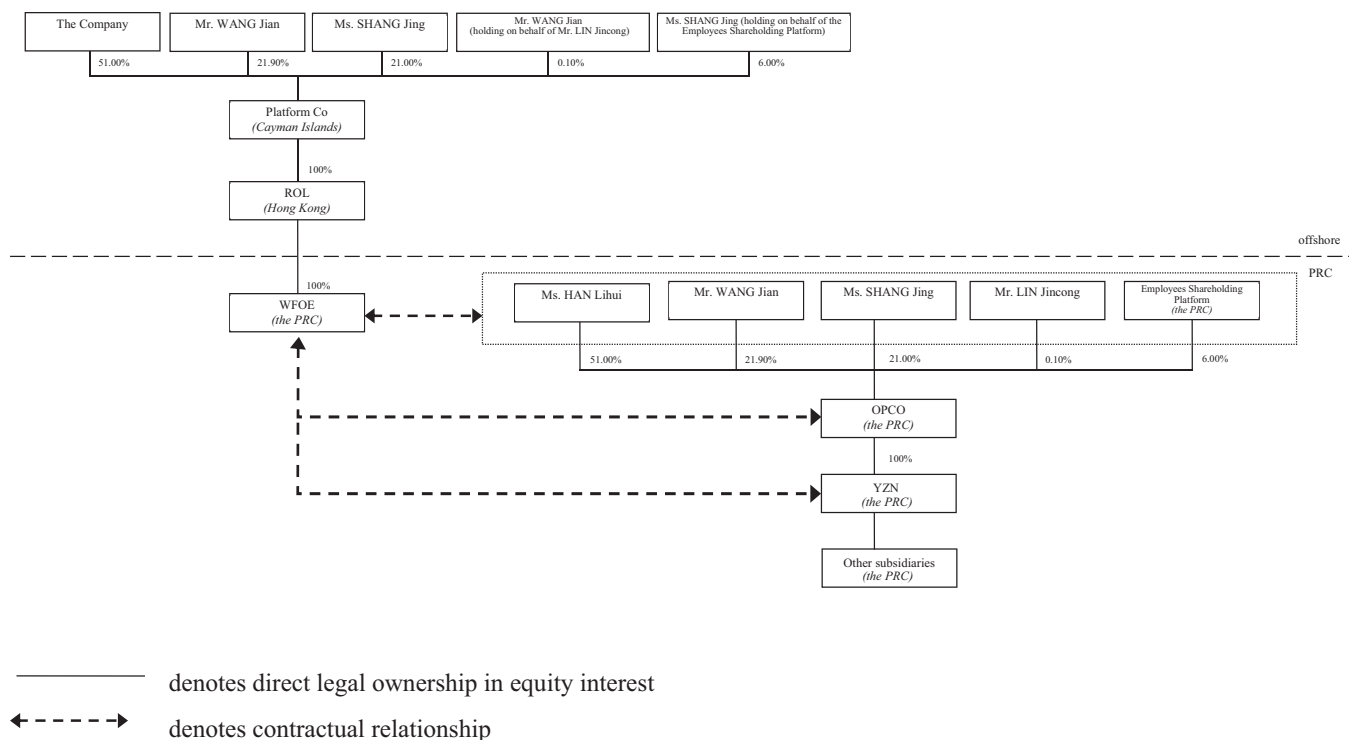
### **INFORMATION ON THE VIE CONTRACTUAL ARRANGEMENTS**

Set out below is the shareholding and corporate structure of the Target Group immediately before the completion of the Corporate Restructuring:





Upon completion of the Corporate Restructuring, the Target Group will be contractually controlled through the VIE Contractual Arrangements by the WFOE. A simplified corporate structure will be as follows:



## Details of the VIE Contractual Arrangements

Principal terms of each of the VIE Contractual Arrangements are set out as follows:

### (i) Exclusive Business Cooperation Agreements

Parties:

- (1) The WFOE; and
- (2) each of the OPCO and YZN

Term: Effective for 10 years from the date of execution of the Exclusive Business Cooperation Agreements, unless terminated (i) by the WFOE at any time with 30 days' advance written notice; (ii) upon the transfer of all the equity interest in the OPCO or YZN (as the case may be) or all the assets of the OPCO or YZN (as the case may be) to the WFOE or such entity as designated by the WFOE pursuant to the Exclusive Purchase Right Agreements; or (iii) upon the event that it becomes permitted under PRC laws for the WFOE to directly hold the equity interest in the OPCO or YZN (as the case may be), and the WFOE or its designated entity has obtained all the equity interest in the OPCO or YZN (as the case may be); and automatically renewable for another 10 years unless early terminated by the WFOE.

The OPCO or YZN has no right to terminate the Exclusive Business Cooperation Agreements unless the WFOE has committed gross negligence or fraud against the OPCO or YZN (as the case may be).

Subject Matter: Each of the OPCO and YZN has appointed the WFOE as its exclusive service provider to provide the OPCO or YZN (as the case may be) with comprehensive technical and business support and related consultancy services in relation to the Principal Businesses, including but not limited to:

- (a) supporting services in relation to development and expansion of business and provision of services usually provided by manager, executive officer, management, planning department, business operations, human resources, finance and accounting;
- (b) formulating all business plans and sales targets and developing corresponding systems and operating procedures;
- (c) consulting services in relation to development direction, scale and branding;
- (d) consultation and support in relation to intellectual property rights application;

- (e) business-related office, manufacturing and sales services;
- (f) formulating business and sales strategies, receiving customers' orders and providing customer services on behalf of the OPCO or YZN (as the case may be);
- (g) supporting and consulting services in relation to human resources;
- (h) consulting services in relation to customer data statistics, analysis and development and maintenance of related database;
- (i) provision of software and related technical support;
- (j) guiding and management of the OPCO's or YZN's (as the case may be) operation and management; and
- (k) acquisition of equipment necessary for and development of new technology for the OPCO's or YZN's (as the case may be) business development and expansion.

Without the prior written consent of the WFOE, the OPCO or YZN shall not engage in or co-operate with any third party for the provision of the same or similar services contemplated under the Exclusive Business Cooperation Agreements.

The above provisions also apply to equity interest in, assets and intellectual property rights of the subsidiaries of the OPCO and YZN.

Fee:

The service fee payable for the said services shall be equal to the annual audited consolidated net profits after taxation of the OPCO. The OPCO shall also bear any VAT and additional taxes arising out of the provision of the said services by the WFOE.

(ii) *Exclusive Purchase Right Agreements*

Parties:	(1) The WFOE;	(1) The WFOE;
	(2) the PRC Equity Owners; and	(2) the OPCO; and
	(3) the OPCO	(3) YZN

Term: Effective on the date of the execution of the Exclusive Purchase Right Agreements and shall remain effective, unless terminated: (i) by the WFOE at any time with 30 days' advance written notice; (ii) upon the transfer of all the equity interest in the OPCO or YZN (as the case may be) or all the assets of the OPCO or YZN (as the case may be) to the WFOE or such entity as designated by the WFOE pursuant to the Exclusive Purchase Right Agreements; or (iii) upon the event that it becomes permitted under PRC laws for the WFOE to directly hold the equity interest in the OPCO or YZN (as the case may be), and the WFOE or its designated entity has obtained all the equity interest in the OPCO or YZN (as the case may be).

The OPCO or the PRC Equity Owners or YZN have no right to terminate the Exclusive Purchase Right Agreements unless the WFOE has committed gross negligence or fraud against the OPCO and the PRC Equity Owners or the OPCO and YZN (as the case may be).

Subject Matter  
and Consideration: The PRC Equity Owners and the OPCO or the OPCO and YZN (as the case may be) shall irrevocably grant the WFOE an exclusive right to purchase or nominate any entity(ies) to purchase at any time all or part of their existing and future equity interest in the OPCO or YZN (as the case may be) and all or part of the existing and future assets of the OPCO or YZN (as the case may be) respectively at the lowest price permissible under the PRC laws and regulations when permitted by the then applicable PRC laws in its sole discretion when exercising its right. The consideration to be received by the PRC Equity Owners and/or the OPCO or the OPCO and/or YZN (as the case may be) thereunder shall be unconditionally gifted to the WFOE or its designated entity to the extent permitted under applicable PRC laws.

In the event the PRC Equity Owners or the OPCO shall transfer or dispose of their intellectual property rights, the WFOE shall have the right of first refusal to acquire from the PRC Equity Owners or the OPCO (as the case may be) those intellectual property rights that are related to the business of the OPCO or YZN (as the case may be).

The above provisions also apply to the subsidiaries of the OPCO and YZN.

Undertakings:

The PRC Equity Owners and the OPCO or the OPCO and YZN (as the case may be) jointly and severally undertake, among other things, not to sell, transfer, mortgage or otherwise dispose of any equity interest in the OPCO or YZN (as the case may be) (or their respective subsidiaries) or any assets, businesses or rights or income of the OPCO or YZN (as the case may be) (or their respective subsidiaries).

***(iii) Power of Attorney and Undertaking Letters***

Parties:

- (1) Each of the PRC Equity Owners and the OPCO; and
- (2) the WFOE

Term:

Effective upon execution of the Power of Attorney and Undertaking Letters and shall remain effective until the relevant PRC Equity Owner or the OPCO (as the case may be) ceases to hold any equity interest in the OPCO or YZN (as the case may be).

Subject Matter:

Each of the PRC Equity Owners and the OPCO has irrevocably agreed to entrust the WFOE (or its nominees, including the directors of its shareholders and their successors, including a liquidator replacing such directors) as the exclusive agent to exercise all of his/her/its rights in relation to his/her/its equity interest in the OPCO or YZN (as the case may be) on his/her/its behalf, including but not limited to the rights to vote in a shareholders' meeting, sign minutes and file documents with the relevant companies registry.

Each of the PRC Equity Owners and the OPCO undertook, among other things, that he/she/it will neither, directly or indirectly (either on his/her/its own or through any other individual or legal entity), participate or engage in any business which is or may be in competition with the business of the OPCO or YZN (as the case may be) or their respective associated company, or acquire or hold any such business, nor carry on any activities which may lead to any material conflict of interest between himself/herself/itself and the WFOE.

Each of the PRC Equity Owners and the OPCO further undertook, among other things, that if he/she/it receives any dividends, interest, any other forms of capital distributions, residual assets upon liquidation, or proceeds or consideration from the transfer of equity interest as a result of, or in connection with, his/her/its equity interest in the OPCO or YZN (as the case may be), he/she/it shall, to the extent permitted by applicable laws, remit all such monies or assets to the WFOE or the entity designated by the WFOE without any compensation, and shall bear any and all taxes and fees with respect thereto.

Each of the PRC Equity Owners and the OPCO further undertook that the validity of the Power of Attorney and Undertaking Letters shall not be affected by the death, bankruptcy or divorce of any of the PRC Equity Owners or the OPCO (as the case may be) and shall remain valid against any assignees or successors of him/her/it; and that the successor, guardian, creditor, or spouse of any of the PRC Equity Owners or the OPCO (as the case may be) who may be entitled to his/her/its interests and rights in the OPCO or YZN (as the case may be) in the event of his/her/its death, incapacity, bankruptcy, divorce or in the event that exercise of his/her/its shareholder rights in the OPCO or YZN (as the case may be) may be affected, will not perform any actions that may affect or hinder the performance of obligations on the part of such PRC Equity Owner or the OPCO (as the case may be) under the VIE Contractual Arrangements.



*(iv) Equity Pledge Agreements*

Parties:	(1) The WFOE (as the pledgee);	(1) The WFOE (as the pledgee);
	(2) each of the PRC Equity Owners (as the pledgor); and	(2) the OPCO (as the pledgor); and
	(3) the OPCO	(3) YZN

Term: The pledge shall be effective for the period from the date the pledge has been duly registered with relevant administrative authority and until all obligations under the Exclusive Business Cooperation Agreements, Exclusive Purchase Right Agreements and the Power of Attorney and Undertaking Letters and any other agreements supplemental thereto on the part of each of the PRC Equity Owners and/or the OPCO or YZN (as the case may be) (the “**Secured Obligations**”) have been entirely performed or terminated.

Subject Matter: Each of the PRC Equity Owners and the OPCO agreed to pledge all of his/her/its equity interest in the OPCO or YZN (as the case may be) to the WFOE as security for the performance of the Secured Obligations. The WFOE may exercise the pledge in the events of default (which include non-performance of the Secured Obligations or the pledgee agreeing or intending to dispose of his/her/its equity interest in the OPCO or YZN (as the case may be) without the written consent of the WFOE) on the part of any of the PRC Equity Owners and/or the OPCO and/or YZN (as the case may be).

Each of the PRC Equity Owners and the OPCO undertook to the WFOE, among other things, not to transfer his/her/its interests in the OPCO or YZN (as the case may be) and not to create any pledge or third party rights thereon without the WFOE’s prior written consent (other than in performance of the Exclusive Purchase Right Agreements).

The validity of the Equity Pledge Agreements shall not be affected by the death, bankruptcy or divorce of any of the PRC Equity Owners or the OPCO (as the case may be) and shall remain valid against any assignees or successors thereof.

*(v) Spousal Consent Letters*

Parties: The spouse of each PRC Equity Owner being an individual who has a spouse as at the date of the Spousal Consent Letters

Subject Matter: The spouse of each PRC Equity Owner being an individual who has a spouse as at the date of the Spousal Consent Letters irrevocably agreed that all the equity interest held by the relevant PRC Equity Owner in the OPCO and all the benefits generated from these equity interest do not form part of his or her matrimonial property and he/she as the spouse has no rights thereto.

*(vi) Undertaking Letters*

Parties: Each PRC Equity Owner being an individual who does not have a spouse as at the date of the Spousal Consent Letters

Subject Matter: Each PRC Equity Owner being an individual who does not have a spouse as at the date of the Spousal Consent Letters confirmed that he/she currently does not have a spouse and undertook that if he/she should enter into marriage during the term of the Exclusive Purchase Right Agreements, Equity Pledge Agreements and the Power of Attorney and Undertaking Letters, he/she shall procure his/her then spouse to sign a letter in the form of the Spousal Consent Letters.

## **REASONS FOR AND BENEFITS OF THE CORPORATE RESTRUCTURING AND ENTERING INTO OF THE VIE CONTRACTUAL ARRANGEMENTS**

Following the completion of the Capital Increase and the Acquisition from BDT, the Target Group has been actively developing the Online Platform connecting doctors, patients and physical pharmacies and establishing a closed loop comprising doctors issuing electronic prescriptions, patients ordering prescription drugs at pharmacies, online payment to final delivery of the drugs prescribed. During the course of such development, high demand for digital marketing services (including but not limited to information resources management, product management, personnel management, online healthcare seminars and other services, etc.) by suppliers of pharmaceutical products/medical devices was noticed, and such demand could be efficiently met by providing additional services on the existing Online Platform. Accordingly, management of the Target Group decided to further expand the functionality of the Online Platform to include the Extended Services.

As discussed under the section headed “BACKGROUND AND REASONS FOR THE CORPORATE RESTRUCTURING AND THE USE OF THE VIE CONTRACTUAL ARRANGEMENTS” in this announcement, given that YZN is engaged in the Principal Businesses, in the absence of clear guidance to determine whether the Company meets the Qualification Requirement and in view of the Group’s lack of the relevant qualification, the Company cannot directly or indirectly hold any equity interest in the Target Group despite its intention to own more than 50% equity interest in the Target Group. In order to comply with the relevant PRC laws and regulations while achieving the commercial intention of the parties, the Corporate Restructuring was carried out and, the VIE Contractual Arrangements were entered into among the WFOE, the OPCO and the PRC Equity Owners. Through the VIE Contractual Arrangements, the WFOE will have effective control over the finance and operations of the OPCO and will enjoy the entire economic interests and benefits generated by the OPCO despite the lack of registered equity ownership.

Considering the above, the Directors (including the independent non-executive Directors) believe that the Corporate Restructuring and the terms of the Second Supplemental Agreement and the VIE Contractual Arrangements are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **COMPLIANCE OF THE VIE CONTRACTUAL ARRANGEMENTS WITH PRC LAWS, RULES AND REGULATIONS**

The PRC Legal Adviser, after having taken all possible actions or steps to enable it to reach its legal conclusions, is of the following legal opinions:

- (i) the VIE Contractual Arrangements are legal, binding on and enforceable against all the parties thereto. The VIE Contractual Arrangements do not violate the PRC Laws, rules and regulations applicable to the WFOE, the OPCO and YZN and their respective businesses and would not be deemed as “concealing illegal intention with a lawful form” under the PRC Civil Code (《中華人民共和國民法典》) and void thereunder. In respect of the Principal Businesses carried on by the OPCO or YZN, the VIE Contractual Arrangements are not subject to any laws and relevant regulations that disallow foreign investors from using any agreements or contractual arrangements to gain control of or operating a foreign restricted business;
- (ii) the VIE Contractual Arrangements are not in violation of the articles of association of the OPCO and/or YZN;
- (iii) the execution, effectiveness and enforceability of the VIE Contractual Arrangements do not require any consents and/or approvals from any PRC governmental authority, except that the Equity Pledge Agreements are subject to registration requirements with the relevant authorities;
- (iv) save as disclosed in the section headed “RISKS AND LIMITATIONS IN RELATION TO THE VIE CONTRACTUAL ARRANGEMENTS” under the heading “Certain terms of the VIE Contractual Arrangements may not be enforceable under the PRC laws” in this announcement, the VIE Contractual Arrangements comply with the PRC laws and are valid thereunder; and
- (v) the VIE Contractual Arrangements are narrowly tailored to achieve the Company’s business purpose and have minimized the potential conflict with relevant PRC laws and regulation.

## **DISPUTES RESOLUTIONS, SUCCESSION AND LIQUIDATION UNDER THE VIE CONTRACTUAL ARRANGEMENTS**

### **Disputes resolutions**

The VIE Contractual Arrangements are governed by and shall be construed in accordance with the PRC laws. Any dispute arising from the VIE Contractual Arrangements between the parties should first be resolved through negotiation. In case the dispute cannot be resolved within thirty (30) days, any party may submit the said dispute to the Beijing Arbitration Commission (北京仲裁委員會) in accordance with its arbitration rules. The arbitration tribunal of arbitrators may award any remedies or relief measures including temporary and permanent injunctive relief (such as injunctive relief for the conduct of business or to compel the transfer of assets) in accordance with the provision of the VIE Contractual Arrangements and the applicable PRC laws, and the specific performance of any obligations under the VIE Contractual Arrangements, award remedies over the equity interest and the tangible/intangible assets of the OPCO, prohibition of disposal and an order for the winding up of the OPCO. The results of the arbitration shall be final and binding. In support of the arbitration pending formation of the arbitral tribunal or in appropriate cases, the courts in Hong Kong, the Cayman Islands, the PRC and the location where the OPCO’s principal assets are located shall have the jurisdiction to grant interim remedies over the assets of the OPCO.

## **Succession**

The provisions set out in the VIE Contractual Arrangements are also binding on the successors of the PRC Equity Owner, as if the successors were a signing party to the VIE Contractual Arrangements. Although the VIE Contractual Arrangements do not specify the identity of successors to the PRC Equity Owner, under the Civil Code of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents, and any breach by the successors would be deemed to be a breach of the VIE Contractual Arrangements.

## **Liquidation**

Pursuant to the Exclusive Purchase Right Agreements, in the event of the OPCO's or YZN's (as the case may be) liquidation, dissolution, bankruptcy or termination, each of the PRC Equity Owner or the OPCO (as the case may be) shall transfer any assets distributed to such PRC Equity Owner or the OPCO (as the case may be) to the WFOE or its designated entity at nil consideration or the lowest price permitted by the PRC laws.

## **Death, bankruptcy and divorce**

Appropriate provisions have been incorporated in the VIE Contractual Arrangements to protect the Group's interests in the event of death, bankruptcy or divorce of the PRC Equity Owners. The VIE Contractual Arrangements have certain provisions which set out that the respective agreement shall be binding on the assignees or successors of the PRC Equity Owners, details of which are set out in the section above headed "Details of the VIE Contractual Arrangements" in this announcement.

## **Conflict of interests**

The Company confirms that appropriate arrangements have been made to address the potential conflict of interests between the PRC Equity Owners and the Group. In particular, the PRC Equity Owners had undertaken that they will neither, directly or indirectly (either on its own or through any other individual or legal entity), participate or engage in any business which is or may be in competition with the business of the OPCO or its associated company, or acquire or hold any such business, nor carry on any activities which may lead to any material conflict of interest between itself and the WFOE.

## **Unwinding the structure under the VIE Contractual Arrangements**

The Company will unwind the structure created as a result of the VIE Contractual Arrangements as soon as the PRC laws allow the Principal Businesses to be operated without such structure, and the WFOE may acquire the equity interest in the OPCO held by the PRC Equity Owners and/or the assets of the OPCO to the extent as permitted by the then applicable PRC laws. In the event the WFOE exercises the right under the Exclusive Purchase Right Agreements to acquire the equity interest in the OPCO held by the PRC Equity Owners and/or the assets of OPCO to unwind the structure under the VIE Contractual Arrangements, the PRC Equity Owners and the OPCO have undertaken to return to the WFOE or its designated entity any consideration received.

## INTERNAL CONTROL MEASURES TO BE IMPLEMENTED BY THE GROUP

The VIE Contractual Arrangements contain certain provisions in order to exercise effective control over and to safeguard the assets of the OPCO.

In addition to the internal control measures as provided in the VIE Contractual Arrangements, it is the intention of the Company, to implement, through the WFOE, additional internal control measures against the OPCO as appropriate, having regard to the internal control measures adopted by the Group from time to time, which may include but not limited to:

### *Management controls*

- i. the Group will appoint 2 board representatives (the “**Representatives**”) to act as directors of the OPCO. The Representatives are required to conduct regular reviews on the operations of the OPCO and shall submit the semi-annual reviews to the Board. The Representatives are also required to check the authenticity of the monthly management accounts of the OPCO;
- ii. the Representatives shall be actively involved in various aspects of the daily managerial and operational activities of the OPCO;
- iii. the Representatives shall report any major events of the OPCO to the senior management of the Company, who must in turn report to the Board;
- iv. the senior management of the Company shall conduct regular site visits and personnel interviews regarding the OPCO, and shall report to the Board on a regular basis; and
- v. all incorporation documents, all other legal documents and all seals and chops of the OPCO shall be delivered to the WFOE upon request.

### **Financial controls**

- i. the finance department of the Company, led by the Chief Financial Officer (the “**CFO**”), shall collect monthly management accounts, bank statements and cash balances and major operational data of the OPCO for review. Upon discovery of any suspicious matters, the CFO shall report to the Board;
- ii. if the OPCO has delayed in the payment of the services fees requested by the WFOE, the CFO must meet with the shareholder(s) of the OPCO to investigate, and should report any suspicious matters to the Board. In extreme cases, the registered shareholder(s) of the OPCO will be removed and replaced;
- iii. the OPCO must submit copies of latest bank statements for every bank accounts of the OPCO within 15 days after the end of each month; and
- iv. the OPCO must assist and facilitate the Company to conduct on-site internal audit.



## **Legal review**

- i. the senior management of the Company will consult the Company's PRC legal adviser from time to time to check if there are any legal developments in the PRC affecting the arrangement contemplated under the VIE Contractual Arrangements, and determine if any modification or amendment are required to be made;
- ii. as part of the internal control measures, major issues arising from implementation and performance of the VIE Contractual Arrangements will be reviewed by the Board on a regular basis which will be no less frequent than twice a year. The Board will determine, as part of its periodic review process, whether legal advisors and/or other professionals will need to be retained to assist the Group to deal with specific issues arising from the VIE Contractual Arrangements;
- iii. matters relating to compliance and regulatory enquiries from governmental authorities, if any, will be discussed by the Board on a regular basis which will be no less frequent than twice a year; and
- iv. the relevant business units and operation divisions of the Group will report regularly, which will be no less frequent than on a monthly basis, to the senior management of the Company on the compliance and performance conditions under the VIE Contractual Arrangements and other related matters.

## **RISKS AND LIMITATIONS IN RELATION TO THE VIE CONTRACTUAL ARRANGEMENTS**

**There is no assurance that the VIE Contractual Arrangements could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the VIE Contractual Arrangements do not comply with applicable regulations**

Despite there is currently no indication that the VIE Contractual Arrangements will be interfered or objected to by any PRC regulatory authorities, there is a possibility that the relevant PRC regulatory authorities may have different opinions on the interpretation of the relevant regulations and would not agree that the VIE Contractual Arrangements comply with the current PRC laws or those that may be adopted in future, and the authorities may deny the validity, effectiveness and enforceability of the VIE Contractual Arrangements.

## ***Development of Foreign Investment Law in the PRC***

On 15 March 2019, the National People's Congress approved the Foreign Investment Law, which came into effect on 1 January 2020 and replaced the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law (中華人民共和國中外合資經營企業法), the Sino-foreign Cooperative Joint Venture Enterprise Law (中華人民共和國中外合作經營企業法) and the Wholly Foreign-invested Enterprise Law (中華人民共和國外資企業法), together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected PRC regulatory trend to unify the corporate legal requirements for both foreign and domestic investments by way of having a Negative List. The Negative List, which shall be issued and amended by or upon approval by the State Council from time to time, refers to special administrative measures for access of foreign investment in specific fields in PRC. A foreign investor shall not invest in any field prohibited from foreign investment under the Negative List.

A foreign investor shall meet the investment conditions stipulated under the Negative List for any restricted fields under the Negative List. For fields not mentioned in the Negative List, domestic and foreign investments shall be treated equally. However, while the Foreign Investment Law stipulates different forms of investment as foreign investment, it does not explicitly stipulate the structure of the VIE Contractual Arrangements as a form of foreign investments, neither does it explicitly prohibit or restrict a foreign investor to rely on the structure of the VIE Contractual Arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. Instead, it includes a catch-all provision to the definition of foreign investment so that foreign investment, by its definition, includes “foreign investor makes investment in any other way stipulated under laws or administrative regulations or provisions of the State Council” without elaboration on the meaning of “other way”.

## ***The Potential Impact of the Foreign Investment Law on the Target Group***

It is possible that contractual control arrangement (including the VIE Contractual Arrangements) will be regarded as foreign investment under the aforesaid limb of “foreign investor makes investment in any other way stipulated under laws or administrative regulations or provisions of the State Council” or the State Council or other authorities may prescribe new laws, administration regulations or provisions or exercise to provide for the same or exercise its broad discretion of interpretation to the same effect. Whether the contractual control arrangements will be found or deemed to be in violation of the foreign investment access requirements and how the contractual control arrangements will be handled in such scenarios are uncertain. Therefore, it may be possible that the VIE Contractual Arrangements and the OPCO's business will be adversely affected in the future due to the development and changes in PRC laws and regulations.

***Measures adopted by the Target Group to mitigate against any potential risk arising from the Foreign Investment Law***

The Foreign Investment Law does not contain a concrete guidance to deal with the contractual arrangements. As such, the Board will monitor the implementation of the Foreign Investment Law and discuss with the PRC Legal Adviser on a regular basis in order to assess any possible impact arising from the implementation of the Foreign Investment Law on the VIE Contractual Arrangements and the business operation of the Target Group. In case there would be material and adverse effect on the Target Group or the business of the Target Group arising from the Foreign Investment Law, the Company will timely publish announcements in relation to (i) any amendments to or interpretations of the Foreign Investment Law; and (ii) any material impact of the Foreign Investment Law on the Target Group's operations and financial position.

**The VIE Contractual Arrangements may not be as effective as direct ownership in providing control over the OPCO**

The WFOE relies on the VIE Contractual Arrangements to operate the business of the OPCO. Such contractual arrangement may not be as effective in providing the WFOE with control over the OPCO as direct ownership. If the WFOE has direct ownership of the OPCO, it will be able to exercise its rights as a shareholder to effect changes in the board of directors of the OPCO, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the VIE Contractual Arrangements, the Group only relies on the WFOE's contractual rights and the performance by the PRC Equity Owners of their obligations under the VIE Contractual Arrangements to exercise control over the OPCO. Therefore, the VIE Contractual Arrangements may not be as effective in ensuring the WFOE's control over the OPCO as direct ownership would be. In addition, if the PRC Equity Owners or the OPCO fail to perform their respective obligations under the VIE Contractual Arrangements or otherwise have disputes with the WFOE, the WFOE may have to initiate arbitration or other legal proceedings and rely on legal remedies under PRC laws which may be limited and involve significant uncertainty. There can be no assurance that the outcome will be in the WFOE's favour and it may adversely affect the WFOE's ability to control the OPCO Group.

**The PRC Equity Owners may potentially have a conflict of interests with the Group**

The Group's control over the OPCO is based on the contractual arrangements under the VIE Contractual Arrangements. Therefore, conflict of interests of the PRC Equity Owners will adversely affect the interests of the Company. However, under the VIE Contractual Arrangements, the PRC Equity Owners will irrevocably appoint any person as designated by the WFOE (including its liquidator, if any) as their representative to exercise the voting rights of the shareholders of the OPCO. Therefore, it is unlikely that there will be potential conflict of interests between the Company and such PRC Equity Owners. However, in the unlikely event that conflict of interests arises and cannot be resolved, the Company will consider removing and replacing the registered shareholders of the OPCO.

**The VIE Contractual Arrangements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed**

Under the laws and regulations of PRC, arrangements and transactions may be subject to audit and/or challenge by the PRC tax authorities. The Group may face material adverse tax consequences if the PRC tax authorities determine that the VIE Contractual Arrangements does not represent arm's length negotiations between the parties and they may adjust income and expenses of the WFOE and/or the Target Group for PRC tax purposes, which could result in higher tax liabilities on the WFOE and/or the Target Group. The operating and financial results of the Group may be materially and adversely affected if the tax liabilities of the WFOE and/or Target Group increase significantly or if they are required to pay interest and other penalties on late payments.

**Economic risks the Group bears as the primary beneficiary of the Target Group, financial support to the Target Group and potential exposure of the Group to losses**

As the primary beneficiary of the Target Group, the Group will share both profit and loss of the Target Group and bear economic risks which may arise from difficulties in the operation of the Target Group's businesses. The Group may have to provide financial support in the event of financial difficulty of the Target Group. Under these circumstances, the Group's financial results and financial position may be adversely affected by the worsening financial performance of the Target Group and the need to provide financial support to it. In any event, since the Group conducts the Principal Businesses through the OPCO, its financial results would be reflected in the Group's consolidated financial statements and the Group's consolidated financial position such as the consolidated earnings and profits may be adversely affected.

**Limitations in acquiring ownership in the equity interest of the OPCO**

In case the WFOE exercises its option to acquire all or part of the equity interest in the OPCO under the Exclusive Purchase Right Agreements, such acquisition may only be conducted to the extent as permitted by the applicable PRC laws and will be subject to necessary approvals and relevant procedures under applicable PRC laws. In addition, the aforementioned acquisitions may be subject to the permissible minimum price (such as an appraised value for the equity interest in the OPCO) or other limitations as imposed by applicable PRC laws. Further, a substantial amount of other costs (if any), and time may be involved in acquiring and transferring the ownership of the OPCO, which may have a material adverse impact on the WFOE and/or the OPCO's businesses, prospects and profitability.

## **Certain terms of the VIE Contractual Arrangements may not be enforceable under the PRC laws**

The VIE Contractual Arrangements provide that the arbitration tribunal of the PRC may award remedies over the equity interest or assets of the OPCO or injunctive relief (such as injunctive relief for the conduct of business or to compel the transfer of assets) or order the winding up of the OPCO. The VIE Contractual Arrangements also include a clause in relation to dispute resolution among the parties where, when awaiting the formation of the arbitration tribunal or otherwise under appropriate conditions, the parties thereto may seek temporary injunctive relief or other temporary remedies from the courts in Hong Kong, the Cayman Islands, the PRC, and the location where the OPCO's principal assets are located. However, the PRC Legal Adviser is of the view that pursuant to the PRC laws, the arbitration tribunal may have no power to grant the aforementioned remedies or injunctive relief or to order the winding up of the OPCO or YZN. In addition, even though the VIE Contractual Arrangements provide that overseas courts (e.g., courts in Hong Kong and the Cayman Islands) shall have the power to grant certain relief or remedies, such relief or remedies may not be recognized or enforced under the PRC laws. As a result, in the event that the OPCO, YZN or any of the PRC Equity Owners breaches the terms of the VIE Contractual Arrangements, the WFOE may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over the OPCO could be materially and adversely affected.

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

The insurance of the Group does not cover the risks relating to the VIE Contractual Arrangements and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the VIE Contractual Arrangements in the future, such as those affecting the enforceability of the VIE Contractual Arrangements and the relevant agreements for the transactions contemplated thereunder and the operation of VIE Contractual Arrangements, 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. The Company will continue evaluating the feasibility, the cost and the benefit of insuring the transactions contemplated under the VIE Contractual Arrangements.

## **CONSOLIDATION OF THE FINANCIAL RESULTS OF THE OPCO**

The financial results of the OPCO will continue to be consolidated into the financial statements of the Group under the prevailing accounting principles upon entering into of the VIE Contractual Arrangements.

On the basis of the aforesaid confirmation and pursuant to Rule 1.01 of the Listing Rules, the Company further confirms that the OPCO will continue to be a non-wholly owned subsidiary of the Company.

## **THE BOARD'S VIEW ON THE VIE CONTRACTUAL ARRANGEMENTS**

Based on the above, the Board (including the independent non-executive Directors) is of the view that:

- (i) the VIE Contractual Arrangements are narrowly tailored to achieve the Company's business purpose and has minimized the potential conflict with relevant PRC laws and regulations;
- (ii) the VIE Contractual Arrangements enable the WFOE to gain control over the OPCO and to be entitled to the economic interests and benefits of the OPCO;
- (iii) as advised by the PRC Legal Adviser, save as aforementioned, the VIE Contractual Arrangements are enforceable under the relevant PRC laws and regulations;
- (iv) the VIE Contractual Arrangements will provide a mechanism that enables the WFOE to exercise effective control over the OPCO; and
- (v) the VIE Contractual Arrangements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole.

As none of the Directors have a material interest in the transactions contemplated under the VIE Contractual Arrangements, none of the Directors have abstained from voting on the relevant Board resolutions.

To the best knowledge, information and belief of the Directors, having made all reasonable enquires, as at the date of this announcement, the OPCO has not encountered any interference or encumbrance from any governing bodies in operating its business.

## **INFORMATION ON THE TARGET GROUP**

The OPCO is a company established under the laws of the PRC with limited liability. As at the date of this announcement, the OPCO is held as to 51%, 21.9%, 21%, 0.1% and 6% by PIL (a wholly-owned subsidiary of the Company), Mr. WANG Jian, Ms. SHANG Jing, Mr. LIN Jincong and the Employees Shareholding Platform respectively. As disclosed in the Acquisition Announcement, according to the business license of the OPCO, its business scopes include the provision of clinic services, Internet diagnosis and treatment and sale of Chinese and Western medicines in relation to internal medicine, surgery, obstetrics and gynecology, pediatrics, emergency medicine, medical imaging, ultrasound diagnosis, medical laboratory. The OPCO also possesses the "Practicing License for a Medical Institution" 《醫療機構執業許可證》. As at the date of the announcement, the OPCO is operating a clinic at Fujian province in the PRC.



YZN, a wholly-owned subsidiary of the OPCO, is a company established under the laws of the PRC with limited liability and, together with other PRC subsidiaries of the Target Group other than HNDX, is principally engaged in the Principal Businesses. HNDX has not commenced operation since its incorporation.

### *Financial information of the Target Group*

Set out below is the summary of (i) the unaudited consolidated financial figures of the Target Group after completion of the Capital Increase and the Acquisition from BDT as of 31 October 2021; and (ii) the financial figures of the Target Company, YZN and HNDX extracted from their respective latest management accounts or unaudited financial statements for year 2020 and 2019 as applicable:

	The Target Group	The Target Company	YZN		HNDX	
	For the period from 1 January 2021 to 31 October 2021	For the period from 20 May 2020 to 31 December 2020	For the year ended 31 December 2019	For the year ended 31 December 2020	For the period from 27 September 2019 to 31 December 2019	For the year ended 31 December 2020
	Unaudited Approx. RMB'000	Unaudited Approx. RMB'000	Unaudited Approx. RMB'000	Unaudited Approx. RMB'000	Unaudited Approx. RMB'000	Unaudited Approx. RMB'000
Revenue	10,884	–	3,067	543	–	–
Profit/(Loss) before taxation	(20,385)	(178)	6	(847)	–	(5)
Profit/(Loss) after taxation	(20,385)	(178)	6	(847)	–	(5)
	As at 31 October 2021	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020
	Unaudited Approx. RMB'000	Unaudited Approx. RMB'000	Unaudited Approx. RMB'000	Unaudited Approx. RMB'000	Unaudited Approx. RMB'000	Unaudited Approx. RMB'000
Total assets	24,947	222	12,327	6,712	–	–
Net assets	17,396	222	9,843	2,090	–	–

## INFORMATION ON THE PRC EQUITY OWNERS

Mr. WANG Jian is a shareholder and a director of the OPCO, and was also one of the founders of the OPCO. Mr. WANG Jian possesses a bachelor degree in clinical medicine, and has over 25 years' experience in professional medical practice, management of medical and health technology enterprises, and investments in the field of medical and health technology.

Ms. SHANG Jing is a shareholder and a director of the OPCO, and was also one of the founders of YZN. Ms. SHANG Jing possesses an Executive Master of Business Administration, and has over 10 years' experience in sales and marketing in pharmaceutical multinational corporations.

Mr. LIN Jincong was one of the founders of the OPCO. Mr. LIN Jincong is not and will not be a director of or involved in the management of the OPCO, YZN, WFOE, ROL or the Platform Co.

The Employees Shareholding Platform is principally engaged in holding of the shares of YZN on behalf of the key management of YZN. The following table sets out the identity of each of the ultimate beneficial owners of the Employees Shareholding Platform (each being core management of YZN) and their respective holding of partnership interest in the Employees Shareholding Platform as at the date of this announcement:

Partners	Holding of interest
SHANG Jing	10.15%
ZHOU Jinping	8.27%
NIU Yafeng	8.27%
LI Ming	14.61%
ZHANG Wei	44.09%
SU Maofeng	14.61%
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	100.00%
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Ms. HAN Lihui is a former employee of the Group in the PRC during 2011 to 2020. Ms. HAN Lihui is not and will not be a director of or involved in the management of the OPCO, the WFOE, ROL or the Platform Co. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Ms. HAN Lihui is an Independent Third Party as at the date of entering into of the VIE Contractual Arrangements.

## **INFORMATION ON THE GROUP**

The Group is principally engaged in (i) entertainment and media business; (ii) provision of healthcare and wellness services; and (iii) operation of Internet platforms for pharmaceutical e-commerce and smart healthcare and medical services. The Platform Co (a company incorporated in the Cayman Islands), PIL (a company incorporated in Hong Kong), ROL (a company incorporated in Hong Kong) and the WFOE (a company incorporated in the PRC) are each principally engaged in investment holding. The PRC Subsidiary (a company incorporated in the PRC) is principally engaged in investment holding and licensing of films and TV drama in the PRC.

## **IMPLICATIONS UNDER THE LISTING RULES FOR THE CORPORATE RESTRUCTURING**

### ***The setting up of the joint venture of the Platform Co under the Second Supplemental Agreement***

As one or more applicable percentage ratio in respect of the setting up of the joint venture of the Platform Co under the Second Supplemental Agreement (on an aggregate basis with the Capital Increase and Acquisition Agreement because the Second Supplemental Agreement and the Capital Increase and Acquisition Agreement were entered into by the Group with the same parties within a 12-month period) exceeds 5% but all the applicable percentage ratios are below 25%, such transactions contemplated under the Second Supplemental Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the notification and announcement requirements, but are exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Moreover, since Mr. WANG Jian and Ms. SHANG Jing are both directors and substantial shareholders of the OPCO, which is a subsidiary of the Company, Mr. WANG Jian and Ms. SHANG Jing are connected persons of the Company at subsidiary level, the entering into of the Second Supplemental Agreement also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the notification and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

### ***The Share Transfer Agreement and the Loan Agreement***

As one or more applicable percentage ratio in respect of the transactions under the Share Transfer Agreement and the Loan Agreement (on an aggregate basis with the Capital Increase and Acquisition Agreement because the transactions contemplated under the Share Transfer Agreement and the Loan Agreement and the Capital Increase and Acquisition Agreement involved the acquisition and disposal of equity interest in the OPCO within a 12-month period) exceeds 5% but all the applicable percentage ratios are below 25%, the transactions contemplated under the Share Transfer Agreement and the Loan Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to the notification and announcement requirements, but are exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

### ***The VIE Contractual Arrangements***

As each of Mr. WANG Jian and Ms. SHANG Jing is a substantial shareholder and a director of the OPCO, a subsidiary of the Company, as a result of the Second Supplemental Agreement and the VIE Contractual Arrangements, each of them will also become a substantial shareholder and a director of the Platform Co, a subsidiary of the Company, and Ms. HAN Lihui will become a substantial shareholder of the OPCO, each of Mr. WANG Jian, Ms. SHANG Jing and Ms. HAN Lihui is or will become a connected person of the Company at subsidiary level, and the transactions contemplated under the VIE Contractual Arrangements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the notification and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

### **OPINION OF THE INDEPENDENT FINANCIAL ADVISER**

According to Rule 14A.52 of the Listing Rules, the term of the VIE Contractual Arrangements must not exceed three years except in special circumstances where the nature of the transaction requires a longer period. Taking into account of the terms of the VIE Contractual Arrangements, Red Sun has been appointed as the independent financial adviser of the Company to explain why the VIE Contractual Arrangements require a longer period and to confirm that it is normal business practice for agreements of such type to be of such duration.

The Independent Financial Adviser is of the opinion that (in the case of the Exclusive Business Cooperation Agreements) a longer period of 10 years (which is automatically renewable for another 10 years) and (in certain cases under the Market VIE Contractual Arrangements (as defined below)) a longer period without fixed term, is required for the VIE Contractual Arrangements to allow the Group to enjoy the economic benefits under the contractual arrangements as long as the VIE Contractual Arrangements are effective; and it is a normal business practice for agreements of this type to be of such duration.

In arriving at its opinion, the Independent Financial Adviser has considered the following principal factors and reasons:

1. the Group is principally engaged in (i) entertainment and media business; (ii) provision of healthcare and wellness services; and (iii) operation of Internet platforms for pharmaceutical e-commerce and smart healthcare and medical services. As disclosed in the Acquisition Announcement, the Group's investment in the Target Group through the Acquisitions is to develop its strategic layout in the realms of pharmaceutical and medical care services in the PRC, which the Target Group carries out the related businesses.

Following the completion of the Acquisitions, the Target Group has been actively developing the Online Platform connecting doctors, patients and physical pharmacies and establishing a closed loop comprising doctors issuing electronic prescriptions, patients ordering prescription drugs at pharmacies, online payment to final delivery of the drugs prescribed. During the course of such development, high demand for digital marketing services (including but not limited to information resources management, product management, personnel management, online healthcare seminars and other services, etc.) by suppliers of pharmaceutical products/medical devices was noticed, and such demand could be efficiently met by providing additional services on the existing Online Platform. Accordingly, management of the Target Group decided to further expand the functionality of the Online Platform to include the Extended Services, which, according to the PRC Legal Advisor, is subject to foreign investment restrictions.

According to the PRC Legal Advisor, the Company cannot directly or indirectly hold any equity interest in the Target Group which has been engaging in the Principal Businesses, despite its intention to own more than 50% equity interest in the Target Group. In order to comply with the relevant PRC laws and regulations while achieving the commercial intention of the parties, the Corporate Restructuring was carried out and, the VIE Contractual Arrangements have been entered into among the WFOE, the OPCO, YZN and/or the PRC Equity Owners;

2. it is not uncommon for foreign company to enter into similar arrangements, such as the VIE Contractual Arrangements, in order to comply with the relevant laws and regulations in the PRC to conduct businesses which require the Licence. Through the VIE Contractual Arrangements, the WFOE will have effective control over the finance and operations of the Target Group and will enjoy the entire economic interests and benefits generated by the Target Group despite the lack of registered equity ownership;
3. the VIE Contractual Arrangements will provide long-term binding contractual relationship which the Company will be able to enjoy the future economic interests and benefits derived from the Target Group while complying with the relevant laws and regulations; and
4. having identified and reviewed not less than 10 announcements and/or prospectus issued by companies listed on the Stock Exchange with arrangements similar to the VIE Contractual Arrangements relating to the Licence (the “**Market VIE Contractual Arrangements**”), the IFA considered the Market VIE Contractual Arrangements to be an appropriate reference for general market practice, and noted that out of the Market VIE Contractual Arrangements, five of which are without a fixed term and the remaining have a term ranged from 5 years to 10 years.

## APPLICATION FOR AND CONDITIONS OF WAIVER

The Company has applied for, and the Stock Exchange has granted a waiver pursuant to Rule 14A.102 of the Listing Rules from strict compliance with the requirement of (i) fixing the term of the VIE Contractual Arrangements for a period of not exceeding three years pursuant to Rule 14A.52 of the Listing Rules, and (ii) setting a maximum aggregate annual cap for the fees payable to the WFOE under the VIE Contractual Arrangements pursuant to Rule 14A.53 of the Listing Rules, subject to the following conditions:

- i. ***No change without independent non-executive Directors' approval:*** Save for any mandatory change required under applicable laws and regulations, no changes to the terms of any of the VIE Contractual Arrangements will be made without the approval of the independent non-executive Directors.
- ii. ***No changes without independent Shareholders' approval:*** Except as described in condition (iv) below, and except for changes to the terms of the VIE Contractual Arrangements in connection with any change in the PRC Equity Owners or their respective shareholding proportion in the OPCO or any mandatory change required under applicable laws and regulations, no changes to the terms of the VIE Contractual Arrangements will be made without the approval of Independent Shareholders.
- iii. ***Economic Benefits Flexibility:*** The VIE Contractual Arrangements shall continue to enable the Platform Co and thus the Group to receive the economic benefits derived by the OPCO and its subsidiaries, through (i) the potential right of the WFOE and the Group (if and when so allowed under the applicable PRC laws) to acquire the entire equity interest in and/or assets of the OPCO at the minimum purchase price permissible under the then applicable PRC laws and regulations, (ii) the business structure under which the audited consolidated net profits generated by the OPCO and its subsidiaries is retained by WFOE and the Group (such that no annual caps shall be set on the amount of the services fees payable to the WFOE under the Exclusive Business Cooperation Agreements), and (iii) the right of WFOE and the Group to control the management and operation of, as well as, in substance, all of the voting rights of the OPCO.

- iv. ***Renewal and reproduction:*** On the basis that the VIE Contractual Arrangements provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has direct shareholding, on the one hand, and the OPCO and its subsidiaries, on the other hand, such framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business in the PRC as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Company's shareholders, on substantially the same terms and conditions as those of the VIE Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of the Group that the Company may establish upon renewal and/or reproduction of the VIE Contractual Arrangements will be treated as the connected persons of the Company, and transactions between these connected persons and the Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. (OPCO and its subsidiaries, and such other new wholly foreign owned enterprise or operating company (including branch company) which are or will be subsidiaries of the Company shall not however be connected persons of the Company.) This condition is subject to relevant PRC laws, regulations and approvals from the relevant PRC authorities.
- v. ***Ongoing Reporting and Approvals:*** The Group will disclose details relating to the VIE Contractual Arrangements on an ongoing basis as follows:
- (1) The VIE Contractual Arrangements in place during each financial period will be disclosed in the Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules;
  - (2) The independent non-executive Directors will review the VIE Contractual Arrangements annually and confirm in the Company's annual report for the relevant year that the transactions carried on during such year have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the VIE Contractual Arrangements on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole;
  - (3) The Company's auditors will carry out review procedures annually on the transactions carried on pursuant to the VIE Contractual Arrangements and will provide a letter to the Directors with a copy to the Stock Exchange confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions under the VIE Contractual Arrangements (i) have not been approved by the Board; and (ii) were not entered into, in all material respects, in accordance with the VIE Contractual Arrangements governing the transactions;



- (4) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, the OPCO and each of its subsidiaries will be treated as the Company’s subsidiaries, but at the same time, the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the OPCO or its subsidiaries and their respective associates (as defined in the Listing Rules) (excluding for this purpose, the OPCO and its subsidiaries) will be treated as the Company’s connected persons at subsidiary level. As such, the transactions between these connected persons and the Group (including for this purpose, the OPCO and its subsidiaries), other than those under the VIE Contractual Arrangements, will be subject to the requirements under Chapter 14A of the Listing Rules; and
- (5) The OPCO undertakes that, during the term of the relevant VIE Contractual Arrangements, it will provide the Group’s management and the Company’s auditors with full access to its relevant records, and (where applicable) relevant records of its subsidiaries, for the purpose of the Company’s auditors’ review on the continuing connected transactions.

## DEFINITIONS

In this announcement, unless the context otherwise requires or unless otherwise defined, capitalized terms shall bear their respective meanings as defined in the Acquisition Announcement, and the following terms shall have the following meanings:

“Acquisition Announcement”	has the meaning ascribed to it under the section headed “INTRODUCTION” in this announcement
“Capital Increase and Acquisition Agreement”	the capital increase and acquisition agreement dated 7 April 2021 entered into among the Company, PIL, the Target Company, YZN and the Founding Shareholders as supplemented by the supplemental agreement dated 17 May 2021 entered into among the same parties
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Restructuring”	has the meaning ascribed to it under the section headed “THE CORPORATE RESTRUCTURING – The Second Supplemental Agreement” in this announcement
“Equity Pledge Agreements”	the five equity pledge agreements (股權質押協議) all dated 20 December 2021 and entered into among the WFOE, the OPCO and each of the PRC Equity Owners and among the WFOE, the OPCO and YZN respectively, details of which are set out under the section headed “Details of the VIE Contractual Arrangements – (iv) Equity Pledge Agreements” in this announcement

“Exclusive Business Cooperation Agreements”	the two exclusive business consultancy services agreements (獨家業務諮詢服務協議) both dated 20 December 2021 and entered into between the WFOE and each of the OPCO and YZN, details of which are set out under the section headed “Details of the VIE Contractual Arrangements – (i) Exclusive Business Cooperation Agreements” in this announcement
“Exclusive Purchase Right Agreements”	the two exclusive purchase right agreements (獨家購買權協議) both dated 20 December 2021 and entered into among the WFOE, the PRC Equity Owners and the OPCO, and among the WFOE, the OPCO and YZN respectively, details of which are set out under the section headed “Details of the VIE Contractual Arrangements – (ii) Exclusive Purchase Right Agreements” in this announcement
“Extended Services”	has the meaning ascribed to it under the section headed “INTRODUCTION” in this announcement
“Foreign Investment Law”	has the meaning ascribed to it under the section headed “BACKGROUND AND REASONS FOR THE CORPORATE RESTRUCTURING AND THE USE OF THE VIE CONTRACTUAL ARRANGEMENTS” in this announcement
“Licence”	has the meaning ascribed to it under the section headed “BACKGROUND AND REASONS FOR THE CORPORATE RESTRUCTURING AND THE USE OF THE VIE CONTRACTUAL ARRANGEMENTS” in this announcement
“Independent Shareholders”	shareholders of the Company other than those who have material interests in the continuing connected transactions under the VIE Contractual Arrangements
“Independent Third Party(ies)”	independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, independent of the Company and the connected person(s) of the Company
“Loan Agreement”	the loan agreement dated 20 December 2021 and entered into between the PRC Subsidiary and Ms. HAN Lihui which provides for the grant of loan by the PRC Subsidiary to Ms. HAN Lihui for the purpose of payment of consideration under the Share Transfer Agreement

“Negative List”	has the meaning ascribed to it under the section headed “BACKGROUND AND REASONS FOR THE CORPORATE RESTRUCTURING AND THE USE OF THE VIE CONTRACTUAL ARRANGEMENTS” in this announcement
“Notices”	has the meaning ascribed to it under the section headed “BACKGROUND AND REASONS FOR THE CORPORATE RESTRUCTURING AND THE USE OF THE VIE CONTRACTUAL ARRANGEMENTS” in this announcement
“Online Platform”	the medical platform system and the mobile application called “Lingyi Future” under the domain name echartnow.com
“OPCO”	has the meaning ascribed to it under the section headed “INTRODUCTION” in this announcement
“Original Services”	has the meaning ascribed to it under the section headed “BACKGROUND AND REASONS FOR THE CORPORATE RESTRUCTURING AND THE USE OF THE VIE CONTRACTUAL ARRANGEMENTS” in this announcement
“PIL”	has the meaning ascribed to it under the section headed “INTRODUCTION” in this announcement
“Platform Co”	Maximum Gains Ventures Limited, a company incorporated in the Cayman Islands with limited liability and a subsidiary of the Company
“Platform Co Shareholders’ Agreement”	the shareholders’ agreement for the Platform Co to be entered into among the Company, Mr. WANG Jian, Ms. SHANG Jing and the Platform Co
“Power of Attorney and Undertaking Letters”	the five Power of Attorney and Undertaking Letters (授權委託書及承諾函) all dated 20 December 2021 and granted by each of the PRC Equity Owners and the OPCO respectively in favour of the WFOE, details of which are set out under the section headed “Details of the VIE Contractual Arrangements – (iii) Power of Attorney and Undertaking Letters” in this announcement

“PRC Equity Owners”	collectively, Ms. HAN Lihui and the Founding Shareholders
“PRC Legal Adviser”	the legal adviser to the Company as to the PRC laws
“PRC Subsidiary”	Beijing Hua Yi Hao Ge Media Culture Co., Ltd.(北京華億浩歌傳媒文化有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Principal Businesses”	has the meaning ascribed to it under the section headed “BACKGROUND AND REASONS FOR THE CORPORATE RESTRUCTURING AND THE USE OF THE VIE CONTRACTUAL ARRANGEMENTS” in this announcement
“Qualification Requirement”	has the meaning ascribed to it under the section headed “BACKGROUND AND REASONS FOR THE CORPORATE RESTRUCTURING AND THE USE OF THE VIE CONTRACTUAL ARRANGEMENTS” in this announcement
“Red Sun” or “Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to explain why the VIE Contractual Arrangements require a longer period and to confirm that it is normal business practice for agreements of such type to be of such duration
“Representatives”	has the meaning ascribed to it under the section headed “INTERNAL CONTROL MEASURES TO BE IMPLEMENTED BY THE GROUP – Management controls” in this announcement
“ROL”	Robust Ocean Limited (騰海健康有限公司), a company incorporated in Hong Kong with limited liability and a subsidiary of the Company
“Second Supplemental Agreement”	has the meaning ascribed to it under the section headed “INTRODUCTION” in this announcement
“Secured Obligations”	has the meaning ascribed to it under the section headed “Details of the VIE Contractual Arrangements – (iv) Equity Pledge Agreements” in this announcement

“Share Transfer Agreement”	the agreement dated 20 December 2021 and entered into between PIL and Ms. Han Lihui for the transfer by PIL of 51% equity interest in OPCO to Ms. Han Lihui
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Spousal Consent Letters”	the spousal consent letters (配偶同意函) each dated 20 December 2021 and issued by the spouse of each of the PRC Equity Owners who had a spouse as at the date of the Spousal Consent Letters respectively, details of which are set out under the section headed “Details of the VIE Contractual Arrangements – (v) Spousal Consent Letters” in this announcement
“Target Group”	the OPCO and its subsidiaries from time to time
“Undertaking Letters”	the undertaking letter (承諾函) each dated 20 December 2021 and issued by each PRC Equity Owner being an individual who did not have a spouse as at the date of the Spousal Consent Letters respectively, details of which are set out under the section headed “Details of the VIE Contractual Arrangements – (vi) Undertaking Letters” in this announcement
“VIE Contractual Arrangements”	collectively, the Exclusive Business Cooperation Agreements, the Exclusive Purchase Right Agreements, the Power of Attorney and Undertaking Letters, the Equity Pledge Agreements, the Spousal Consent Letters and the Undertaking Letters
“WFOE”	Beijing Tanghai Boye Health Technology Co., Ltd. (北京騰海博業健康科技有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company

By Order of the Board  
**Huayi Tencent Entertainment Company Limited**  
**HAU Wai Man, Raymond**  
*Company Secretary*

Hong Kong, 20 December 2021

*As at the date of this announcement, the Board comprises:*

*Executive directors: Mr. CHENG Wu (Vice Chairman), Mr. YUEN Hoi Po (Chief Executive Officer)*  
*Independent non-executive directors: Dr. WONG Yau Kar David, GBS, JP, Mr. YUEN Kin, Mr. CHU Yuguo*