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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)

UPDATES ON DISCLOSEABLE TRANSACTION

- (1) FOURTH SUPPLEMENTAL AGREEMENT ON CAPITAL INCREASE TO AND ACQUISITION OF EQUITY INTEREST IN A COMPANY ENGAGED IN NEW RETAIL PLATFORM FOR PRESCRIPTION DRUGS**
- (2) TERMINATION OF THE EXISTING VIE CONTRACTUAL ARRANGEMENTS AND**
- (3) THE ENTERING INTO OF TRANSITIONAL VIE CONTRACTUAL ARRANGEMENTS IN RESPECT OF SHAANXI YIZHINUO INFORMATION TECHNOLOGY COMPANY LIMITED**
- CONSTITUTING CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

Reference is made to the announcement of the Company dated 7 April 2021 as supplemented by the announcements of the Company dated 21 April 2021, 17 May 2021, 20 December 2021, 12 July 2022 and 20 July 2022 on companies principally engaged in the business of online prescription, circulation and marketing of pharmaceutical products in the PRC, and the announcement of the Company dated 18 April 2023 on a proposed capital increase to YZN by a new investor.

THE FOURTH SUPPLEMENTAL AGREEMENT AND THE TRANSITIONAL VIE CONTRACTUAL ARRANGEMENTS

In connection with the YZN Capital Increase Agreement, on 10 May 2023, 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 Fourth Supplemental Agreement to agree to (among other things) carry out the Target Group Reorganisation, which will involve (i) the swapping of the holding of the equity interests in YZN and OPCO in the Target Group such that YZN will become the holding company of the OPCO and in turn OPCO will become 100% owned by YZN; (ii) replacement of the Existing VIE Contractual Arrangements by the Transitional VIE Contractual Arrangements to be entered into by the WFOE with YZN and the PRC Equity Owners; and (iii) upon the New Investor being registered as the holder of 6.25% equity interests in YZN (as enlarged by the YZN Capital Increase), termination of the Transitional VIE Contractual Arrangements and unwinding of the VIE structure through which the Group holds interests in the YZN Group.

The parties to the Fourth Supplemental Agreement agree that upon completion of the Target Group Reorganisation, the terms under the Capital Increase and Acquisition Agreement (as amended by the Third Supplemental Agreement) in relation to the Further Acquisition, the First Performance Target and the Second Performance Target shall be abolished.

Given that the Group as a foreign investor is restricted under applicable PRC laws and regulations from holding more than 50% equity interest in the Target Group which carries on the Principal Businesses, the Transitional VIE Contractual Arrangements are for the purpose of the Group retaining effective control over the finance and operation of the YZN Group after the Existing VIE Contractual Arrangements are terminated, and continuing to enjoy 51% of the economic interests and benefits generated by the YZN Group during the steps of implementation of the Target Group Reorganisation. After the registration of the New Investor as a 6.25% shareholder of YZN, the Group's percentage interest in YZN will be diluted to below 50% for which the Group will be permitted under applicable PRC laws and regulations to directly hold equity interest in YZN, and the VIE structure in respect of the YZN Group will no longer be necessary.

After completion of the Target Group Reorganisation, the Group will still retain control over the operations of the YZN Group, the YZN Group will continue to be treated as subsidiaries of the Group and the financial results of the YZN will continue to be consolidated into the consolidated financial statements of the Group.

IMPLICATIONS UNDER THE LISTING RULES FOR THE TRANSITIONAL VIE CONTRACTUAL ARRANGEMENTS

Each of Mr. WANG Jian and Ms. SHANG Jing (two of the Founding Shareholders) is a director and a substantial shareholder of OPCO and will also become a substantial shareholder of YZN (both OPCO and YZN being subsidiaries of the Company) in the implementation of the Target Group Reorganisation, and is therefore a connected person of the Company at the subsidiary level. Accordingly, the transactions contemplated under the Transitional 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.

Reference is made to the announcement of the Company dated 7 April 2021 as supplemented by the announcements of the Company dated 21 April 2021, 17 May 2021, 20 December 2021, 12 July 2022 and 20 July 2022 on companies principally engaged in the business of online prescription, circulation and marketing of pharmaceutical products in the PRC, and the announcement of the Company dated 18 April 2023 on a proposed capital increase to YZN by a new investor.

THE FOURTH SUPPLEMENTAL AGREEMENT

In connection with the YZN Capital Increase Agreement, on 10 May 2023, 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 fourth supplemental agreement to the Capital Increase and Acquisition Agreement (the "**Fourth Supplemental Agreement**"), whereby the shareholders of OPCO agree to effect certain changes to the arrangements for their investment or holding of interest in the Target Group under the Capital Increase and Acquisition Agreement (as amended by the Third Supplemental Agreement).

Pursuant to the Fourth Supplemental Agreement, among other things, the parties agree to

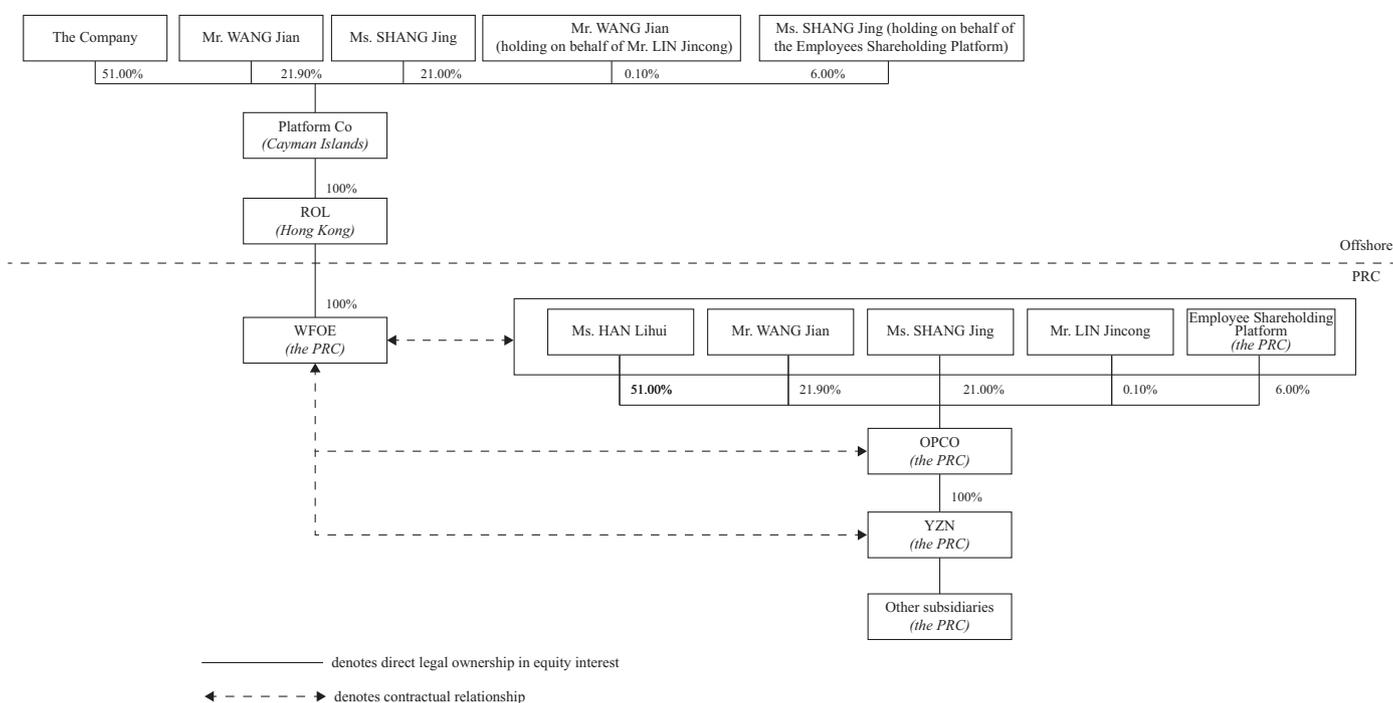
- (i) complete the various steps of the Target Group Reorganisation for the purpose of the YZN Capital Increase, following payment of the First Instalment by the New Investor to YZN;
- (ii) the Company shall settle the payment of the remaining balance of the Second Cash Investment of RMB 39,000,000 pursuant to the Capital Increase and Acquisition Agreement (as amended by the Third Supplemental Agreement) by way of contribution to the capital reserve of YZN after completion of the Target Group Reorganisation;
- (iii) upon the completion of the Target Group Reorganisation and registration of the New Investor as the holder of 6.25% equity interest in YZN, abolish all the terms in relation to the Further Acquisition, the First Performance Target and the Second Performance Target under the Capital Increase and Acquisition Agreement (as amended by the Third Supplemental Agreement);

- (iv) following the completion of the Target Group Reorganisation, transfer by the WFOE, Mr. WANG Jian and Ms. SHANG Jing (pro-rata to their relative shareholding percentages in YZN) to the Employees Shareholding Platform so that the Employees Shareholding Platform will hold 15% of the total equity interests in YZN (before considering the effect of the YZN Capital Increase) no later than 31 December 2024 (For such arrangement, WFOE, Mr. WANG Jian and Ms. SHANG Jing will transfer approximately 1.63%, 0.60% and 0.58% respectively of the total equity interest in YZN (as enlarged by the YZN Capital Increase) to the Employees Shareholding Platform (equivalent to an increase of 3% equity interest in YZN held by the Employee Shareholding Platform (before considering the effect of the YZN Capital Increase)) no later than 31 December 2024);
- (v) promote the initial public offering of YZN subject to YZN meeting the corresponding conditions and in compliance with the requirements of the Listing Rules; and
- (vi) change of the place of registration of the future listed entity (namely, YZN) to Zhangjiagang, the PRC.

The Target Group Reorganisation

It is agreed under the Fourth Supplemental Agreement that, in connection with the YZN Capital Increase, after the New Investor having made payment of the First Instalment to YZN, the Target Group Reorganisation shall be carried out in order to form the YZN Group and for the New Investor to contribute capital to and acquire equity interest in YZN.

The current corporate structure of the Target Group is set out as follows:

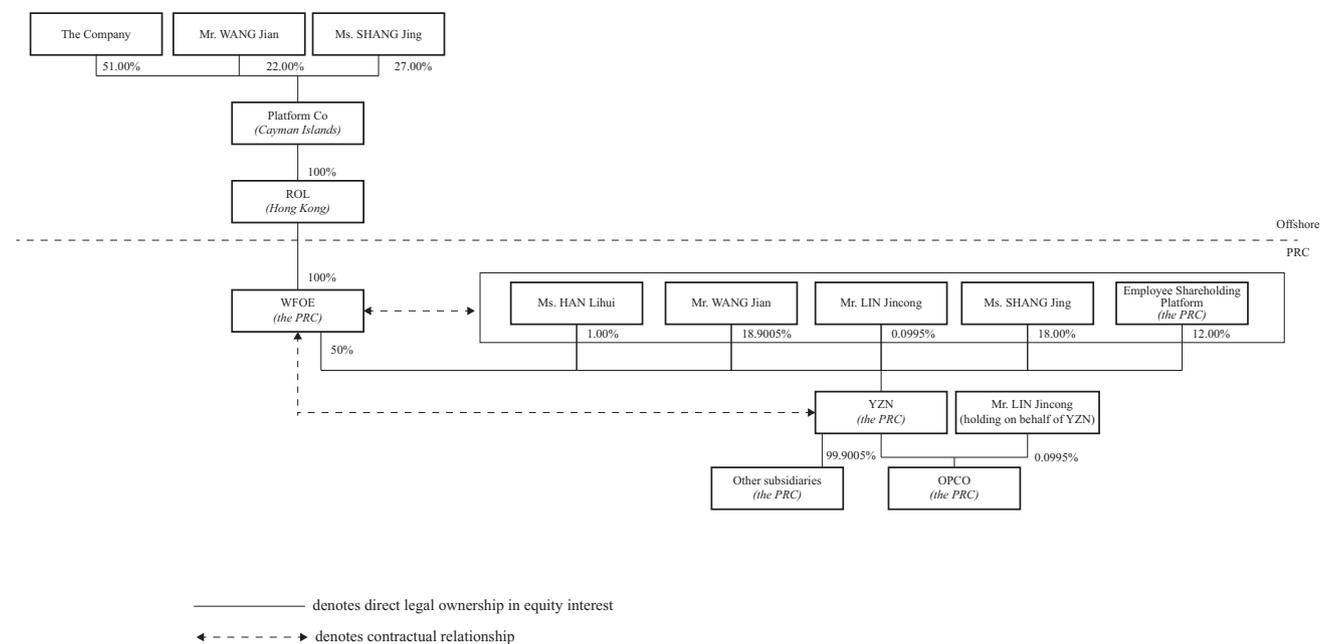


The Target Group Reorganisation will be implemented as follows:

(A) Formation of the corporate structure with YZN as holding company of the Target Group

- (1) Transfer of 100% equity interest in YZN held by the OPCO to the PRC Equity Owners and WFOE (with WFOE directly holding 50% equity interest in YZN) at a nominal consideration (as YZN had a negative net asset value as of 28 February 2023). During the process, 3% equity interests in YZN (before considering the effect of YZN Capital Increase) held by each of Mr. WANG Jian and Ms. SHANG Jing are to be transferred to the Employees Shareholding Platform.
- (2) Transfer of 99.9005% equity interest in the OPCO by the PRC Equity Owners (other than Mr. LIN Jincong, who is to be retained as a direct shareholder of the OPCO for compliance purpose in relation to its internet hospital licence) to YZN at a nominal consideration (as OPCO had a negative net asset value as of 28 February 2023 after taking into account the disposal of 100% equity interest in YZN mentioned in Step (1) above).
- (3) Entering into of nominee shareholding arrangement between Mr. LIN Jincong and YZN to the effect that Mr. LIN Jincong shall hold the 0.0995% equity interest in the OPCO under his name as nominee of YZN. This step together with Step (2) above will result in YZN being 100% owned by the OPCO.
- (4) Termination of the Existing VIE Contractual Arrangements (i.e. with the PRC Equity Owners being the shareholders of the OPCO, and the OPCO being the sole shareholder of YZN), and entering into of a set of new VIE contractual arrangements among the WFOE, the PRC Equity Owners being the shareholders of YZN and YZN (which by the time will entirely own the equity interests in the OPCO) (the “**Transitional VIE Contractual Arrangements**”).

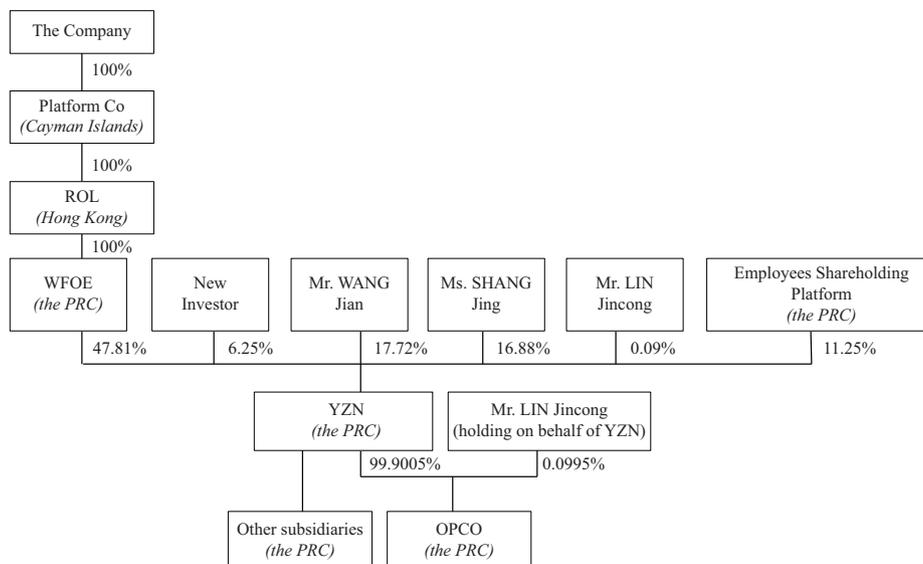
The corporate structure concerning YZN and the OPCO as a result of Steps (1) to (4) under (A) above is set out as follows:



(B) Unwinding of the Transitional VIE Contractual Arrangements following the New Investor being registered as a shareholder of YZN

- (1) completion of the registration of the New Investor as the holder of 6.25% equity interest in YZN, thus diluting the Group’s percentage economic interest in the YZN Group from 51% to approximately 47.81%;
- (2) transfer of the equity interest in YZN then held by Ms. HAN Lihui to the WFOE at a nominal consideration;
- (3) termination of the executed Transitional VIE Contractual Arrangements, on the ground that the Group will be interested in less than 50% of the YZN Group therefore the PRC legal restrictions on foreign ownership in relation to the businesses carried on by the YZN Group and the corresponding need for a VIE structure will no longer apply;
- (4) transfer of a total 49% shareholding in Platform Co by Mr. WANG Jian and Ms. SHANG Jing to the Company for a nominal consideration (as such is a necessary and integral step for unwinding the Transitional VIE Contractual Arrangements in respect of the YZN Group to reflect the Group’s approximately 47.81% equity interest in YZN directly held by WFOE).

The corporate structure concerning the YZN Group as a result of Steps (1) to (4) under (B) above is set out as follows:



WFOE, the PRC Equity Owners, the OPCO and YZN will commence the implementation of the Target Group Reorganisation soon, starting with the transfers of equity interest in YZN and the entering into of the Transitional VIE Contractual Arrangements.

BACKGROUND FOR THE USE OF THE TRANSITIONAL VIE CONTRACTUAL ARRANGEMENTS

Since the entering into of the Existing VIE Contractual Arrangements in December 2021, the Target Group has continued to carry on the principal businesses of:

- (i) 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; and
- (ii) 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

((i) and (ii) are together referred to as 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》) and 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 comprise (1) online data processing and transaction processing (operational e-commerce) businesses (being the “**Principal Businesses 1**”) and (2) Internet information service businesses operating for profit (other than App store) (being the “**Principal Businesses 2**”). These businesses are carried out concurrently and are inalienable.

According to the Foreign Investment Law of the PRC (the “**Foreign Investment Law**”), the State 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 Principal Businesses 1, according to the relevant law and regulations as stipulated in the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021) (Order No. 47 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)(2021年版)》(國家發展和改革委員會、商務部令第47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 Principal Businesses 2, according to the Notices, foreign investors (including Hong Kong and Macau service providers) may set up joint ventures in the PRC to provide Internet information service businesses operating for profit (other than App store) but are restricted to hold no more than 50% equity interest.

Previously, 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 (in addition to being subject to the restriction of no more than 50% foreign investment) shall have a good track record and operational experience in providing value-added telecommunications business (the “**Qualification Requirement**”) in the PRC. The PRC

Legal Adviser has advised the Company that the Qualification Requirement has ceased to apply. Accordingly, under the Transitional VIE Contractual Arrangements, the Group can hold equity interest in YZN of no more than 50%.

Article 6 of the Regulations on the Administration of Foreign-Invested Telecommunications Enterprises (Revised in 2022) (《外商投資電信企業管理規定(2022年修訂)》) stipulates that “the proportion of foreign investors in a foreign-invested telecommunications enterprise operating value-added telecommunications services (including wireless paging services in basic telecommunications services) shall not ultimately exceed 50%, except as otherwise provided by the State”. The Circular of the Ministry of Industry and Information Technology on the Liberalization of Foreign Shareholding Restrictions in Online Data Processing and Transaction Processing Business (Operating E-commerce) (《工業和資訊化部關於放開線上資料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》) and the Special Administrative Measures for Foreign Investment Access (Negative List) (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》) and other regulations have clarified that the foreign shareholding ratio in value-added telecommunications businesses such as e-commerce, domestic multi-party communications, store-and-forward category, and call centers can exceed 50%. Therefore, Article 6 of the Regulations on the Administration of Foreign Invested Telecommunications Enterprises (Revised in 2022) (《外商投資電信企業管理規定(2022年修訂)》) added on the statement of “except as otherwise provided by the State” to Article 6 of the Regulations on the Administration of Foreign Invested Telecommunications Enterprises (Revised in 2016) (《外商投資電信企業管理規定(2016年修訂)》), which facilitates the continued liberalization of the ratio of foreign investment in other telecommunications businesses in the future. The aforementioned “otherwise provided by the State” does not exist in the existing business of YZN.

YZN has obtained the License for carrying on the Principal Businesses. Following implementation of the steps under Part A “Formation of the corporate structure with YZN as holding company of the Target Group” under the section headed “the Target Group Reorganisation” above, WFOE (an indirect 51% owned subsidiary of the Company) will directly own 50% equity interest in YZN and through the Transitional VIE Contractual Arrangements enjoy 50% interests in YZN, adding up to 100% direct and indirect interests in YZN. The Company through WFOE is entitled to 51% equity interest in YZN. As YZN continues to carry on the Principal Businesses, the Transitional VIE Contractual Arrangements are necessary measures for the Group to maintain its control of 51% interest in YZN, to comply with relevant PRC laws and regulations at current stage and to avoid obstacles to YZN re-applying for or applying for renewal of the License.

Based on the foregoing, the PRC Legal Adviser considers and the Company agrees that given that the Transitional VIE Contractual Arrangements are narrowly tailored to achieve the Group keeping 51% interest in YZN after implementation of the steps under Part A “Formation of the corporate structure with YZN as holding company of the Target Group” under the section headed “the Target Group Reorganisation” above and YZN and its subsidiaries legally operating the Principal Businesses, and to minimize the potential for conflict with relevant PRC laws and regulations.

Through the Transitional VIE Contractual Arrangements, the WFOE will have effective control over the finance and operations of the YZN Group and will enjoy the entire economic interests and benefits generated by the YZN Group despite the lack of entire registered equity ownership.

Details of the Transitional VIE Contractual Arrangements

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

(i) *Exclusive Business Cooperation Agreement*

- Parties: (1) The WFOE; and
- (2) YZN
- Term: Effective for 3 years from the date of execution of the Exclusive Business Cooperation Agreement, 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 YZN or all the assets of YZN to the WFOE or such entity as designated by the WFOE pursuant to the Exclusive Purchase Right Agreement; or (iii) upon the event that it becomes permitted under PRC laws for the WFOE to directly hold the equity interest in YZN, and the WFOE or its designated entity has obtained all the equity interest in YZN;
- The YZN has no right to terminate the Exclusive Business Cooperation Agreement unless the WFOE has committed gross negligence or fraud against YZN.
- Subject Matter: YZN has appointed the WFOE as its exclusive service provider to provide YZN 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 YZN;

- (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 YZN’s operation and management; and
- (k) acquisition of equipment necessary for and development of new technology for YZN’s business development and expansion.

Without the prior written consent of the WFOE, 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 Agreement.

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

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

Annual caps

The maximum annual amount of fees payable by YZN to WFOE for the financial years ending 31 December 2023, 2024, 2025 and 2026 under the Exclusive Business Cooperation Agreement shall not exceed the caps (the “**Annual Caps**”) set out below:

	From date of Exclusive Business Cooperation Agreement to 31 December 2023	For year ending 31 December 2024	For year ending 31 December 2025	From 1 January 2026 to expiry of 3 years from the date of the Exclusive Business Cooperation Agreement
		<i>(in RMB)</i>		
Total service fee	346,000,000	519,000,000	519,000,000	173,000,000

Subject Matter and Consideration: The PRC Equity Owners and YZN 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 YZN and all or part of the existing and future assets of YZN 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 YZN 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 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 those intellectual property rights that are related to the business of YZN.

The above provisions also apply to the subsidiaries of YZN.

Undertakings: The PRC Equity Owners and YZN jointly and severally undertake, among other things, not to sell, transfer, mortgage or otherwise dispose of any equity interest in YZN (or its respective subsidiaries) or any assets, businesses or rights or income of YZN (or its respective subsidiaries).

(iii) Power of Attorney and Undertaking Letters

Parties: (1) Each of the PRC Equity Owners; and
(2) the WFOE

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

Subject Matter: Each of the PRC Equity Owners 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 YZN 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 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 YZN 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 himself/herself/itself and the WFOE.

Each of the PRC Equity Owners 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 YZN, 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 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 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 who may be entitled to his/her/its interests and rights in YZN in the event of his/her/its death, incapacity, bankruptcy, divorce or in the event that exercise of his/her/its shareholder rights in YZN 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 under the Transitional VIE Contractual Arrangements.

(iv) Equity Pledge Agreements

- Parties:
- (i) The WFOE (as the pledgee);
 - (ii) each of the PRC Equity Owners (as the pledgor)

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 (the “**Secured Obligations**”) have been entirely performed or terminated.

Subject Matter: Each of the PRC Equity Owners agreed to pledge all of his/her/its equity interest in YZN 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 YZN without the written consent of the WFOE) on the part of any of the PRC Equity Owners.

Each of the PRC Equity Owners undertook to the WFOE, among other things, not to transfer his/her/its interests in YZN 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 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 YZN 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 ENTERING INTO OF THE FOURTH SUPPLEMENTAL AGREEMENT AND THE TRANSITIONAL VIE CONTRACTUAL ARRANGEMENTS

The Fourth Supplemental Agreement contains arrangements which YZN, WFOE and the PRC Equity Owners have undertaken to carry out, or are otherwise arrangements as agreed under the YZN Capital Increase Agreement. As the New Investor has paid the First Instalment to YZN, the arrangements under the Fourth Supplemental Agreement represent performance of the obligations by the Group and the PRC Equity Owners on their part in accordance with the YZN Capital Increase Agreement, which are necessary for the completion of and bringing about the benefits of the YZN Capital Increase.

Given that the Group as a foreign investor is restricted under applicable PRC laws and regulations from holding more than 50% equity interest in the Target Group which carries on the Principal Businesses, the Transitional VIE Contractual Arrangements are for the purpose of the Group retaining effective control over the finance and operation of the YZN Group after the Existing VIE Contractual Arrangements are terminated, and continuing to enjoy 51% of the economic interests and benefits generated by the YZN Group during the steps of implementation of the Target Group Reorganisation.

After the registration of the New Investor as a 6.25% shareholder of YZN, the Group's percentage interest in YZN will be diluted to below 50% for which the Group will be permitted under applicable PRC laws and regulations to directly hold equity interest in YZN, and the VIE structure in respect of the YZN Group will no longer be necessary. The Transitional VIE Contractual Arrangements are thus interim measures necessary for the completion of the YZN Capital Increase.

Considering the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Fourth Supplemental Agreement and the Transitional VIE Contractual Arrangements are fair and reasonable, such transactions are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

COMPLIANCE OF THE TRANSITIONAL 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:

- (a) the Transitional VIE Contractual Arrangements are legal, binding on and enforceable against all the parties thereto. The Transitional VIE Contractual Arrangements do not violate the PRC Laws, rules and regulations applicable to the WFOE and YZN and their respective businesses or the PRC Civil Code (《中華人民共和國民法典》) and would not be deemed as “concealing illegal intention with a lawful form” and void thereunder. In respect of the Principal Businesses to be carried on by YZN, the Transitional 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;
- (b) the Transitional VIE Contractual Arrangements are not in violation of the articles of association of YZN;

- (c) the execution, effectiveness and enforceability of the Transitional 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;
- (d) save as disclosed in the section headed “RISKS AND LIMITATIONS IN RELATION TO THE TRANSITIONAL VIE CONTRACTUAL ARRANGEMENTS” under the heading “Certain terms of the Transitional VIE Contractual Arrangements may not be enforceable under the PRC laws” in this announcement, the Transitional VIE Contractual Arrangements comply with the PRC laws and are valid thereunder; and
- (e) the Transitional VIE Contractual Arrangements are narrowly tailored to achieve the Company’s business purpose and has minimized the potential conflict with relevant PRC laws and regulation.

DISPUTES RESOLUTIONS, SUCCESSION AND LIQUIDATION UNDER THE TRANSITIONAL VIE CONTRACTUAL ARRANGEMENTS

Disputes resolutions

The Transitional VIE Contractual Arrangements are governed by and shall be construed in accordance with the PRC laws. Any dispute arising from the Transitional 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 Transitional VIE Contractual Arrangements and the applicable PRC laws, and the specific performance of any obligations under the Transitional VIE Contractual Arrangements, award remedies over the equity interest and the tangible/intangible assets of the YZN, prohibition of disposal and an order for the winding up of the YZN. 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 and the location where YZN’s principal assets are located shall have the jurisdiction to grant interim remedies over the assets of the YZN.

Succession

The provisions set out in the Transitional VIE Contractual Arrangements are also binding on the successors of the PRC Equity Owner, as if the successors were a signing party to the Transitional VIE Contractual Arrangements. Although the Transitional 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 Transitional VIE Contractual Arrangements.

Liquidation

Pursuant to the Exclusive Purchase Right Agreements, in the event of YZN's liquidation, dissolution, bankruptcy or termination, each of the PRC Equity Owner shall transfer any assets distributed to such PRC Equity Owner 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 Transitional VIE Contractual Arrangements to protect the Group's interests in the event of death, bankruptcy or divorce of the PRC Equity Owners. The Transitional 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 Transitional 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 YZN 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 Transitional VIE Contractual Arrangements

Upon the completion of registration of the New Investor as the holder of 6.25% equity interest in YZN, the Company will unwind the Transitional VIE Contractual Arrangements given that the Group's percentage economic interest in YZN will have been diluted from 51% to approximately 47.81%, the Group as a foreign investor directly holding below 50% in YZN is allowed under relevant PRC laws and regulations related to the Principal Businesses, and thus there would be no further need for Transitional VIE Contractual Arrangements in respect of the YZN Group at that stage.

INTERNAL CONTROL MEASURES TO BE IMPLEMENTED BY THE GROUP

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

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

Management controls

- (1) the Group will appoint at least 2 board representatives (the “**Representatives**”) to act as directors of YZN. The Representatives are required to conduct regular reviews on the operations of YZN 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 YZN;
- (2) the Representatives shall be actively involved in various aspects of the daily managerial and operational activities of YZN;
- (3) the Representatives shall report any major events of YZN to the senior management of the Company, who must in turn report to the Board;
- (4) the senior management of the Company shall conduct regular site visits and personnel interviews regarding YZN, and shall report to the Board on a regular basis; and
- (5) all incorporation documents, all other legal documents and all seals and chops of YZN 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 YZN for review. Upon discovery of any suspicious matters, the CFO shall report to the Board;
- (ii) if YZN has delayed in the payment of the services fees requested by the WFOE, the CFO must meet with the shareholder(s) of YZN to investigate, and should report any suspicious matters to the Board. In extreme cases, the registered shareholder(s) of YZN will be removed and replaced;
- (iii) YZN must submit copies of latest bank statements for every bank accounts of YZN within 15 days after the end of each month; and
- (iv) YZN 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 Transitional 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 Transitional 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 Transitional 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 Transitional VIE Contractual Arrangements and other related matters.

RISKS AND LIMITATIONS IN RELATION TO THE TRANSITIONAL VIE CONTRACTUAL ARRANGEMENTS

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

Despite there is currently no indication that the Transitional 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 Transitional 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 Transitional 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 Transitional 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 Transitional 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 YZN Group

It is possible that contractual control arrangement (including the Transitional 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 Transitional VIE Contractual Arrangements and the YZN Group’s business will be adversely affected in the future due to the development and changes in PRC laws and regulations.

Measures adopted by the YZN 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 Transitional VIE Contractual Arrangements and the business operation of the YZN Group. In case there would be material and adverse effect on the YZN Group or the business of the YZN 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 YZN Group’s operations and financial position.

The Transitional VIE Contractual Arrangements may not be as effective as direct ownership of controlling equity interest in providing control over YZN

The WFOE relies on the Transitional VIE Contractual Arrangements to operate the business of YZN. Such contractual arrangements may not be as effective in providing the WFOE with control over YZN as direct ownership of controlling equity interest. If the WFOE has direct ownership of controlling equity interest in YZN, it will be able to exercise its rights as a shareholder to effect changes in the board of directors of YZN, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the Transitional 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 Transitional VIE Contractual Arrangements to exercise control

over YZN. Therefore, the Transitional VIE Contractual Arrangements may not be as effective in ensuring the WFOE's control over YZN as direct ownership of controlling equity interest would be. In addition, if the PRC Equity Owners or YZN fail to perform their respective obligations under the Transitional 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 YZN Group.

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

The Group's control over YZN is based on the contractual arrangements under the Transitional VIE Contractual Arrangements. Therefore, conflict of interests of the PRC Equity Owners will adversely affect the interests of the Company. However, under the Transitional 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 YZN. 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 YZN.

The Transitional 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 Transitional 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 YZN Group for PRC tax purposes, which could result in higher tax liabilities on the WFOE and/or the YZN Group. The operating and financial results of the Group may be materially and adversely affected if the tax liabilities of the WFOE and/or YZN 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 YZN Group, financial support to the YZN Group and potential exposure of the Group to losses

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

In case the WFOE exercises its option to acquire all or part of the equity interest in YZN under the Exclusive Purchase Right Agreement, 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 YZN) 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 YZN, which may have a material adverse impact on the WFOE and/or YZN's businesses, prospects and profitability.

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

The Transitional VIE Contractual Arrangements provide that the arbitration tribunal of the PRC may award remedies over the equity interest or assets of YZN 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 YZN. The Transitional 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, and the location where YZN'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 YZN. In addition, even though the Transitional 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 YZN or any of the PRC Equity Owners breaches the terms of the Transitional 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 YZN could be materially and adversely affected.

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

The insurance of the Group does not cover the risks relating to the Transitional 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 Transitional VIE Contractual Arrangements in the future, such as those affecting the enforceability of the Transitional VIE Contractual Arrangements and the relevant agreements for the transactions contemplated thereunder and the operation of Transitional 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 Transitional VIE Contractual Arrangements.

CONSOLIDATION OF THE FINANCIAL RESULTS OF YZN

The financial results of YZN will continue to be consolidated into the financial statements of the Group under the prevailing accounting principles upon entering into of the Transitional 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 YZN will continue to be a non-wholly owned subsidiary of the Company.

THE BOARD'S VIEW ON THE TRANSITIONAL VIE CONTRACTUAL ARRANGEMENTS

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

- (i) the Transitional 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 Transitional VIE Contractual Arrangements enable the WFOE to gain control over YZN and to be entitled to the economic interests and benefits of YZN;
- (iii) as advised by the PRC Legal Adviser, save as aforementioned, the Transitional VIE Contractual Arrangements are enforceable under the relevant PRC laws and regulations;
- (iv) the Transitional VIE Contractual Arrangements will provide a mechanism that enables the WFOE to exercise effective control over YZN; and
- (v) the Transitional 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 Fourth Supplemental Agreement and the Transitional 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, YZN has not encountered any interference or encumbrance from any governing bodies in operating its business.

INFORMATION ON THE YZN GROUP

The YZN Group is principally engaged in the business of online prescription, circulation and marketing of pharmaceutical products, which include the provision of services such as electronic prescription circulation, online platform for patients to purchase pharmaceutical products, charging suppliers of pharmaceutical products for platform usage, 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 Online Platform.

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 and entrepreneurship 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 has over 10 years' experience in sales and marketing in pharmaceutical multinational corporations, including Pfizer and Novartis.

Mr. LIN Jincong was one of the founders of the OPCO, and possesses a master's degree in public health. Up to the date of this Announcement, Mr. LIN Jincong has not been appointed a director of and has not been 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%

Ms. HAN Lihui is a former employee of the Group in the PRC during 2011 to 2020. Up to the date of this announcement, Ms. HAN Lihui has not been appointed a director of and has not been involved in the management of the OPCO, YZN, the WFOE, ROL or the Platform Co.

INFORMATION ON THE GROUP

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

IMPLICATIONS UNDER THE LISTING RULES FOR THE TRANSITIONAL VIE CONTRACTUAL ARRANGEMENTS

Each of Mr. WANG Jian and Ms. SHANG Jing (two of the Founding Shareholders) is a director and a substantial shareholder of OPCO and will also become a substantial shareholder of YZN (both OPCO and YZN being subsidiaries of the Company) in the implementation of the Target Group Reorganisation, and is therefore a connected person of the Company at the subsidiary level. Accordingly, the transactions contemplated under the Transitional 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.

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 aforesaid announcements of the Company dated 7 April 2021, 20 December 2021 and 18 April 2023, and the following terms shall have the following meanings:

“Existing VIE Contractual Arrangements”	the VIE Contractual Arrangements in respect of the Target Group entered into on 20 December 2021, particulars of which were disclosed in the announcement of the Company dated 20 December 2021
“Fourth Supplemental Agreement”	the fourth supplemental agreement dated 10 May 2023 to further supplement and amend the Capital Increase and Acquisition Agreement, as described and defined under the section headed “FOURTH SUPPLEMENTAL AGREEMENT” in this announcement
“Negative List”	has the meaning ascribed to it under the section headed “BACKGROUND FOR THE USE OF THE TRANSITIONAL VIE CONTRACTUAL ARRANGEMENTS” in this Announcement
“Transitional VIE Contractual Arrangements”	has the meaning ascribed to it under the section headed “The Target Group Reorganisation” in this announcement

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

Hong Kong, 10 May 2023

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