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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)**

**DISCLOSEABLE TRANSACTION**

**GRANT OF OPTION  
TO SUBSCRIBE FOR NEW SHARES  
IN RELATION TO A HK\$72,000,000 TERM LOAN FACILITY**

**BACKGROUND**

On 7 December 2022, the Company (as a borrower), Mr. Yuen Hoi Po (as a personal guarantor) and China Vered Wealth (as a lender), among others, entered into the Facility Agreement in relation to the grant of a HK\$72,000,000 term loan facility by China Vered Wealth to the Company for a term of seven months.

**DEED OF UNDERTAKING**

One of the conditions precedents to drawdown of the Facility under the Facility Agreement requires the Deed of Undertaking to be executed by the Company. On 7 December 2022, the Company and China Vered entered into the Deed of Undertaking, pursuant to which the Company has granted to China Vered, subject to the terms under the Deed of Undertaking, the Option for a period of two years from the date of the Facility Agreement. The Option represents a right for China Vered to subscribe for new Shares upon (1) issue of new Shares by the Company (other than pursuant to its share option scheme, share award scheme or the CIA Agreement); or (2) Mr. Yuen Hoi Po (a Director and a substantial Shareholder) or his controlled company disposing of all or part of the Shares owned by them, on the same (or no less favorable) applicable terms (including but not limited to the price per Share and, where practicable, closing) of such issue or disposal of Shares, for up to the aggregate amount of HK\$77,010,000.

Under the Deed of Undertaking, the Company has also granted to China Vered the right of Conversion, pursuant to which upon the occurrence of any event of default as specified under the Facility Agreement which is continuing, China Vered may elect to convert all or part of the Outstanding Loan Amount into new Shares to be issued by the Company and subscribe for such Shares by itself or its nominee in one demand or multiple demands by a written notice to the Company. The Conversion Price shall be the higher of (a) the closing price per Share on the date of the notice of the Conversion and (b) the average closing price per Share in the five trading days immediately prior to the date of the notice of the Conversion after applying a 19.99% discount.

The exercise of the Option is subject to the Limits of (i) the maximum of such number of new Shares that the Company may issue under the then General Mandate in force and within the scope (taking into account new Shares already issued under such General Mandate) remaining available for use by the Company; (ii) the issue price per Share for the exercise of the Option being at more than 80% of the benchmark price being the higher of (a) the closing price of per Share as quoted on the Stock Exchange on the date of the confirmation of exercise of the Option; and (b) the average closing price of per Share as quoted on the Stock Exchange in the five trading days immediately prior to the date of the confirmation of exercise of the Option; and (iii) that the total number of new Shares to be issued under the grant of the Option and the grant of the right of Conversion would not result in such transactions being classified as transactions of the Company under the Listing Rules that are subject to shareholders' approval requirements.

The exercise of the right of Conversion is subject to the above items (i) and (iii) of the Limits.

#### **IMPLICATIONS UNDER THE LISTING RULES**

The rights granted by the Company to China Vered under the Deed of Undertaking constitute options under Rule 14.72(1) of the Listing Rules, and pursuant to Rule 14.73 of the Listing Rules, the grant of the Option and of the right of Conversion are treated as transactions of the Company under Chapter 14 of the Listing Rules. According to Rule 14.74(1) of the Listing Rules, as the exercise of the Option and of the right of Conversion are not at the discretion of the Company, the grant of the Option and of the right of Conversion by the Company are classified as if the Option and the right of Conversion had been exercised. As one or more of the applicable percentage ratios in respect of the grant of the Option and the right of Conversion is more than 5% but all the applicable percentage ratios are below 25%, the entering into of the Deed of Undertaking constitutes a discloseable transaction for the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## INTRODUCTION

On 7 December 2022, the Company (as the borrower), Mr. Yuen Hoi Po (as the personal guarantor) and China Vered Wealth (as the lender), among others, entered into the Facility Agreement in relation to the grant of a HK\$72,000,000 term loan facility for a term of seven months (the “**Facility**”) by China Vered Wealth to the Company. One of the conditions precedents to drawdown of the Facility under the Facility Agreement requires the Deed of Undertaking to be executed by the Company.

## DEED OF UNDERTAKING

On 7 December 2022, the Company and China Vered entered into the Deed of Undertaking under which the Company has granted to China Vered, subject to the terms of the Deed of Undertaking, an option and a right of conversion to subscribe for new Shares under certain circumstances. The principal terms of the Deed of Undertaking are summarized as follows:

### (I) Option to subscribe for new Shares

Option to subscribe for new Shares: Pursuant to the Deed of Undertaking, the Company has granted to China Vered, for a period of two years from the date of the Facility Agreement (the “**Term**”), a right to subscribe and/or procure its nominee(s) to subscribe for new Shares to be issued by the Company (the “**Option**”).

Events giving rise to the right of exercise: The Option may be exercised by China Vered upon each and every time one of the following events occurs during the Term:

- (a) the Company announcing a proposal to allot and issue new Shares to investor(s), to shareholder(s) of the Company or to any other party (other than an issue and allotment of new Shares pursuant to the share option scheme or the share award scheme of the Company, or pursuant to the CIA Agreement) (“**Proposal**”); or
- (b) a disposal by Mr. Yuen Hoi Po (an executive Director, chief executive officer and a substantial shareholder of the Company) or by Smart Concept Enterprise Limited (a company controlled by Mr. Yuen Hoi Po) of all or part of the Shares beneficially owned by Mr. Yuen Hoi Po or by Smart Concept Enterprise Limited (“**Disposal**”),

provided that the aggregate value of the Shares to be issued upon exercise of the Option during the Term (based on the issue price(s) of such Shares) shall not exceed HK\$77,010,000 (equating to the sum of principal amount, upfront fee and interests during the period of the loan pursuant to the Facility Agreement). The issue of new Shares pursuant to the exercise of the Option shall be subject to the Stock Exchange granting listing of and permission to deal in such new Shares.

Exercise of the  
Option:

The issue of new Shares pursuant to exercise of the Option shall be on the same (or no less favorable) applicable terms and conditions (including but not limited to the price and, where practicable, closing) as in the Proposal or the Disposal, provided that each exercise of the Option by China Vered is subject to (i) the maximum of such number of new Shares that the Company may issue under the then General Mandate in force and within the scope remaining available for issuance by the Company (excluding any reserved but unissued Shares); (ii) the requirement on the issue price per Share as mentioned in the sub-heading “Issue Price” below; and (iii) that the total number of new Shares to be issued under the grant of the Option and the grant of the right of Conversion would not result in such transactions being classified as transactions of the Company under the Listing Rules that are subject to shareholders’ approval requirements (items (i), (ii) and (iii) are referred to as the “Limits”).

Should there be any balance of new Shares to be issued pursuant to the exercise of the Option beyond items (i) and (iii) of the Limits and/or an exercise of the Option would lead to item (ii) of the Limits not being complied with, the issue of the aforesaid balance of new Shares or (as the case may be) such exercise of the Option shall be subject to the obtaining by the Company of all necessary approvals under applicable laws, rules and regulations for the issue of such amount of new Shares, and the Company shall not proceed with the Proposal, or as the case maybe, shall use reasonable endeavours to procure that Mr. Yuen Hoi Po and/or Smart Concept Enterprise Limited will not proceed with the Disposal unless the Company has obtained the aforesaid necessary approvals.

China Vered may within one month from the receipt of written notice by the Company of a Proposal or a Disposal provide its written confirmation (the “**Confirmation**”) stating (i) whether or not China Vered elects to exercise the Option; (ii) the number of Shares that China Vered and/or its nominee elects to subscribe; (iii) whether the subscription amount may be settled fully or partially by deducting any Outstanding Loan Amount on the date of the Confirmation and/or fully or partially by cash.

Issue Price: The issue price per Share for each exercise of the Option shall be the same as (or no less favourable than) the price per Share in the Proposal or the Disposal in respect of which China Vered elects to exercise the Option, but subject to such issue price to be at more than 80% of the benchmark price (“**Benchmark Price**”) being the higher of the following:

- (a) the closing price of per Share as quoted on the Stock Exchange on the date of the Confirmation; and
- (b) the average closing price of per Share as quoted on the Stock Exchange in the five trading days immediately prior to the date of the Confirmation.

Deemed repayment of the Facility: China Vered may apply any Outstanding Loan Amount towards payment of the amount for the exercise of the Option. The Outstanding Loan Amount specified by China Vered to be applied towards settlement of the amount payable for subscription for new Shares shall be regarded as repaid and settled under the Facility Agreement.

## **(II) Right of Conversion**

Right of Conversion: Upon the occurrence of any event of default as specified under the Facility Agreement which is continuing, China Vered may elect to convert all or part of the Outstanding Loan Amount into the new Shares to be issued by the Company and subscribe for such Shares by itself or its nominee in one demand or multiple demands by a written notice to the Company (“**Conversion**”).

The events of default as specified under the Facility Agreement include, among others, (i) non-payment of the loan amount on the due date; (ii) failure to satisfy any financial covenants in respect of the Group; (iii) the VIE structures for relevant businesses of the Group not being implemented or maintained according to the terms for which they were set-up; (iv) any misrepresentation made by any of the obligors under the Facility Agreement; (v) any member of the Group or the personal guarantor of the Facility defaults on other financial indebtedness; (vi) a member of the Group becoming insolvent or the personal guarantor becoming bankrupt; (vii) reduction in shareholding of the two single largest shareholders of the Company; (viii) suspension or cessation of listing of the Company; (ix) where the Company's auditors qualify the audited annual consolidated financial statements of the Company; and (x) any event or circumstances occurs which is reasonably likely to cause a material adverse effect on the Group.

Based on the principal amount and the term of the loan under the Facility and the applicable interest rate upon occurrence of an event of default under the Facility Agreement, the highest aggregate Outstanding Loan Amount in respect of which China Vered may be able to exercise under the right of Conversion is calculated to be HK\$76,410,000.

The issue of new Shares pursuant to the exercise of the right of Conversion shall be subject to the Stock Exchange granting listing of and permission to deal in such new Shares.

**Conversion Price:** To the extent permitted by the applicable rules and regulations, the Conversion Price shall be the higher of the following after applying a 19.99% discount:

- (a) the closing price of per Share as quoted on the Stock Exchange on the date of the notice of the Conversion by China Vered; or
- (b) the average closing price of per Share as quoted on the Stock Exchange in the five trading days immediately prior to the date of the notice of the Conversion by China Vered.

**Exercise of the right of Conversion:** The exercise of the right of Conversion by China Vered is subject to the above items (i) and (iii) of the Limits. Should there be any balance of new Shares requested to be issued under the Conversion beyond the above item (i) and/or item (iii) of the Limits, the issue of such balance of new Shares shall be subject to the obtaining of necessary approvals by the Company under applicable laws, rules and regulations for the issue of such balance of new Shares.

Deemed repayment of the Facility: The Outstanding Loan Amount applied by China Vered in the Conversion for subscription for new Shares shall be regarded as repaid and settled under the Facility Agreement.

## **ISSUE OF NEW SHARES PURSUANT TO EXERCISE OF THE OPTION AND/OR THE RIGHT OF CONVERSION**

As mentioned in the sub-section headed “**(I) Option to subscribe for new Shares**” and in the sub-section headed “**(II) Right of Conversion**” under the section head “**DEED OF UNDERTAKING**” above, one of the Limits to the exercise of the Option and of the right of Conversion is that the total number of new Shares to be issued under the grant of the Option and the grant of the right of Conversion would not result in such transactions being classified as transactions of the Company under the Listing Rules that are subject to shareholders’ approval requirements. This means that the total aggregate number of new Shares that may be issued pursuant to the exercise of the Option and the right of Conversion shall be less than 25% of the total number of issued Shares immediately before the execution of the Deed of Undertaking (giving an equity ratio under Rule 14.07 of the Listing Rules of below 25% for the transactions of the grant of the Option and of the right of Conversion).

Solely for reference purpose only, if the Option and the right of Conversion were exercised in full on the date of the Deed of Undertaking, on the assumption that the issue price for the exercise of the Option and the Conversion Price are both HK\$0.1176 per Share (being the higher of (a) the closing price of the Shares on the date of the Deed of Undertaking and (b) the average closing price of the Shares in the five trading days immediately prior to the date of the Deed of Undertaking and applying a 19.99% discount), the total number of new Shares to be issued to China Vered would be approximately 1,304,428,783 Shares, representing approximately 9.60% of the total issued Shares as at the date of this announcement and approximately 8.76% of the present total issued Shares of the Company as enlarged by the issue of such new Shares.

Application(s) will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the new Shares to be issued upon exercise of the Option and/or the right of Conversion.

## **OTHER UNDERTAKINGS BY THE COMPANY**

During the term of the Facility (which is seven months from the date of utilization of the Facility) or while there still exists the Outstanding Loan Amount, the Company shall not allot and issue any new Shares (except pursuant to the share option scheme or share award scheme of the Company, or pursuant to the CIA Agreement) unless prior written consent of China Vered is duly obtained (such consent not to be unreasonably withheld).

If (i) exercise of the Option and/or the right of Conversion fails to complete due to any reason attributable solely to a breach by the Company of its obligations under the Deed of Undertaking (excluding the situation where the transaction of the Proposal or the Disposal fails to proceed in the event the necessary approvals for issue of new Shares under exercise of Option outside the Limits are

not obtained) and/or (ii) new Shares upon China Vered's exercise of the Option are not issued on the same (or no less favourable) applicable terms and conditions as the Proposal or the Disposal in respect of which China Vered has elected to exercise the Option in accordance with the terms of the Deed of Undertaking, the Company shall be liable to pay to China Vered liquidated damages equal to 20% of the aggregate value of the relevant number of Shares (in the case of the aforesaid situation (i) based on the number of Shares fails to be issued to China Vered under the exercise of the Option and/or the right of Conversion set out in the Confirmation and/or the notice of Conversion; and/or in the case of the aforesaid situation (ii) based on the number of new Shares so issued and the price per Share under such exercise of the Option set out in the Confirmation.

## **REASONS AND BENEFITS FOR ENTERING INTO THE DEED OF UNDERTAKING**

The Deed of Undertaking is one of the conditions precedent to the drawdown of the Facility under the terms of the Facility Agreement, and the loan proceeds of the Facility will provide additional working capital to the Group for, among other things, the development of its internet healthcare business comprising Echartnow and Meerkat Health (with meaning as defined in the section headed "INFORMATION ON THE GROUP" below). The Group's internet healthcare business had contributed over 85% of the Group's unaudited revenue amounting to over HK\$1 billion for the 9 months ended 30 September 2022.

The Option, if exercised, will (in the case China Vered elects to pay for the subscription of new Shares by additional cash) provide additional working capital to the Company and will help to further diversify the Group's shareholder profile with institutional investors. The issue price per Share for each exercise of the Option will be in line with that in a Proposal or a Disposal, and therefore each exercise of the Option will be at a price per Share with reference to the fair market value of the Shares.

The right of Conversion can only be exercised by China Vered in the rare situation of the occurrence of any event of default as specified under the Facility Agreement which is continuing. The Company takes the view that the terms and conditions under the Facility Agreement will be fulfilled and complied with and any continuing event of default as specified under the Facility Agreement is unlikely to occur. Should the right of Conversion however becomes exercisable and is exercised by China Vered, this will have the effect of capitalizing the portion of the loan and interest accrued under the Facility under such Conversion and reducing the borrowings and gearing of the Group.

Considering the above, including that the Deed of Undertaking is required to be executed for the drawdown of the Facility, the Directors (including the independent non-executive Directors) believe that the terms and arrangements of the Deed of Undertaking are fair and reasonable and in the interests of the Company and its shareholders as a whole.

As of the date of this announcement, the Company has not entered into any discussions or negotiations for a Proposal, nor is the Company aware of any discussions or negotiations by Mr. Yuen Hoi Po or by Smart Concept Enterprise Limited for a Disposal.

## INFORMATION ON THE GROUP

The Group is principally engaged in (i) online prescription, circulation and marketing of pharmaceutical products (“**Echartnow**”); (ii) smart healthcare services platform (“**Meerkat Health**”); (iii) entertainment and media business; and (iv) provision of healthcare and wellness services.

## INFORMATION ON CHINA VERED

China Vered is a company incorporated under the laws of Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (stock code 00245). China Vered is an investment holding company. The principal activities of China Vered’s principal subsidiaries include investment holding, provision of asset management services, consultancy services, financing services, securities advisory and securities brokerage services.

As at the date of this announcement, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, based on the information publicly disclosed by China Vered and other publicly available information, China Vered and China Vered’s Substantial Shareholder(s) and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

## IMPLICATIONS UNDER THE LISTING RULES

The rights granted by the Company to China Vered under the Deed of Undertaking constitutes options under Rule 14.72(1) of the Listing Rules, and pursuant to Rule 14.73 of the Listing Rules, the grant of the Option and of the right of Conversion are regarded as transactions of the Company under Chapter 14 of the Listing Rules. According to Rule 14.74(1) of the Listing Rules, as the exercise of the Option and of the right of Conversion are not at the discretion of the Company, the grant of the Option and of the right of Conversion by the Company are classified as if the Option and the right of the Conversion had been exercised. As one or more of the applicable percentage ratios in respect of the grant of the Option and the right of Conversion is more than 5% but all the applicable percentage ratios are below 25%, the entering into of the Deed of Undertaking constitutes a discloseable transaction for the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

|                   |  |
|-------------------|--|
| “Board”           | the board of Directors   |
| “Benchmark Price” | has the meaning ascribed to it under the sub-section headed “(I) <i>Option to subscribe for new Shares</i> ”   |
| “China Vered”     | China Vered Financial Holding Corporation Limited, a company incorporated under the laws of Hong Kong with limited liability and listed on the Stock Exchange (stock code 00245) |

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| “China Vered’s Substantial Shareholder(s)” | means any party who or which had interest or short positions in the shares and underlying shares of China Vered, which would fall to be disclosed to China Vered under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of China Vered or substantial shareholders of China Vered as recorded in the register required to be kept by China Vered pursuant to section 336 of the SFO |
| “China Vered Wealth”                       | China Vered Wealth Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability, a wholly-owned subsidiary of China Vered   |
| “CIA Agreement”                            | the capital increase and acquisition agreement dated 7 April 2021 entered into by, among others, the Company, Prowess Investment Limited, 平潭心伴門診部有限公司 (Pingtan Xinban Clinic Company Limited*) and 陝西醫智諾信息科技有限公司 (Shaanxi Yizhinuo Information Technology Company Limited*) (particulars of which were disclosed in the announcement of the Company dated 7 April 2021), as amended by the supplemental agreement, the second supplemental agreement and the third supplemental agreement thereto;   |
| “Confirmation”                             | has the meaning ascribed to it under the sub-section headed “(I) <i>Option to subscribe for new Shares</i> ”   |
| “connected persons”                        | shall have the meaning as ascribed to it under the Listing Rules   |
| “Conversion”                               | has the meaning ascribed to it under the sub-section headed “(II) <i>Right of Conversion</i> ”   |
| “Conversion Price”                         | the price per Share for the Conversion   |
| “Deed of Undertaking”                      | a deed of undertaking entered on 7 December 2022 between the Company and China Vered in relation to the grant of the Option and of the right of Conversion   |
| “Director(s)”                              | the director(s) of the Company   |
| “Disposal”                                 | has the meaning ascribed to it under the sub-section headed “(I) <i>Option to subscribe for new Shares</i> ”   |
| “Echartnow”                                | has the meaning ascribed to it under the section headed “INFORMATION ON THE GROUP”   |

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| “Facility Agreement”      | the facility agreement dated 7 December 2022 entered into between the Company, Mr. Yuen Hoi Po, certain offshore security providers, and China Vered Wealth in connection with the Facility  |
| “Facility”                | has the meaning ascribed to it under the section headed “INTRODUCTION”   |
| “General Mandate”         | the current general mandate at the time of exercise of the Option or the right of Conversion that has been obtained by the Company from its Shareholders at the relevant annual general meeting of the Company for the issue of Shares pursuant to Rule 13.36(2)(b) of the Listing Rules |
| “Group”                   | the Company and its subsidiaries   |
| “HK\$”                    | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Hong Kong”               | the Hong Kong Special Administrative Region of the PRC   |
| “Limits”                  | has the meaning ascribed to it under the sub-section headed “(I) <i>Option to subscribe for new Shares</i> ”   |
| “Listing Rules”           | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Meerkat Health”          | has the meaning ascribed to it under the section headed “INFORMATION ON THE GROUP”   |
| “Option”                  | has the meaning ascribed to it under the sub-section headed “(I) <i>Option to subscribe for new Shares</i> ”   |
| “Outstanding Loan Amount” | the outstanding principal of the Facility together with any interest accrued   |
| “Proposal”                | has the meaning ascribed to it under the sub-section headed “(I) <i>Option to subscribe for new Shares</i> ”   |
| “SFO”                     | Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)   |
| “Shares”                  | the ordinary share(s) of HK\$0.02 each in the share capital of the Company   |
| “Shareholders”            | the holder(s) of the Share(s) of the Company   |
| “Stock Exchange”          | the Stock Exchange of Hong Kong Limited  |

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| “substantial shareholder” | has the meaning ascribed to it under the Listing Rules   |
| “Term”                    | has the meaning ascribed to it under the sub-section headed “(I) Option to subscribe for new Shares” |
| “%”                       | per cent   |

By Order of the Board  
**Huayi Tencent Entertainment Company Limited**  
**YUEN Hoi Po**  
*Executive Director and Chief Executive Officer*

Hong Kong, 7 December 2022

*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 Kai David, GBS, JP, Mr. YUEN Kin, Mr. CHU Yuguo*

\* *For identification purpose only*