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Medlive Technology Co., Ltd.

醫脈通科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2192)

DISCLOSEABLE TRANSACTION

ACQUISITION OF 50% EQUITY INTEREST IN BEIJING SCMEDCON CO., LTD.*

EQUITY TRANSFER AGREEMENT

On 12 June 2023, Kingyee Beijing, the Sellers and the Target Company entered into the Equity Transfer Agreement pursuant to which Seller A and Seller B agreed to sell 30% and 20% equity interest of the Target Company, respectively, and Kingyee Beijing agreed to acquire 50% equity interest of the Target Company for the Consideration of RMB65.00 million, which shall be paid by Kingyee Beijing to the Sellers in cash.

The Target Company is principally engaged in the business of organising medical exhibition conferences and exchange meetings for pharmaceutical and medical devices companies and institutions serving the medical industry, and provision of related medical training services and medical content services. Utilising the expertise of its employees, the Target Company is also engaged in the provision of a comprehensive range of management consulting and medical technology services to pharmaceutical and medical devices companies such as the production of medical knowledge materials and medical data management and analysis.

The Sellers have granted the Option to Kingyee Beijing so that if the accumulated audited net profit of the Target Company during the Guaranteed Period does not reach 55% of the Guaranteed Profit, Kingyee Beijing has the right, but not an obligation, to require the Sellers to repurchase the Target Equity held by Kingyee Beijing.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The grant of the Option by the Sellers to Kingyee Beijing requiring the Sellers to repurchase the Target Equity would be treated as a notifiable transaction and classified by reference to the percentage ratios pursuant to Rules 14.04(1)(b) and 14.73 of the Listing Rules. According to Rule 14.75(1) of the Listing Rules, on the grant of the Option (the exercise of which is at the discretion of Kingyee Beijing), only the premium will be taken into consideration for calculating the percentage ratios. As nil premium is payable on the grant of the Option, such grant will not constitute a notifiable transaction of the Company.

The Company will comply with the applicable Listing Rules if and when the Option is exercised.

As the Acquisition is subject to fulfilment and/or waiver, if applicable, of the Conditions which may or may not be fulfilled and/or waived, there is no assurance that the Acquisition will be completed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

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The principal terms of the Equity Transfer Agreement are set out below:

Date

12 June 2023

Parties

1. Purchaser Kingyee (Beijing) Co., Ltd. (金葉天成 (北京) 科技有限公司), an indirect wholly-owned subsidiary of the Company incorporated in the PRC with limited liability and the purchaser to the Acquisition. It is principally engaged in the provision of precision marketing and corporate solutions, medical knowledge solutions and intelligent patient management solutions.
2. Sellers Li Jingcheng (李景成), as Seller A; and
Xing Guishu (邢桂淑), as Seller B.
3. Target Company Beijing SCMedcon Co., Ltd.* (北京石成醫學諮詢有限公司), a company incorporated in the PRC with limited liability.

To the best of knowledge, information and belief of the Directors, after making all reasonable enquiries, each of the Sellers and the Target Company is an Independent Third Party.

Consideration and Guaranteed Profit

The Sellers have undertaken to ensure that the accumulated audited net profit of the Target Company for the four financial years ending 31 December 2023, 2024, 2025 and 2026 (each of the financial years, a “**Guaranteed Yearly Period**” and the entirety of such four financial years, the “**Guaranteed Period**”) in total shall be no less than RMB58.08 million (the “**Guaranteed Profit**”).

The Consideration payable by Kingyee Beijing is RMB65.00 million in which a total of RMB39.00 million and RMB26.00 million shall be paid to Seller A and Seller B, respectively, in each case subject to adjustments made to the Remaining Instalments (as defined below). The Consideration shall be paid in cash at a maximum of five instalments (collectively, the “**Instalments**”) as follows:

- (a) within 5 business days after all the Conditions are satisfied (or waived by Kingyee Beijing), Kingyee Beijing shall pay RMB21.45 million and RMB14.30 million to Seller A, and Seller B, respectively (the “**First Instalment**”); and

- (b) subject to completion of the Acquisition, for each of the four remaining instalments after the First Instalment (the “**Remaining Instalment(s)**”), within 5 business days after (i) the date of issue of the annual results announcement of the Company; or (ii) the date of issue of an audited report of the Target Company by an auditor recognized by Kingyee Beijing, whichever is later, for each Guaranteed Yearly Period, Kingyee Beijing shall pay the Sellers an adjusted amount in accordance with the following formula:

$$\text{Consideration for each of the Remaining Instalments} = \left(\frac{A}{B} \times C \right) - D$$

where:

- A = Accumulated audited net profit or loss of the Target Company for all Guaranteed Yearly Periods up until the end of the relevant Guaranteed Yearly Period
- B = The Guaranteed Profit (being RMB58.08 million)
- C = The total Consideration to be paid to each Seller
- D = The Consideration already paid to each Seller at the time of each Remaining Instalment

If the adjusted amount payable under any Remaining Instalments as determined using the above formula is negative, Kingyee Beijing shall not be required to make any payment under the relevant Remaining Instalment, but the Sellers shall not be required to return any Consideration already received. Further, Kingyee Beijing shall not be required to pay the difference if the actual payment made to the Sellers after the Remaining Instalments have been paid is lower than RMB65.00 million, nor make any Remaining Instalment to such extent if it shall result in the total amount of Consideration paid exceeding RMB65.00 million.

Option

The Sellers have granted the Option to Kingyee Beijing so that if the accumulated audited net profit of the Target Company during the Guaranteed Period in total does not reach 55% of the Guaranteed Profit, Kingyee Beijing has the right, but not an obligation, to require the Sellers to repurchase the Target Equity held by Kingyee Beijing. The consideration of such repurchase shall be the sum of all payments made under all previous Instalments plus a simple interest of 8% per annum. The Company will comply with the applicable Listing Rules if and when the Option is exercised.

Basis of Consideration

The value of the Target Company is reflected in its business capabilities including the organisation of large-scale medical exhibitions and conferences held under the “CMAC” brand and its 40 employees with expertise to provide a wide range of services to pharmaceutical and medical device companies. As such, the net asset value of the Target Company is not a factor taken into account by the Company when determining the Consideration. The Consideration was determined after arm’s length negotiations between Kingyee Beijing and the Sellers with reference to the price-to-earnings multiples of the Group’s previous similar acquisitions in 2021 and 2022 (being the acquisitions of 60% equity interest in Beijing Medcon and Beijing Focus, respectively), and adopting the Guaranteed Profit (meaning the Target Company shall record an average net profit of RMB14.52 million per financial year during the Guaranteed Period) for the basis of calculation, as well as the benefits expected to be derived by the Acquisition as described under the section headed “Reasons for and benefits of the Acquisition” in this announcement.

The Consideration payable by Kingyee Beijing to the Sellers will be funded by the net proceeds from the global offering of the Company in July 2021.

Conditions precedent

The obligations of Kingyee Beijing to pay the Consideration and to complete the registration and filing procedures in respect of the Acquisition are subject to the satisfaction (or waiver by Kingyee Beijing) of the following Conditions:

- (a) the shareholders of the Target Company shall have given all necessary approvals and consent for the Acquisition and shall have waived their pre-emptive right in respect of the Acquisition;
- (b) the appointment of directors, supervisors and senior management members nominated by Kingyee Beijing to the Target Company shall have been approved by the shareholders meeting and the executive director of the Target Company;
- (c) the amended articles of association as provided for in the Equity Transfer Agreement shall have been approved by the shareholders meeting and the executive director of the Target Company;
- (d) Kingyee Beijing shall have completed its necessary internal decision-making procedures in respect of the Acquisition; and

- (e) Seller A and certain key employees of the Target Company (collectively, the “**Key Employee(s)**”), shall have signed, among others, employment contracts, non-compete agreements, and non-disclosure agreements with the Target Company with tenure of not less than 5 years and in forms satisfactory to Kingyee Beijing.

Pursuant to the terms of the Equity Transfer Agreement, completion of the Acquisition shall take place upon payment of the First Instalment. As at the date of this announcement, Conditions in paragraphs (a), (d) and (e) have been satisfied.

Transfer

All rights, obligations, risks and benefits arising from or attributable to the Target Equity will be transferred from the Sellers to Kingyee Beijing on the date of payment of the First Instalment.

Unless otherwise agreed between the parties, within 30 days from the satisfaction of the Conditions, the Target Company and the Sellers shall complete the registration and filing procedures in respect of the Acquisition with the local competent market supervision administration.

Upon completion of the Acquisition, the Target Company will be owned as to 50%, 30% and 20% by Kingyee Beijing, Seller A and Seller B, respectively.

Seller A and Seller B are not parties acting in concert and therefore upon completion of the Acquisition, Kingyee Beijing will become the largest shareholder of the Target Company. Furthermore, Kingyee Beijing and the Sellers agreed that the articles of association of the Target Company shall be amended so that after completion of the Acquisition, Kingyee Beijing, Seller A and Seller B will be entitled to exercise voting rights in respect of 51%, 29% and 20% of the equity interests in the Target Company, respectively. As such, Kingyee Beijing will be able to control certain matters which can only be approved at shareholders meeting of the Target Company including the approval of annual budget and distribution of dividend. As Kingyee Beijing will also control the majority of the composition of the board of the Target Company as described under the section “Board composition” below, the Directors confirm that upon completion of the Acquisition, the Target Company’s financial results will be consolidated into the consolidated financial statements of the Company.

Board composition

Upon completion of the Acquisition, (i) the board of directors of the Target Company shall comprise five directors, three of whom shall be appointed by Kingyee Beijing and the remaining two directors shall be appointed by each of Seller A and Seller B; and (ii) the general manager of the Target Company shall be nominated by Seller A and be appointed by the board of directors of the Target Company, whereas the financial controller shall be nominated by Kingyee Beijing and be appointed by the board of directors of the Target Company.

Distribution of dividend

Beginning from the year ending 31 December 2023, the Target Company shall distribute no less than 60% of the distributable profit of the Target Company to its shareholders.

Kingyee Beijing, Seller A and Seller B shall have entitlements to the accrued undistributed profit of the Target Company for periods prior to 31 December 2022 in proportion to their holdings in the Target Company upon completion of the Acquisition. For reference purpose, the accrued undistributed profit of the Target Company for periods prior to 31 December 2022 based on the unaudited management accounts provided to the Company by the Sellers is approximately RMB9.26 million.

Non-compete, other undertakings and pledge of Sellers' equity interests

The Sellers undertake that, upon the signing of the Equity Transfer Agreement, the Key Employees and the entities controlled by them will not engage or invest in the same or similar business as the Target Company's principal business, except for shares listed and traded on a stock exchange that are held solely for the purpose of investment income (the amount of which shall not exceed 5% of the total number of shares of such listed companies).

If the Key Employees and the entities controlled by them obtain any business opportunities from any third party that are in substantial competition or may have substantial competition with the Target Company's principal business, the Key Employees and the entities controlled by them shall notify the Target Company in writing immediately and refer such business opportunities to the Target Company.

In addition, Seller A undertook to procure a non-wholly owned subsidiary of the Target Company not to engage in businesses which are the same or similar to the principal business of the Target Company without the approval of the board of the Target Company and that reasonable consideration as determined by the board of the Target Company shall be paid for any utilization of resources of the Target Company by such non-wholly owned subsidiary. Seller A has pledged its 30% equity interest in the Target Company as security for the performance of the above undertakings.

Both Seller A and Seller B have pledged their respective 30% and 20% equity interests in the Target Company as security for the performance of their undertakings and for breach of the Equity Transfer Agreement.

INFORMATION OF THE TARGET COMPANY AND THE SELLERS

The Target Company

The Target Company is a company incorporated in the PRC with limited liability and is owned as to 60% and 40% by Seller A and Seller B, respectively, as at the date of this announcement.

The Target Company is principally engaged in the business of organising medical exhibition conferences and exchange meetings for pharmaceutical and medical devices companies and institutions serving the medical industry, and provision of related medical training services and medical content services. Utilising the expertise of its employees, the Target Company is also engaged in the provision of a comprehensive range of management consulting and medical technology services to pharmaceutical and medical devices companies such as the production of medical knowledge materials, and medical data management and analysis.

Set out below is the financial information of the Target Company for the two years ended 31 December 2022 and for the four months ended 30 April 2023 based on its unaudited management accounts prepared on a consolidated basis:

	For the year ended 31 December		For the four months ended 30 April
	2021	2022	2023
	(Unaudited)	(Unaudited)	(Unaudited)
	(RMB'000)	(RMB'000)	(RMB'000)
Net profit before tax	2,362	3,811	4,550
Net profit after tax	2,177	3,683	4,276

The net asset value of the Target Company as at 31 December 2022 and as at 30 April 2023 based on its management accounts prepared on a consolidated basis were approximately RMB10.01 million and RMB14.29 million, respectively.

The Sellers

Mr. Li Jingcheng (李景成) (“**Mr. Li**”) is Seller A and the legal and beneficial owner of 60% equity interest of the Target Company as at the date of this announcement, and also the founder, the chief executive officer, a director and a Key Employee of the Target Company. Mr. Li obtained a master in business administration degree in 2011 and found the Target Company in late 2015. Mr. Li is a PRC national.

Xing Guishu (邢桂淑) is Seller B and the legal and beneficial owner of 40% equity interest of the Target Company as at the date of this announcement. She is a financial investor of the Target Company and does not hold any position other than a supervisor at the Target Company. Ms. Xing is a financial investor and she is a PRC national.

Seller A and Seller B are independent from each other and are not parties acting in concert.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is the leading online professional physician platform in China, with over 3.7 million licensed physicians registered users and a very large influence in China. Within the medical industry, the Target Company focuses on organising medical exhibition conferences and exchange meetings for pharmaceutical and medical device companies and institutions serving the medical industry, and is one of the most influential and interactive enterprises serving pharmaceutical and medical device companies. The cooperation between the Group and the Target Company is conducive to the construction of the “medical + medicine” eco-platform for the provision of upstream and downstream integrated solutions for the medical industry.

Through its exhibition conferences and exchange meetings, the Target Company has cooperative relationships with thousands of domestic pharmaceutical and medical device companies. Every year, over 1,500 speakers and over 6,000 representatives from pharmaceutical and medical device companies participated in exhibition conferences and exchange meetings organized by the Target Company, including the annual large-scale medical exhibition conference held under the “CMAC” brand (a trademark owned by the Target Company), with over 1,000 speakers attending. In addition, over 2,000 people from pharmaceutical and medical device companies attended training arranged by the Target Company. The Group has the ability to provide clinical research and digital marketing solutions for pharmaceutical and medical device companies. The Target Company gives full play to its ability to cooperate with pharmaceutical and medical device companies by bringing them together in industry exhibition conferences, which can provide great assistance to the Group to quickly expand its pharmaceutical and medical device companies customer base.

The resources of the Target Company and that of the Group have strong synergies. It is expected that in the future, resources of the Target Company and the strong solutions provision capabilities of the Group will mutually empower each other and will provide expansive opportunities for the further expansion of the business scale of the Group. On the other hand, the physicians and experts resources of the Group will also greatly empower the conference, training, and medical services businesses of the Target Company. It is anticipated that the cooperative enterprises of the Target Company will actively participate in the clinical treatment type conferences organised by the Group, thereby achieving two-way value-add for both the Target Company and the Group.

In view of the foregoing, and taking into account: (i) the Consideration is to be paid in Instalments and subject to the Guaranteed Profit provisions; and (ii) Kingyee Beijing has been granted by the Sellers the Option requiring the Sellers to repurchase the Target Equity, the Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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The grant of the Option by the Sellers to Kingyee Beijing requiring the Sellers to repurchase the Target Equity would be treated as a notifiable transaction and classified by reference to the percentage ratios pursuant to Rules 14.04(1)(b) and 14.73 of the Listing Rules. According to Rule 14.75(1) of the Listing Rules, on the grant of the Option (the exercise of which is at the discretion of Kingyee Beijing), only the premium will be taken into consideration for calculating the percentage ratios. As nil premium is payable on the grant of the Option, such grant will not constitute a notifiable transaction of the Company.

The Company will comply with the applicable Listing Rules if and when the Option is exercised.

As the Acquisition is subject to fulfilment and/or waiver, if applicable, of the Conditions which may or may not be fulfilled and/or waived, there is no assurance that the Acquisition will be completed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings respectively set opposite them, unless the context otherwise requires:

“Acquisition”	the proposed acquisition of the Target Equity by Kingyee Beijing from the Sellers pursuant to the Equity Transfer Agreement
“Beijing Focus”	Beijing Focus Innovation Technology Co., Ltd.* (北京專注創新科技有限公司), a company incorporated in the PRC with limited liability and a 60% subsidiary of the Company
“Beijing Medcon”	Beijing Medcon Information Consulting Co., Ltd.* (北京美迪康信息諮詢有限公司), a company incorporated in the PRC with limited liability and a 60% subsidiary of Yimaihutong
“Board”	the board of Directors
“Company”	Medlive Technology Co., Ltd. (醫脈通科技有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2192)
“Conditions”	the conditions precedent to the obligations of Kingyee Beijing to pay the Consideration and to complete the registration and filing procedures in respect of the Acquisition as set out in the section headed “Equity Transfer Agreement — Conditions precedent” in this announcement
“Consideration”	the consideration in respect of the Acquisition, being RMB65.00 million (subject to adjustments made to the Remaining Instalments), and where the context requires, the amount of cash consideration paid or payable to each of the Sellers
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement entered into among Kingyee Beijing, the Sellers and the Target Company on 12 June 2023 in relation to the Acquisition

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and not connected with its connected persons (as defined under the Listing Rules)
“Kingyee Beijing”	Kingyee (Beijing) Co., Ltd. (金葉天成(北京)科技有限公司), an indirect wholly-owned subsidiary of the Company incorporated in the PRC with limited liability and the purchaser of the Target Equity
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Option”	the option granted by the Sellers to Kingyee Beijing requiring the Sellers to repurchase the Target Equity as detailed in the section headed “Equity Transfer Agreement — Option” in this announcement
“PRC”	the People’s Republic of China (but excluding, for the purpose of this announcement only, Hong Kong, Macau and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Seller A”	Li Jingcheng (李景成)
“Seller B”	Xing Guishu (邢桂淑)
“Seller(s)”	collectively, Seller A and Seller B
“Shares”	ordinary shares of US\$0.00001 each in the issued share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Beijing SCMedcon Co., Ltd.* (北京石成醫學諮詢有限公司), a company incorporated in the PRC with limited liability and is owned as to 60% and 40% by Seller A and Seller B, respectively, as at the date of this announcement
“Target Equity”	50% equity interest in the Target Company
“US\$”	United States dollars, the lawful currency of the United States of America
“Yimaihutong”	Beijing Yimaihutong Technology Co., Ltd.* (北京醫脈互通科技有限公司), an operating company of the Group incorporated in the PRC with limited liability which is controlled by the Group through contractual arrangements
“%”	per cent. or percentage

* For identification purposes only

By order of the board of
Medlive Technology Co., Ltd.
Tian Liping
Chairwoman and Chief Executive Officer

Hong Kong, 12 June 2023

As of the date of this announcement, the Board comprises Ms. Tian Liping, Mr. Tian Lixin, Mr. Tian Lijun and Ms. Zhou Xin as executive Directors; Mr. Eiji Tsuchiya and Mr. Kazutaka Kanairo as non-executive Directors; and Mr. Richard Yeh, Dr. Ma Jun and Ms. Wang Shan as independent non-executive Directors.