YSB Inc.

藥師幫股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9885)

(I) DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE; AND (II) CHANGE IN USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

Financial advisor to the Sellers

(I) DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

The Board is pleased to announce that, on 15 October 2024 (after trading hours of the Stock Exchange), the Company, the Sellers, the Founders, the Target Warrantors, Dade Hongyi and Dezhiqing entered into the Agreement, pursuant to which the Sellers have agreed to sell, and the Company has agreed to purchase the Sale Shares, collectively representing 100% of the issued and outstanding share capital of the Target Company, upon the terms and subject to conditions set out in the Agreement, at the Consideration of approximately RMB1,034.85 million.

The Consideration of approximately RMB1,034.85 million consists of (i) the Completion Consideration of approximately RMB784.51 million payable to the Sellers (namely the Founder Sellers, the Investor Sellers and the Manager Seller) at each applicable Completion, with the cash consideration of RMB359.89 million and the remaining consideration by way of the allotment and issue of 38,868,918 Considerations Shares; (ii) subject to the satisfaction of the Performance Targets, the Contingent Consideration payable to the Founder Sellers after the Main Completion, with the cash consideration of RMB60 million and the remaining consideration by way of the allotment and issue of 13,065,386 Considerations Shares; and (iii) subject to the satisfaction of the relevant conditions, the Manager Seller Contingent Consideration by way of the allotment and issue of 4,357,561 Consideration Shares to the Manager Seller after the Manager Seller Completion.

The Consideration Shares will be issued at the Issue Price, being HKD12 per Consideration Share. The total number of the Consideration Shares to be issued as part of the Consideration is 56,291,865, represent (i) approximately 8.74% of the existing issued share capital of the Company as at the date of this announcement, and (ii) approximately 8.04% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there is no other change in the issued share capital of the Company between the date of this announcement and the Completion Date). The Consideration Shares will be allotted and issued pursuant to the General Mandate and shall rank pari passu in all aspects with the other Shares then in issue. An application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Consideration Shares.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the consolidated financial statements of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Acquisition contemplated under the Agreement exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but exempt from the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Consideration Shares will be issued pursuant to the General Mandate, and therefore, no Shareholders' approval in relation to the issuance of the Consideration Shares will be required.

As Completion is subject to the fulfilment (or waiver, where applicable) of the Conditions Precedent under the Agreement, the Acquisition may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

(II) CHANGE IN USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company has decided to change the use of all of the unutilised net proceeds raised from the Global Offering of HKD167.4 million to invest in or acquire projects related to key business of the Company in order to better expand the Company's operations.

I. DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE ACQUISITION

The Board is pleased to announce that, on 15 October 2024 (after trading hours of the Stock Exchange), the Company, the Sellers, the Founders, the Target Warrantors, Dade Hongyi and Dezhiqing entered into the Agreement, pursuant to which the Sellers have agreed to sell, and the Company has agreed to purchase the Sale Shares, collectively representing 100% of the issued and outstanding share capital of the Target Company, upon the terms and subject to conditions set out in the Agreement, at the Consideration of approximately RMB1,034.85 million.

The principal terms of the Agreement are set out below:

Date

15 October 2024 (after trading hours of the Stock Exchange)

Parties

(1) the Company as the purchaser;

(2) the Sellers;

(3) the Founders;

(4) the Target Warrantors;

(5) Dade Hongyi (as warrantor of HT Darwin Capital, G.P., being one of the Sellers); and

(6) Dezhiqing (as warrantor of D Healthcare 1 Limited, being one of the Sellers)

To the best knowledge, information and belief of the Board, having made all reasonable enquiries, as at the date of this announcement, the Sellers, the Founders, the Target Warrantors, Dade Hongyi and Dezhiqing and their ultimate beneficial owners (where applicable) are independent third parties and not connected persons (as defined in the Listing Rules) of the Company.

Subject matter

Pursuant to the Agreement, the Sellers have agreed to sell, and the Company has agreed to purchase the Sale Shares, collectively representing 100% of the issued and outstanding share capital of the Target Company, upon the terms and subject to conditions set out in the Agreement, at the Consideration of approximately RMB1,034.85 million.

Consideration and payment terms

The Consideration of approximately RMB1,034.85 million consists of:

(i) the Completion Consideration of approximately RMB784.51 million payable to the Sellers (namely the Founder Sellers, the Investor Sellers and the Manager Seller) at each applicable Completion, with the cash consideration of RMB359.89 million and the remaining consideration by way of the allotment and issue of 38,868,918 Considerations Shares;

(ii) subject to the satisfaction of the Performance Targets, the Contingent Consideration payable to the Founder Sellers after the Main Completion, with the cash consideration of RMB60 million and the remaining consideration by way of the allotment and issue of 13,065,386 Considerations Shares; and

(iii) subject to the satisfaction of the relevant conditions, the Manager Seller Contingent Consideration by way of the allotment and issue of 4,357,561 Consideration Shares to the Manager Seller after the Manager Seller Completion.

Apart from the above Consideration, certain Sellers (as the registered shareholders of the Domestic Company) will receive a total cash consideration payable by the Company of RMB11.5 million for the transfer of 100% equity interest in the Domestic Company. Please refer to the Note 5 to the sub-section headed "– A. Completion Consideration" below.

The Cash Consideration will be funded by the Group's internal resources (including net proceeds from the Global Offering). For the intended use of the net proceeds from the Global Offering, please refer to the section headed "II. Change in use of net proceeds from the Global Offering" below.

Details of the settlement and allocation of Consideration among the Sellers are set out as follows:

A. *Completion Consideration*

The Completion Consideration payable to the Sellers at Completion consists of (i) an aggregated amount of RMB359.89 million in cash, and (ii) 38,868,918 Consideration Shares:

Seller	Shareholding in the Target Company (on a fully diluted basis)	Class of shares	Total Consideration *(RMB in thousand)*	Number of Consideration Shares	Cash Consideration *(RMB in thousand)*
Founder Sellers[Note 1]***:***					
GD Venture Ltd.[Note 5]	18.72%	Class A Ordinary	115,483.9	6,175,867	48,016.0
Paul Sprint Ltd[Note 5]	3.74%	Class A Ordinary	23,096.8	1,235,173	9,603.2
JFC Venture Ltd[Note 5]	2.50%	Class A Ordinary	15,397.8	823,448	6,402.1
Manager Seller[Notes 2 and 4]***:***					
YK United Limited	10.74%	Class B Ordinary	33,077.2	3,027,821	–
Investor Sellers:					
Cenova China Healthcare Fund V, L.P.	15.85%	Series B Preferred and Series B+ Preferred	158,189.6	6,025,459	92,364.9
Cherubic Ventures Fund IV, L.P	10.49%	Series Angel+ Preferred, Series A Preferred and Series B Preferred	84,363.1	4,533,752	34,834.4
CVP INTERNATIONAL INC.	0.68%	Series Angel+ Preferred, Series A Preferred and Series B Preferred	5,461.2	293,492	2,255.0
Cherubic Ventures SSG XIV Ltd.	2.65%	Series B Preferred	25,645.4	1,047,138	14,206.0
Jianqiao[Notes 3 and 4]	4.37%	Series B+ Preferred	50,706.1	1,386,617	35,558.1
I-Bridge II Investment OneK Limited	4.37%	Series B+ Preferred	50,706.1	1,386,617	35,558.1
Atum Ventures Limited	7.93%	Series B Preferred and Series B+ Preferred	79,094.8	3,012,729	46,182.4
HSG Seed I Holdco, Ltd.	7.31%	Series A Preferred	49,641.8	2,653,606	20,652.7
D Healthcare 1 Limited[Note 5]	4.75%	Series Angel Preferred, Series Angel+ Preferred and Series A Preferred	40,374.0	3,335,950	3,930.6

Seller	Shareholding in the Target Company (on a fully diluted basis)	Class of shares	Total Consideration *(RMB in thousand)*	Number of Consideration Shares	Cash Consideration *(RMB in thousand)*
Meihua[Note 4]	2.99%	Series Angel Preferred and Series A Preferred	25,255.8	1,656,161	7,163.2
Yikuaiyiyao Jiuhe Holdings Limited	1.42%	Series Angel Preferred and Series Angel+ Preferred	14,743.0	1,119,764	2,510.2
HT Darwin Capital, G.P.[Note 5]	1.16%	Series Angel Preferred	10,845.3	992,760	–
Chan Chiu Fan Wesleyjack (陳昭帆)	0.33%	Series Angel+ Preferred	2,429.0	162,564	653.1
Total	100%		784,511.2	38,868,918	359,890.0

Notes:

1. The Founder Sellers are further entitled to receive the Contingent Consideration. Please see the sub-section headed "– B. Contingent Consideration" below.

2. The Manager Seller is a shareholding platform for the Target Company's management team. Apart from the Manager Seller Completion Consideration of 3,027,821 Shares as set out in the above table, the Manager Seller is further entitled to receive the Manager Seller Contingent Consideration. Please see the sub-section headed "– C. Manager Seller Contingent Consideration" below.

3. Jianqiao is the holder of Jianqiao Warrant. Assuming Jianqiao Warrant is exercised in full, Jianqiao will hold 4.37% equity interest in the Target Company. The above shareholding table is prepared based on the full exercise of Jianqiao Warrant.

4. The settlement of the Completion Consideration to each of the Manager Seller, Jianqiao and Meihua is subject to the satisfaction of the additional conditions set out in the sub-section headed "Conditions Precedent". Save as disclosed above, the settlement of the Completion Consideration to all other Sellers will take place at the Main Completion.

5. As part of the Acquisition, the Company will acquire 100% equity interest of the Domestic Company. The key terms of the Domestic Transaction Documents have been agreed in the Agreement, among which, each of GD Venture Ltd., Paul Sprint Ltd, JFC Venture Ltd, D Healthcare 1 Limited and HT Darwin Capital, G.P. has the obligation to procure the transfer of the respective shares in the Domestic Company to the Company's affiliate(s) (as defined in the Agreement) as designated by the Company at a cash consideration payable by the Company of approximately RMB3.38 million, RMB0.68 million, RMB0.45 million, RMB5 million and RMB2 million, respectively, which is approximately equivalent to the amount of original capital contribution made by them in the Domestic Company.

B. Contingent Consideration

Following the Main Completion, in addition to the aforementioned Completion Consideration payable to the Founder Sellers and as part of the Consideration, the Founder Sellers (but not other Sellers) are entitled to receive the Contingent Consideration, subject to the satisfaction of the Performance Targets.

The Contingent Consideration consists of two parts as follows:

(i) Part I Contingent Consideration: a total cash amount of RMB60 million and a total of 6,188,867 Consideration Shares, and

(ii) Part II Contingent Consideration: a total of 6,876,519 Consideration Shares.

Part I Contingent Consideration shall comprise the following three instalments:

Instalment	Corresponding Period	Performance Targets	Number of Consideration Shares	Cash Amount *(RMB million)*
I	2024 Q4 or 2027 Q1, as applicable (if the Financial Consolidation occurs at any time after 15 November 2024, the corresponding period will be 2027 Q1)	(1) The CBOR Growth Rate for Year 2024 reaches at least 20%; (2) The Net Profit for (i) 2024 Q4 reaches at least RMB6,000,000, or (ii) for 2027 Q1 increases by no less than 20% as compared to the 2026 Q1; and (3) (in respect of 2024 Q4 only) the Key Employee Turnover Rate for Year 2024 does not exceed 20%, provided that, if the Financial Consolidation occurs at any time after 1 October 2024 and on or prior to 31 December 2024, the Net Profit target in paragraph (2)(i) above shall be reduced to an amount equal to (x) RMB6,000,000, *multiplied by* (y) the fraction of which the numerator is the total number of remaining days of 2024 Q4 after (and excluding) the day on which the Financial Consolidation occurs and the denominator is the total number of days of 2024 Q4.	1,237,773	12

Instalment	Corresponding Period	Performance Targets		Number of Consideration Shares	Cash Amount *(RMB million)*
II	Year 2025	(1)	The CBOR Growth Rate for Year 2025 reaches at least 20%;	2,475,547	24
		(2)	The Net Profit for Year 2025 reaches at least RMB20,000,000; and		
		(3)	The Key Employee Turnover Rate for Year 2025 does not exceed 20%.		
III	Year 2026	(1)	The CBOR Growth Rate for Year 2026 reaches at least 20%;	2,475,547	24
		(2)	The Net Profit for Year 2026 reaches at least RMB30,000,000; and		
		(3)	The Key Employee Turnover Rate for Year 2026 does not exceed 20%.		

Subject to the following provision, no instalment of Part I Contingent Consideration shall be payable unless each of the Performance Targets corresponding to the relevant period as set out in the table above is met:

(i) the Performance Targets corresponding to each relevant period are measured independently and the failure of meeting the targets in respect of a relevant period will not adversely impact the Founder Sellers' entitlement to any other instalment of Part I Contingent Consideration in respect of which the Performance Targets have been met;

(ii) if either the CBOR Growth Rate target or the Net Profit target for Year 2025, or both, fail to be met, in measuring whether the relevant Performance Targets for Year 2026 are met, the higher amount of the Core Business Operating Revenue for Year 2024 or Year 2025 and higher amount of the Net Profit for Year 2024 or Year 2025 shall be taken into account; and

(iii) subject always to the Key Employee Turnover Rate target having been met, if either the CBOR Growth Rate target or the Net Profit target for Year 2025, or both, fail to be met, but, taken together with the CBOR Growth Rate and the Net Profit target for Year 2026, the "Average CBOR Growth Rate" and the "Average Net Profit" (as defined in the Agreement) meet the targets for both Year 2025 and Year 2026, the Founder Sellers shall be entitled to a make-up payment of the instalment of Contingent Consideration for Year 2025.

Part II Contingent Consideration shall comprise the following two instalments:

Instalment	Corresponding Period	Performance Targets		Number of Consideration Shares
I	Year 2025	(1)	The CBOR Growth Rate for Year 2025 reaches at least 50%; and	3,438,260
		(2)	The Net Profit for Year 2025 reaches at least RMB60,000,000.	
II	Year 2026	(1)	The CBOR Growth Rate for Year 2026 reaches at least 50%; and	3,438,259
		(2)	The Net Profit for Year 2026 reaches at least RMB120,000,000.	

Subject to the following provision, no instalment of Part II Contingent Consideration shall be payable unless (a) each of applicable Performance Targets corresponding to Year 2025 or Year 2026 (as applicable) for Part I Contingent Consideration is met; and (b) at least 95% of each of the Performance Targets corresponding to the relevant period as set out in the table above is met:

(i) the Performance Targets corresponding to each relevant period are measured independently and the failure of meeting the Performance Targets in respect of a relevant period will not adversely impact the Founder Sellers' entitlement to any other instalment of Part II Contingent Consideration in respect of which the Performance Targets have been met; and

(ii) if either the CBOR Growth Rate target or the Net Profit target for Year 2025, or both, fail to be met, in measuring whether the relevant performance targets for Year 2026 are met, the higher amount of the Core Business Operating Revenue for Year 2024 or Year 2025 and higher amount of the Net Profit for Year 2024 or Year 2025 shall be taken into account.

If any amount of Contingent Consideration is payable, the Company shall pay such amount of Contingent Consideration to each Founder Seller *pro rata* to its Founder Seller Proportion. The Company shall pay an amount of Contingent Consideration that is payable based on a Contingent Consideration Statement within five (5) Business Days after the delivery of the relevant Contingent Consideration Statement (as defined in the Agreement) and in any event no later than:

(i) 30 April of each of Year 2025 (for any amount of Part I Contingent Consideration payable in respect of 2024 Q4), Year 2026 (for any amount of Contingent Consideration payable in respect of Year 2025), and Year 2027 (for any amount of Contingent Consideration payable in respect of Year 2026), or

(ii) where any amount of Part I Contingent Consideration may be payable in respect of 2027 Q1, the expiry of four months after the end of 2027 Q1 (for any amount of Part I Contingent Consideration payable in respect of 2027 Q1).

The Board considers that the above contingent payment mechanism would better align the Company's settlement obligations with the Target Group's actual profitability and the Founders' continuance contribution to the Target Group, and provide the Company with a longer period to assess whether the Target Company can demonstrate stability over its earnings in the coming two years, thus providing additional protection and flexibility to the Company in terms of payment.

C. Manager Seller Contingent Consideration

Following the Manager Seller Completion, in addition to the aforementioned Manager Seller Completion Consideration and as part of the Consideration, the Manager Seller (but not other Sellers) are entitled to receive the Manager Seller Contingent Consideration consisting of two parts as follows:

(i) a total of 777,849 Consideration Shares to be issued to the Manager Seller, which are attributable to four eligible managers subject to certain conditions (including but not limited to, no disqualification event, meeting of key performance indicators, and satisfaction of additional conditions as imposed by the Company in respect of the eligible managers, where appropriate); and

(ii) a total of 3,579,712 Consideration Shares to be issued to the Manager Seller, which are attributable to 33 eligible managers subject to certain conditions (including but not limited to, no disqualification event, meeting of key performance indicators, and satisfaction of performance target in respect of the eligible managers, where appropriate).

Basis for determining the Consideration

The Consideration was arrived at after arm's length negotiation between the Company and the Sellers after taking into account, among others, (i) the appraised fair value of the entire equity interest in the Target Company of approximately RMB1,054,154,000 as at 31 July 2024, being the Valuation Date prepared by the Valuer (see "Valuation Report" below for further details); (ii) the recent financial performance and business prospects of the Target Group; and (iii) the factors set out in the paragraph headed "Reasons for and Benefits of the Acquisition" below.

The Board is of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Furthermore, the allocation of the Consideration among the Sellers is determined based on the Sellers' arm's length negotiation by themselves, taking into account, among others,

(i) the class of shares and shareholding percentage in the Target Company owned by it/him;

(ii) the Sellers consist of different entities, including (a) the Founders who founded the Target Group, made significant contribution to its operation and development and will continue to be involved in the management and operation of the Target Group upon Completion, (b) the Investor Sellers which invested in the Target Group as financial investors with the goal of gaining reasonable investment returns, and (c) the shareholders of the Manager Seller are the Key Employees and have played and will continue to play significant roles in the business development of the Target Group;

(iii) the Sellers' respective entry time and investment cost in the Target Company; and

(iv) the liquidation preference clause setting out the manner of distributing available distributions to the Sellers, which was previously agreed among the Sellers in the shareholders' agreement.

For the avoidance of doubt, such allocation of Consideration was agreed solely among the Sellers after their internal negotiation whereby the Company had not participated in the formulation nor decision of making of such allocation. Moreover, in no event such allocation will affect the maximum amount of the Consideration payable by the Company under the Agreement.

Conditions Precedent

Main Completion is conditional on:

(a) the approval having been granted for the listing of, and permission to deal in, the Completion Consideration Shares by the Stock Exchange, and such approval not having been revoked or withdrawn prior to the date of Completion;

(b) the Antitrust Clearance having been obtained;

(c) there being no (i) order in effect that would prohibit the consummation of the transactions or (ii) pending proceeding by a governmental authority seeking any order that would prohibit the consummation of the transactions;

(d) all the warranties contained in the Agreement remaining true, accurate and not misleading in all respects on the applicable Completion Date with the same effect as though made as of the applicable Completion Date;

(e) the Sellers and the Target Warrantors have all duly performed and complied in all respects with their respective agreements, covenants, obligations, and conditions required by the Agreement to be performed or complied with by such Sellers and the Target Warrantors at or prior to Completion;

(f) there having been no material adverse change occurring after the date of the Agreement and continuing as at the Main Completion;

(g) the Domestic Transaction having been completed simultaneously on the date of the Main Completion in accordance with the Domestic Transaction Documents;

(h) the tax filings in relation to the Domestic Transaction having been completed and the applicable taxes (if any) having been fully paid by the current shareholders of the Domestic Company;

(i) each of the existing contractual arrangements relating to the Domestic Company having been duly terminated;

(j) the share pledge created on the equity interests in the Domestic Company pursuant to the existing contractual arrangement having been released irrevocably and unconditionally and having been deregistered with the competent governmental authority;

(k) the signing parties to the prior financing documents as defined in the Agreement having entered into the termination agreement to each prior financing documents in agreed form, with effect as from the Main Completion;

(l) each of the Key Employees having entered into an employment contract with any member of the Target Group with confidentiality clauses, intellectual property assignment clauses and non-competition clauses to the reasonable satisfaction of the Company, and the non-competition period provided in the non-competition clauses shall be no less than two (2) years since the dismissal of such Key Employee;

(m) a tax advisor engaged by the any member of the Target Group having delivered a tax memo in terms of the tax implications of the transactions contemplated in the Agreement and other transaction documents;

(n) the delivery to the Company of written consents (in terms reasonably satisfactory to the Company) from the relevant persons as set out in the Agreement to the effect that they consent to the transactions contemplated in the Agreement and agree not to exercise any right (whether of termination or otherwise) arising by reason of such transaction; and

(o) the parties to the historical share transfer transactions of any member of the Target Group and the relevant members of the Target Group having declared and settled taxes required by applicable laws and tax authorities in relation to such transactions and obtained the applicable tax receipt to the reasonable satisfaction of the Company.

The Company may in its absolute discretion waive at any time by notice in writing to the Sellers the above Conditions except for the Conditions set out in paragraphs a to c above, which are not waivable by any party.

Additional Conditions Precedent to Manager Seller Completion:

In addition to Conditions set out above, the Company's obligation to effect the Manager Seller Completion is also conditional on the following:

a) the Main Completion having occurred prior to or concurrently on the same day of the Manager Seller Completion; and

b) all of the registered members of the Manager Seller having completed necessary foreign exchange registration under the Circular 37 and other applicable PRC laws in relation to their direct and indirect legal and beneficial ownership of shares in the Manager Seller and the Target Company.

Additional Conditions Precedent to Jianqiao Completion

In addition to Conditions set out above, the Company's obligation to effect Jianqiao Completion is also conditional on the following:

a) the Main Completion having occurred prior to or concurrently on the same day of the Jianqiao Completion;

b) Jianqiao having obtained ODI Approvals in relation to its direct or indirect legal and beneficial ownership of such number of Sale Shares, or Jianqiao having assigned all of its interest in the Target Company to such entity assigned by it,which is qualified to obtain legal and beneficial ownership of such number of Sale Shares in accordance with applicable laws;

c) the Target Company having issued to Jianqiao or its assignee such number of Sale Shares, and the register of members of the Target Company having reflected Jianqiao or its assignee (as applicable) as the legal owner of such Sale Shares; and

d) to the extent that Jianqiao has not transferred all of its interest in the Target Company to its assignee Jianqiao having obtained the ODI Approvals in relation to its direct or indirect legal and beneficial ownership of such number of Completion Consideration Shares.

Additional Conditions Precedent to Meihua Completion

In addition to Conditions set out above, the Company's obligation to effect the Meihua Completion with Meihua (as the case may be) is also conditional on the following:

a) the Main Completion having occurred prior to or concurrently on the same day of the Meihua Completion;

b) Meihua having completed the necessary cancellation of its ODI Approvals in relation to its transfer of such number of Sale Shares for receiving such amount of the Cash Consideration;

c) Meihua having completed the requisite formalities with SAFE and/or the relevant bank and opened the required "asset realization" account (資產變現賬戶) for receiving such amount of the Cash Consideration and notified the account details to the Company in writing; and

d) Meihua having obtained the ODI Approvals in relation to its direct or indirect legal and beneficial ownership of such number of Completion Consideration Shares.

Completion

Subject to the fulfilment (or waiver, where applicable) of the applicable Conditions Precedent on or before the Long Stop Date, the applicable Completion shall take place on the applicable Completion Date.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the consolidated financial statements of the Company.

VALUATION REPORT

In order to assess the fairness and reasonableness of the Consideration, the Company has engaged the independent Valuer for the valuation on the Target Company.

The Valuer is a company incorporated in Hong Kong in 2010, specialising in financial valuation and business consulting. The signatory of the valuation report is a member of CFA Institute and CPA Australia, a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of Royal Institution of Chartered Surveyors ("**RICS**") and a registered valuer of RICS with over 20 years' experience in business valuation. The signatory oversees the business valuation services of the Valuer and has provided a wide range of valuation services to listed companies and private entities in different industries in PRC, Hong Kong, United States, Canada, Netherlands, Germany, Italy, Sweden, United Kingdom, Australia, Japan, Indonesia, Singapore, South Korea and Thailand.

(A) Valuation approach and method used by the Valuer and reasons for the selection

There are three generally accepted approaches to appraise the fair values of the equity values of the Target Company, namely income approach, cost approach and market approach, among which,

(i) the income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset. The fundamental method for income approach is the discounted cash flow ("**DCF**") method. Under the DCF method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. Thus, an indication of the equity value is calculated as the present value of the future free cash flow of a company less outstanding interest-bearing debt, if any. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business;

(ii) the cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history; and

(iii) the market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset. Under the market approach, the comparable company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Each of the abovementioned approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature. In this appraisal regarding the fair values of the equity values of the Target Company, the Valuer applied the market approach due to the following reasons:

(i) Cost approach is not appropriate in the current appraisal as it assumed the assets and liabilities of the Target Company are separable and can be sold separately. This methodology is more appropriate for the industries that their assets are highly liquid, like property development and financial institution. Thus, cost approach is not adopted in this valuation.

(ii) Income approach is also considered inappropriate as plenty of assumptions were involved in formulating the financial projections of the Target Company, and the assumptions might not be able to reflect the uncertainties in the future performance of the Target Company. Given that improper assumptions will impose significant impact on the fair values, income approach is not adopted in this valuation.

(iii) Fair value arrived from market approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Since there are sufficient public companies in similar nature and business to that of the Target Company, their market values are good indicators of the industry. Therefore, market approach has been adopted in this valuation.

There are two methods commonly used in performing market approach, namely comparable transactions and comparable companies. The comparable transactions are selected with reference to the following selection criteria:

- the primary industry of acquiree is being in industry of retail-drug store or healthcare-products, as extracted from Bloomberg;
- the principal business (i.e. over 50% of revenue) of the acquiree engaged in sales and distribution of private label drugs to retail pharmacies but not public hospital;
- the transaction was announced and completed between 31 July 2023 and 31 July 2024; and
- the financial information of the acquiree is available to the public.

Based on the above selection criteria, there was no comparable transaction with the acquiree engaging in similar businesses as the Target Company within the selected timeframe.

Given the fact that no recent comparable transaction can be identified, the Valuer considers that the multiple derived based on comparable transactions may not be representative of our valuation, and thus, the comparable transactions method is not appropriate for this valuation. Therefore, comparable companies method is selected as the primary method for this valuation.

(B) Key inputs and assumptions

In arriving at the opinion of valuation, the Valuer has considered the following principal factors:

- the economic outlook for the region operated by the Target Company and specific competitive environments affecting the industry;
- the business risks of the Target Company;
- the selected comparable companies are engaging in business operations similar to the Target Company;
- the experience of the management team of the Target Company and support from their shareholders; and
- the legal and regulatory issues of the industry in general.

A number of general assumptions have to be made in arriving at the valuation conclusion. The key assumptions adopted in the valuation include:

- there will be no material changes in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Company;
- there are no material changes in the financial positions of the Target Company and the comparable companies between the respective financial reporting dates and the Valuation Date;
- the Target Company will not be constrained by the availability of finance;
- the Target Company will retain competent management, key personnel and technical staff to support their ongoing operations; and
- there are no hidden or unexpected conditions associated with the business entity valued that might adversely affect the reported value.

(C) Selection criteria for comparable companies

By adopting comparable companies method, the Valuer has to select the appropriate comparable public companies. The comparable public companies are selected with reference to the following selection criteria:

a) the primary industry of the company is being in industry of drug retail or health care distributor under Global Industry Classification Standard, as extracted from S&P Capital IQ;

b) the main revenue (more than 50%) is generated from Mainland China;

c) the company is listed on the Hong Kong Stock Exchange, the Shanghai Stock Exchange (SHSE), the Shenzhen Stock Exchange (SZSE), New York Stock Exchange, or Nasdaq Global Market;

d) the business involves sales and distribution of private label drugs to retail pharmacies but not public hospital;

e) the financial information of the company is available to the public.

During the Valuer's research process, as obtained on the best effort basis, the Valuer has identified an exhaustive list of four comparable companies that engaged in sales and distribution of private label drugs to retail pharmacies but not public hospital. Details of the comparable companies based on the selection criteria above are illustrated as follows:

Company Name	Stock Code	Business Description
Anhui Huaren Health Pharmaceutical Co., Ltd.* (安徽華人健康醫藥股份有限公司)	SZSE:301408	The company offers private label products for oral and throat, nourishing, bruises bones disease, endocrine, heat-clearing, respiratory system, cold, anti-allergic, ophthalmology, antipyretic, analgesic, rheumatism paediatrics, skin, and gynaecology, as well as provides vitamins and minerals, detoxifying, and antibacterial and anti-inflammatory products. The company also offers products for paediatric anthelmintic and various oral products to retail pharmacies.
ShuYu Civilian Pharmacy Corp., Ltd.* (漱玉平民大藥房連鎖股份有限公司)	SZSE:301017	The company operates a chain of pharmaceutical retail stores in China. It offers public and private Chinese and Western patent medicines, health foods, Chinese herbal medicines, health equipment, and other products to retail pharmacies. The company is also involved in the pharmaceutical online store and wholesale business.
Qingdao Baheal Medical INC.* (青島百洋醫藥股份有限公司)	SZSE:301015	The company engages in research and development, production, and sale of private label pharmaceutical products to local pharmacies in China. The company offers vitamin D calcium chewable tablets.

Company Name	Stock Code	Business Description
Jianzhijia Pharmaceutical Chain Group Co., Ltd.* (健之佳醫藥連鎖集團股份有限公司)	SHSE:605266	The company engages in the pharmaceutical retail business in China. The company operates direct operated stores, as well as an online pharmacy business. It offers health food, personal care, daily consumables, mother and baby products, convenience food, and other private label health products.

As majority of revenue of the above comparable companies are generated from sales and distribution of private label drugs to retail pharmacies but not public hospital in China, these comparable companies, together with the Target Company, are considered to be similarly subject to fluctuations in the economy and performance of the Chinese drugs retail and distribution market, among other factors. Thus, the Valuer consider they are confronted with similar industry risks and rewards.

After selecting the abovementioned comparable companies, the Valuer has to determine the appropriate valuation multiples for the valuation of the Target Company, in which the Valuer has considered price-to-earnings ("**P/E**"), price-to-book ("**P/B**"), enterprise value-to-sales ("**EV/S**"), enterprise value-to-earnings before interests and taxes ("**EV/EBIT**") and enterprise value-to-earnings before interests, taxes, depreciation and amortization ("**EV/EBITDA**") multiples.

P/B multiple is considered not appropriate for the valuation of the Target Company because book value captures only the tangible assets of a company which, if a company creates any added market value (as reflected by a P/B multiple of larger than one), should have its own intangible competencies and advantages. These intangible company-specific competencies and advantages are not captured in the P/B multiple and so in general, the equity's book value has little bearing with its fair value. Thus, the P/B multiple is not a good measurement of the fair value of the Target Company.

P/E, EV/EBIT and EV/EBITDA multiples are considered not appropriate for this valuation because the Target Company recorded net losses, negative EBIT and negative EBITDA for the last twelve months as of the Valuation Date. No meaningful results based on P/E, EV/EBIT and EV/EBITDA multiples of the comparable companies can be generated. Thus, P/E, EV/EBIT and EV/EBITDA multiples are not adopted in the valuation of the Target Company.

Therefore, EV/S multiple is considered to be the most appropriate indicator of the fair values of the comparable companies, as the multiple eliminates the difference in capital structure and related risk features. Hence, it is adopted in the valuation of the Target Company.

Enterprise Value ("**EV**") is generally derived based on the market capitalization of a company, plus net debt (total debt minus cash and cash equivalents) and minority interest.

The EV/S multiple of the comparable companies are as follows:

Company Name	Market Capitalization *RMB in million*	Net Debt *RMB in million*	Minority Interest *RMB in million*	Enterprise Value *RMB in million*	Revenue for the Last Twelve Months *RMB in million*	EV/S multiple
Anhui Huaren Health Pharmaceutical Co., Ltd.* (安徽華人健康醫藥股份有限公司)	4,312	36	44	4,393	4,056	1.08x
ShuYu Civilian Pharmacy Corp., Ltd.* (漱玉平民大藥房連鎖股份有限公司)	4,156	2,398	97	6,651	9,558	0.70x
Qingdao Baheal Medical INC.* (青島百洋醫藥股份有限公司)	12,016	62	(27)	12,051	7,539	1.60x
Jianzhijia Pharmaceutical Chain Group Co., Ltd. * (健之佳醫藥連鎖集團股份有限公司)	3,371	2,974	(17)	6,328	9,228	0.69x

The average EV/S multiple of the above comparable companies is 1.02x. On this basis, the Valuer made the following adjustments for the adopted EV/S multiple of the Target Company:

(a) applying 20.50% discount of lack of marketability discount ("**LoMD**"). LoMD reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company. The EV/S multiple adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest. Thus, LoMD was adopted to adjust such marketable interest fair value to non-marketable interest fair value. The above LoMD is determined based on the academic study from "Stout Restricted Stock Study Companion Guide (2023 edition)" published by Stout Risius Ross, LLC. An average marketability discount of 20.50% is based on 776 private placement transactions of unregistered common shares issued by publicly traded companies from July 1980 through December 2022, which is considered appropriate and suitable for this valuation as the Target Company is a privately held company; and

(b) applying 26.90% premium of control premium. Control premium is the amount that a purchaser is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. The EV/S multiple adopted in the valuation was calculated from public listed companies, which represents minority ownership interest. Thus, control premium was adopted to adjust such minority interest market value to controlling interest market value. Adjustment for control is made by the application of a control premium to the value of the Target Company's shares. The above control premium is determined with reference to the control premium implied from comparable transactions, sourced from Bloomberg. An average control premium of 26.90% is calculated on the basis of an average deal value of RMB192.2 million over 967 deals among 716 strategic buyers, which is considered appropriate and suitable for this valuation as the Company intends to acquire a controlling stake in the Target Company.

Upon the aforementioned adjustments, the adopted EV/S multiple of the Target Company is 1.03x, being the product of the average EV/S multiple of the above comparable companies (1.02x) times the discount of LoMD (100% – 20.50%) times the premium of control premium (100% + 26.90%).

The relevant data set out above are sourced from S&P Capital IQ database and the latest available financial information of the comparable companies as at 31 July 2024.

(D) Adjustment made to the valuation based on specific factors

No adjustment was made to the valuation based on specific factors.

(E) Valuation results and conclusion

Fair value of the equity value of the Target Company

RMB in thousand (unless otherwise stated)

Valuation Date	31 July 2024
LTM Revenue of the Target Company as of the Valuation Date[(1)]	940,774
Adopted EV/S multiple	1.03x
Implied Enterprise Value of the Target Company	968,087
Add: Cash and Cash Equivalents[(1)]	109,760
Less: Total Debts[(1)]	(22,743)
Less: Minority Interests[(1)]	(950)
Total equity value of the Target Company	**1,054,154**

Note:

(1) Based on unaudited management account of the Target Company as of 31 July 2024.

Based on the investigation and analysis method employed by the Valuer, the fair value of the entire equity interests of the Target Company as at the Valuation Date is approximately RMB1,054,154,000.

(F) Reasons of using the unaudited financial statements of the Target Company in the valuation

According to the valuation report, the valuation of the fair value of the entire equity interest in the Target Company as at 31 July 2024 was prepared based on the unaudited management account of the Target Company for the last twelve months as at 31 July 2024. The unaudited last twelve months revenue of the Target Company as at 31 July 2024, which was the key factor in the calculation of the valuation, was approximately RMB940,774,000.

To assess the reliability of the Target Company's above unaudited revenue, the Company has conducted due diligence on the Target Group, including but not limited to:

(i) conducting interview with the management of the Target Group to understand (a) the business model, pricing policies and development plan of the Target Group; and (b) the reporting policies and procedures for the preparation of the unaudited management accounts of the Target Company, and the Company understood that the unaudited management accounts of the Target Company was prepared by Accounting Standards for Business Enterprises of the PRC;

(ii) obtaining and reviewing material documents and contracts having significance on the Target Group's business and sample walk-through documents, including (a) business licences for the conducting of business; (b) material contracts having significance on the Target Group's business; (c) sample walk-through documents (including relevant agreements and accounting records); (d) management accounts and bank statements of the Target Group; and (e) service contracts of key management; and

(iii) engaging a PRC legal adviser to perform legal due diligence on the Target Group covering its corporate information, historical changes, management and governance, assets, material contracts, related party transactions, material account receivables and payables, labour, tax, dispute and foreign investment restrictions.

Having considered the above, the Company is of the view that the unaudited revenue of the Target Group as at 31 July 2024 is reliable, and it is reasonable for the Valuer to use this unaudited data in the calculation of the valuation.

The Board, having reviewed and considered the Valuer's qualification and experience, the valuation methodology, key assumptions and the selection criteria for the comparable companies adopted by the Valuer, is of the view that: (i) the market approach, adopted in the valuation, is the preferred approach; (ii) based on similar market segment to that of the Target Company, and adjustments of the size discount made to achieve the comparability, the four comparable companies have provided a meaningful comparison to the Target Company; (iii) all key quantitative inputs, multiples, and other inputs adopted in the valuation are publicly available and previously verified; (iv) the valuation made sufficient reference to the latest unaudited financial statements of the Target Company as at the Valuation Date; (v) the Valuer has obtained the quantitative information including key quantitative inputs and multiples regarding its historical and current operation in order to have a professional and fair valuation; and (vi) both the Board and the Valuer are of the opinion that the fair value of the entire equity interests of the Target Company as at the Valuation Date (i.e., approximately RMB1,054,154,000) is fair and reasonable.

CONSIDERATION SHARES

The Consideration Shares will be allotted and issued by the Company to each Seller and/or its nominee(s), and the Company will deliver to each Seller (or as it may direct) the definitive share certificate(s) in respect of any Consideration Shares in favour of such Seller and/or its nominee(s).

The Consideration Shares, being 56,291,865 Shares, represent (i) approximately 8.74% of the existing issued share capital of the Company as at the date of this announcement, and (ii) approximately 8.04% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there is no other change in the issued share capital of the Company between the date of this announcement and the Completion Date). The Consideration Shares have an aggregate nominal value of approximately USD140.73.

Issue Price

The Issue Price of HKD12 per Consideration Share represents:

(a) a premium of approximately 63.04% to the closing price of HKD7.36 per Share as quoted on the Stock Exchange on the date of the Agreement;

(b) a premium of approximately 58.52% to the average closing price of approximately HKD7.57 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days of the Shares immediately prior to the date of the Agreement; and

(c) a premium of approximately 56.66% to the average closing price of approximately HKD7.66 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days of the Shares immediately prior to the date of the Agreement.

The Issue Price was determined after arm's length negotiation between the Company and the Sellers with reference to, among other things, the prevailing market price of the Shares and the current market conditions. In particular, the Company believes that its financial and operational performance are relatively sound and that the current market price may not fully reflect its intrinsic value, thus the Issue Price is determined at a premium to the market price in the interests of its Shareholders as a whole.

The Directors are of the view that the Issue Price is fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Ranking

The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue at the time of allotment and issue of the Consideration Shares.

Restrictions on the Consideration Shares

In respect of the Completion Consideration Shares, each Seller has provided a 12-month lock-up undertaking in favour of the Company.

In respect of the Contingent Consideration Shares, each Founder Seller has provided a 6-month lock-up undertaking in favour of the Company.

In respect of the Manager Seller Contingent Consideration Shares, the Manager Seller has provided a 6-month lock-up undertaking in favour of the Company.

General Mandate to issue the Consideration Shares

The Consideration Shares (i.e., 56,291,865 Shares) will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 128,180,121 Shares. As at the date of this announcement, the Company has not allotted and issued any Shares pursuant to the General Mandate. Accordingly, the General Mandate is sufficient for the allotment and issue of the Consideration Shares and the allotment and issue of the Consideration Shares are not subject to any further approval of the Shareholders. Upon the issuance of all the Consideration Shares, the balance of 71,888,256 Shares will remain unissued under the General Mandate.

Application for listing

The Company will make an application to the Stock Exchange prior to Completion for the listing of, and permission to deal in, the Consideration Shares on the Main Board of the Stock Exchange.

EFFECTS OF THE ACQUISITION ON SHAREHOLDING STRUCTURE OF THE COMPANY

So far as the Company is aware, the following table illustrates the changes in the shareholding structure of the Company as at the date of this announcement and immediately after the allotment and issue of the Consideration Shares (assuming there is no other change in the issued share capital of the Company between the date of this announcement and the Completion Date):

			Immediately after allotment and issue of			
	As at the date of this announcement(1)		the Completion Consideration Shares		the Contingent Consideration Shares and the Manager Seller Contingent Consideration Shares	
Shareholders	**Number of Shares**	**Approximate percentage of issued Shares**	**Number of Shares**	**Approximate percentage of issued Shares**	**Number of Shares**	**Approximate percentage of issued Shares**
Mr. Buzhen Zhang (張步鎮先生)(2)	125,316,184	19.46%	125,316,184	18.35%	125,316,184	17.89%
Sounda Properties Limited(3)	80,622,984	12.52%	80,622,984	11.81%	80,622,984	11.51%
Internet Fund V Pte. Ltd.(4)	80,000,000	12.42%	80,000,000	11.71%	80,000,000	11.42%
Shenzhen Songhe International Capital Management Partnership (Limited Partnership)* (深圳市松禾國際資本管理合夥企業(有限合夥))(5)	25,314,304	3.93%	25,314,304	3.71%	25,314,304	3.61%
Rizhao Changchunteng Innovation & Venture Capital Partnership (LLP) (日照常春藤創新創業投資合夥企業(有限合夥))(6)	5,055,646	0.78%	5,055,646	0.74%	5,055,646	0.72%
High Mountain Capital Limited(7)	2,034,456	0.32%	2,034,456	0.30%	2,034,456	0.29%
Founder Sellers	–	–	8,234,488	1.21%	21,299,874	3.04%
Manager Seller	–	–	3,027,821	0.44%	7,385,382	1.05%
Investor Sellers	–	–	27,606,609	4.04%	27,606,609	3.94%
Other Public Shareholders (other than the Sellers)	325,693,872	50.57%	325,693,872	47.69%	325,693,872	46.51%
Total	644,037,446	100%	682,906,364	100%	700,329,311	100%

Notes:

(1) As at the date of this announcement, the Company does not have any treasury shares in the share capital of the Company.

(2) MIYT Holdings Limited, beneficially holding 125,316,184 Shares, is wholly-owned by MIYT Worldwide Limited which in turn is the holding vehicle wholly-owned by TMF (Cayman) Ltd., the trustee of a trust for the benefit of Mr. Buzhen Zhang, the chairman, an executive director and the chief executive officer of the Company.

(3) Sounda Properties Limited beneficially holds 16,400,000 Shares and indirectly holds 64,222,984 Shares through Million Surplus Developments Limited. Million Surplus Developments Limited is wholly-owned by Meta Group Limited, which is in turn controlled by Sounda Hopson Technology Holdings Limited and by Sounda Hopson Technology Investment Limited. Both Sounda Hopson Technology Holdings Limited and Sounda Hopson Technology Investment Limited are wholly-owned by Sounda Hopson Investment Holdings Limited which is turn is wholly-owned by Sounda Properties Limited. Sounda Properties Limited is controlled by Mr. Chu Mang Yee (朱孟依先生).

(4) Internet Fund V Pte. Ltd., beneficially holding 80,000,000 Shares, is wholly-owned by Internet Fund Holding V. Ltd., which is in turn controlled by Tiger Global Private Investment Partners XI, L.P., which general partner is Tiger Global PIP Performance XI, L.P. and is wholly owned by Tiger Global Management, LLC. Both Tiger Global PIP Performance XI, L.P. and Tiger Global Management, LLC are controlled by Mr. Charles P. Coleman III and Mr. Scott Shleifer.

(5) Shenzhen Songhe International Capital Management Partnership (Limited Partnership) (深圳市松禾國際資本管理合夥企業(有限合夥)) wholly owns Shenzhen Songhe Growth No. 1 Equity Investment Partnership (Limited Partnership), which in turn wholly owns Genius II Found Limited. Genius II Found Limited is beneficially holding 20,597,380 Shares. Shenzhen Songhe International Capital Management Partnership (Limited Partnership) (深圳市松禾國際資本管理合夥企業(有限合夥)) also wholly owns Shanghai Jixu Information Technology Partnership (Limited Partnership) (上海績旭信息科技合夥企業(有限合夥)), which is in turn beneficially holding 4,716,924 Shares. Accordingly, under Part XV of SFO, Shenzhen Songhe International Capital Management Partnership (Limited Partnership) (深圳市松禾國際資本管理合夥企業(有限合夥)) is deemed to be interested in 20,597,380 Shares held by Genius II Found Limited and 4,716,924 Shares held by Shanghai Jixu Information Technology Partnership (Limited Partnership) (上海績旭信息科技合夥企業(有限合夥)). Mr. Luo Fei owns 50% in Genius V Found Limited, which is in turn beneficially holding 4,628,752 Shares. Mr Luo Fei is also the general partner of Shenzhen Songhe International Capital Management Partnership (Limited Partnership) (深圳市松禾國際資本管理合夥企業(有限合夥)). Accordingly, under Part XV of SFO, Mr Luo Fei is deemed to be interested in 4,628,752 Shares held by Genius V Found Limited, 20,597,380 Shares beneficially held by Genius II Found Limited, and 4,716,924 Shares beneficially held by Shanghai Jixu Information Technology Partnership (Limited Partnership) (上海績旭信息科技合夥企業(有限合夥)). Genius II Found Limited, Genius V Found Limited and Shanghai Jixu Information Technology Partnership (Limited Partnership) are part of the Green Pine Capital Partners group, which is a close associate of a director of our subsidiary.

(6) Rizhao Changchunteng Innovation & Venture Capital Partnership (LLP) is a close associate of a director of our subsidiary, who is a limited partner (as to more than 30%) in the general partner that controls the shareholder.

(7) High Mountain Capital Limited is a BVI business company incorporated in the British Virgin Islands and wholly owned by Jiangwei Wang (汪薑維). Jiangwei Wang is one of the registered shareholders of an Onshore Holdco (as defined in the Prospectus) of the Company.

(8) The aggregate of the percentage figures in the table above may not add up to the relevant total percentage figures shown due to rounding of the percentage figures to two decimal places.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition is conducive to the Group's downstream customer synergies and upstream procurement synergies, leading to enhanced efficiency in reusing systems and warehouse infrastructures.

Downstream customer synergies

The Acquisition will allow for synergies between the Group's downstream customer base, which primarily consists of monomer pharmacies, clinics, and small chain pharmacies, and the Target Group's customer base, which is mainly made up of chain pharmacies with limited presence in monomer pharmacies and clinics. By merging the two customer networks, there is an opportunity for mutual penetration and the leveraging of complementary capabilities.

Improving supply chain performance

From a pharmacy demand perspective, most of the products are general items, the remaining products are directly supplied and targeted sales products and non-pharmaceuticals such as traditional Chinese medicine tablets. Currently, the Group focuses on supplying general and non-pharmaceutical products to pharmacies rather than engaging in direct supply and targeted sales. Through the Acquisition, the supply chain for general and non-pharmaceutical products will be improved, while also expanding the Group's market share in directly supplied and targeted sales products. Moreover, the Target Group's experienced management team brings valuable expertise in product retailing that will enhance the Group's ability to cater to pharmacy customers effectively.

Upstream procurement synergies

The Group is currently exploring new development models for its proprietary brand, "Leyaoshi (樂藥師)" as well as delving deeper into the private brand model as part of the Group's "Go Upstream (向上走)" and "A Full Set of YSB-Branded Products (一盤貨)" strategy. The Target Company mainly distributes original equipment manufacturing ("**OEM**") pharmaceutical products under its own brand to chain pharmacies in a direct supply and targeted sales manner, which is similar to the "Leyaoshi (樂藥師)" OEM business of the Group for targeted product launches (with main customers of our own brand being monomer pharmacies and clinics).The Acquisition presents an opportunity to integrate the procurement scales of both the Group and the Target Group. By aligning product and brand features, the Group can realize synergies in upstream operations, thus enhancing its bargaining power and financial management capabilities. This collaboration will support the Group's strategic initiatives, such as the development of its own brand and private label models.

Enhanced efficiency in sharing systems and warehouse infrastructures

The Group has a robust supply chain network with strategic centralized warehouses and smart sub-warehouses nationwide. As of 30 June 2024, the Group has established 20 strategic centralised warehouses and 2 smart sub-warehouses in China, and created a warehouse layout that combines main warehouses and sub-warehouses, continuously consolidating the Group's leading strength of fulfilment capacity in the industry. Currently, the Target Group has a relatively good market performance among the chain pharmacies in the neighbouring provinces of Hunan Province, but faces limitations in expanding warehouse layouts. Upon completion of the Acquisition, there will be strong synergies from reusing systems and warehouse infrastructures, and can utilize the Group's existing nationwide warehouse layout to rapidly expand the market share while significantly expanding the revenue scale.

After taking into consideration of the above factors, the Directors consider that the Acquisition is on normal commercial terms, the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP

The Company is an exempted company with limited liability established in the Cayman Islands.

The Group is principally engaged in (i) wholesales of pharmaceutical and healthcare products offline or online through its online platform; (ii) retail of pharmaceutical and healthcare products through its retail shops; (iii) operating online platform that enable the pharmaceutical distributors and vendors to sell their own pharmaceutical and healthcare products using the Group's online platform; (iv) providing SaaS solution to downstream pharmacies to streamline their inventory management; (v) providing medical testing services to primary healthcare institutions; (vi) selling smart unmanned pharmaceutical booth to third-party pharmacies; and (vii) providing maintenance and technical support services in relation to the smart unmanned pharmaceutical booth to third-party pharmacies.

INFORMATION ON THE TARGET WARRANTORS, DADE HONGYI AND DEZHIQING

The WFOE is a limited liability company established under the laws of the PRC. It is principally engaged in investment business. As at the date of this announcement, it is a wholly-owned subsidiary of Folding Space (HK) Limited, which is a wholly-owned subsidiary of the Target Company.

The Domestic Company is a limited liability company established under the laws of the PRC. It is principally engaged in research and development of network technologies. As at the date of this announcement, the Domestic Company is controlled by the WFOE through a series of contractual arrangements. The registered shareholders of the Domestic Company are Gao Bo (高博) (as to approximately 59.49%), Ouyang Peng (歐陽鵬) (as to approximately 11.90%), He Yu (何雨) (as to approximately 7.93%), Changsha Space Tianqing Internet Partnership (Limited Partnership)* (長沙空間天慶互聯網合夥企業（有限合夥）) (as to approximately 8.81%), Dezhiqing (as to approximately 8.47%) and Dade Hongyi (as to approximately 3.39%).

Dade Hongyi is a limited partnership established under the laws of the PRC. It is a private equity fund filed with China Fund Industry Association, and is principally engaged in equity fund investment. As at the date of this announcement, it is owned as to approximately 20.97% by Liu Fangyu (劉芳宇), 17.64% by Lin Shaoyi (林少義), 17.11% by Jinan Dade Hongqiang Investment Center (Limited Partnership)* (濟南大得宏強投資中心（有限合夥）) and no other shareholders hold 10% or more shareholding in Dade Hongyi. The actual controller of Dade Hongyi is Cai Xingquan (蔡興全), an independent natural person.

Dezhiqing is a limited liability company established under the laws of the PRC. It is principally engaged in venture capital investment and investment consulting business. As at the date of this announcement, it is owned as to approximately 99% by Zhang Wei (張巍) and no other shareholders holds 10% or more shareholding in Dezhiqing. Its ultimate beneficial owner is Zhang Wei (張巍), an independent natural person.

Hunan Yikuai Pharmaceutical Technology Co., Ltd.* (湖南一塊醫藥科技有限公司) is a limited liability company established under the laws of the PRC. It provides pharmaceutical wholesale business and operational technology support to pharmacies. As at the date of this announcement, it is a wholly-owned subsidiary of the Domestic Company.

INFORMATION ON THE TARGET COMPANY, THE SELLERS AND THE FOUNDERS

The Target Company is a limited liability company established in the Cayman Islands, which is principally engaged in business-to-business pharmaceutical supply chain, operation service platform and related businesses through the Domestic Company and its subsidiaries. For details of the shareholding structure of the Target Company, please refer to the section headed "I. Discloseable transaction in relation to the Acquisition of the Target Company involving issue of Consideration Shares under General Mandate – The Acquisition – Consideration and payment terms" above. Following the Acquisition, the Target Company will maintain its brand(s) and continue to operate with its business model and existing core management team unchanged.

Founder Sellers and Founders

GD Venture Ltd. is a limited liability company established in the British Virgin Islands and wholly owned by Gao Bo (高博), the chief executive officer and one of the Founders. It is principally engaged in investment business.

Paul Sprint Ltd is a limited liability company established in the British Virgin Islands and wholly owned by Ouyang Peng (歐陽鵬), the chief operating officer and one of the Founders. It is principally engaged in investment business.

JFC Venture Ltd is a limited liability company established in the British Virgin Islands and wholly owned by He Yu (何雨), the executive vice president and one of the Founders. It is principally engaged in investment business.

Manager Seller

Manager Seller is a limited liability company established in the British Virgin Islands and serves as a shareholding platform for the Target Company's management team. As at the date of this announcement, it is owned as to 100% by Tang Zhuang (唐莊).

Investor Sellers

Cenova China Healthcare Fund V, L.P. is a limited partnership established in the Cayman Islands. It is principally engaged in equity investment. As at the date of this announcement, it is owned as to approximately 17.92% by Birchtree Fund Investments Private Limited, 12.73% by Allianz Leben Private Equity Fonds 2001 GmbH, 10.75% by Carob Investment Pte Ltd, and no other shareholders hold 10% or more shareholding in Cenova China Healthcare Fund V, L.P.. Its ultimate beneficial owner is Jun Wu, an independent natural person.

CVP INTERNATIONAL INC. is a limited liability company established in the British Virgin Islands. It is an investment company whose primary purpose is to make equity investments in private companies. As at the date of this announcement, it is controlled by Cheer Rise Consultants Limited, which is the general partner and management shareholder of CVP INTERNATIONAL INC.. Cheer Rise Consultants Limited is wholly owned by Mr. Chen Chien Jen, an independent natural person.

Cherubic Ventures Fund IV, L.P. is a limited partnership established in the Cayman Islands. It is an investment fund whose primary purpose is to make equity investments in private companies. As at the date of this announcement, there is no shareholder directly or indirectly holds 10% or more shareholding in Cherubic Ventures Fund IV, L.P.. The general partner of Cherubic Ventures Fund IV, L.P. is Cherubic Ventures Fund IV GP Ltd., which is wholly owned by Mr. Matt Cheng, an independent natural person.

Cherubic Ventures SSG XIV Ltd. is a limited liability company established in the British Virgin Islands. It is a special purpose entity whose primary purpose is to make equity investments in private companies. As at the date of this announcement, it is controlled by Cherubic Ventures Advisors Ltd., which is the general partner and management shareholder of Cherubic Ventures SSG XIV Ltd.. Cherubic Ventures Advisors Ltd. is wholly owned by Mr. Matt Cheng, an independent natural person.

I-Bridge II Investment OneK Limited is a limited liability company established in the British Virgin Islands. It is principally engaged in holding business. As at the date of this announcement, it is owned as to 100% by I-BRIDGE HEALTHCARE FUND II PTE. LTD., which is further approximately 99.99% owned by I-Bridge Healthcare Sing Fund II, L.P.. The general partner of I-Bridge Healthcare Sing Fund II, L.P. is ultimately controlled by Fu Wei, an independent natural person.

Jianqiao is a limited liability company established in British Virgin Islands. It is principally engaged in holding business. As at the date of this announcement, it is owned as to 100% by Suzhou Jianqiao Innovation Equity Investment Partnership (Limited Partnership)* (蘇州健橋創新股權投資合夥企業(有限合夥)). The general partner of Suzhou Jianqiao Innovation Equity Investment Partnership (Limited Partnership)* (蘇州健橋創新股權投資合夥企業(有限合夥) is ultimately controlled by Fu Wei, an independent natural person.

Atum Ventures Limited is a limited liability company established in the British Virgin Islands. It is principally engaged in investment holding. As at the date of this announcement, it is owned as to 100% by Unicorn Partners Fund IV, L.P. and no shareholders hold 10% or more shareholding in Unicorn Partners Fund IV, L.P.. The general partner of Unicorn Partners Fund IV, L.P. is controlled by two independent natural persons, Tommy Yip Yan Chak and Low Kah Fai.

HSG Seed I Holdco, Ltd. is an exempted company with limited liability incorporated under the laws of the Cayman Islands. It is principally engaged in investment holding. As at the date of this announcement, it is owned as to 100% by HongShan Capital Seed Fund I, L.P., which is an investment fund whose primary purpose is to make equity investments in private companies. The general partner of HongShan Capital Seed Fund I, L.P. is HSG Seed Fund I Management, L.P., whose general partner is HSG Holding Limited, a wholly-owned subsidiary of SNP China Enterprises Limited, which is wholly owned by Mr. Neil Nanpeng Shen, an independent natural person.

D Healthcare 1 Limited is a limited liability company established in the British Virgin Islands. It is principally engaged in venture capital investment. As at the date of this announcement, it is owned as to 100% by Decent Capital International Limited. Its ultimate beneficial owner is Zeng Liqing, an independent natural person.

Meihua is a limited partnership established under the laws of the PRC. It is principally engaged in equity investment. As at the date of this announcement, it is owned as to approximately 14.27% by CICC GENESIS Fund For National Emerging Industry Venture Investment L.P.* (中金啟元國家新興產業創業投資引導基金(有限合夥)), 14.08% by Xiamen Jimei Industrial Investment Group Co., Ltd.* (廈門集美產業投資集團有限公司), 14.08% by Xiamen Jinyuan Investment Group Co., Ltd.* (廈門金圓投資集團有限公司) and no other shareholders hold 10% or more shareholding in Meihua. The actual controller of Meihua is Wu Shichun (吳世春), an independent natural person.

Yikuaiyiyao Jiuhe Holdings Limited is a limited liability company established in the British Virgin Islands. It is principally engaged in holding business. As at the date of this announcement, it is owned as to 100% by Beijing Jiuhe Ruida Venture Capital Partnership L.P.. The general partner of Beijing Jiuhe Ruida Venture Capital Partnership L.P. is Beijing Jiuhe Ruizhi Investment Partnership L.P., whose general partner is Beijing Caisi Investment Co., Ltd., which is wholly owned by Wang Xiao (王嘯), an independent natural person.

HT Darwin Capital, G.P. is a general partnership established in the Cayman Islands. It is principally engaged in fund management. As at the date of this announcement, it is owned as to 80% by HT Darwin Capital Limited and 20% by CHAMPION FAITH HOLDINGS LIMITED. Its ultimate beneficial owner is Zhao Tao, an independent natural person.

Chan Chiu Fan Wesleyjack (陳昭帆) is an independent natural person.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is certain financial information of the Target Group, as extracted from the unaudited combined financial statements of the Target Group for the two financial years ended 31 December 2022 and 2023, and the unaudited consolidated management accounts of the Target Group for the period from 1 January 2024 up to 31 July 2024, which were prepared in accordance with the Accounting Standards for Business Enterprises of the PRC and provided by the Sellers:

	For the period from 1 January 2024 to 31 July 2024 *RMB in thousand* **(Unaudited)**	**For the year ended 31 December 2023** *RMB in thousand* **(Unaudited)**	**For the year ended 31 December 2022** *RMB in thousand* **(Unaudited)**
Net profit/(loss) before taxation	(15,002)	3,280	(48,153)
Net profit/(loss) after taxation	(15,002)	3,280	(48,153)

As at 31 July 2024, the unaudited consolidated net assets of the Target Group amounted to approximately RMB116,216,000.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Acquisition contemplated under the Agreement exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements, but exempt from the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Consideration Shares will be issued by the Company as Consideration to the Sellers pursuant to the General Mandate, and therefore, no Shareholders' approval in relation to the issuance of the Consideration Shares will be required.

As Completion is subject to the fulfilment (or (or waiver, where applicable)) of the Conditions Precedent under the Agreement, the Acquisition may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares of the Company.

II. CHANGE IN USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

Reference is made to the Prospectus. The net proceeds raised from the Global Offering were approximately HKD242.2 million (including the additional proceeds received upon partial exercise of the Over-allotment Option (as defined in the Prospectus)). As at the date of this announcement, HKD74.8 million out of the net proceeds had been utilised in the manner consistent with that disclosed in the Prospectus under the section headed "Future Plans and Use of Proceeds", and HKD167.4 million remained unutilised. The utilisation of the net proceeds is as follows:

Use	**Net proceeds from the Global Offering** *(HKD million)*	**Utilised Amount** *(HKD million)*	**Unutilised Amount** *(HKD million)*
Pharmaceutical circulation business	109.0	33.9	75.1
• leveraging market insights accumulated through our platform to engage more qualified upstream participants and diversify our SKU offerings, making our platform a more attractive go-to platform for our buyers	48.4	10.1	38.3
• improving our BD capabilities and efficiencies with our dedicated digital tools	48.4	16.3	32.1
• strengthening our supply chain capability	12.2	7.5	4.7
Further developing our other businesses	60.5	17.4	43.1
• expanding the geographical coverage of our ClouDiagnos services	36.3	13.6	22.7
• promoting market awareness and popularity of our wePharmacy	24.2	3.8	20.4
Research and development	53.3	18.9	34.4
Working capital and general corporate purposes	19.4	4.6	14.8
Total	242.2	74.8	167.4

Having considered the reasons for and benefits of the Acquisition as set out in the paragraph headed "Reasons for and Benefits of the Acquisition" above, in order to better utilise the financial resources of the Group and to capture favourable investment opportunities, the Company has decided to change the use of all of the unutilised net proceeds of HKD167.4 million to invest in or acquire projects related to key business of the Company in order to better expand the Company's operations. Thus, all of such unutilised net proceeds will be used to settle part of the Cash Consideration.

The Company believes that such change in use of the unutilised net proceeds raised from the Global Offering to pay part of the Cash Consideration is fair and reasonable and in line with the current business strategies of the Group and will not have any material adverse effect on the Group's existing businesses, operations and the on-schedule progress of projects originally planned to be funded by the net proceeds, and is in the best interests of the Company and its Shareholders as a whole.

DEFINITIONS

Unless otherwise defined, the following expressions in this announcement have the following meanings:

"Accounting Standards"	the body of pronouncements issued by International Accounting Standards Board, including International Financial Reporting Standards and Interpretations approved by International Accounting Standards Board, International Accounting Standards and Standing Interpretations Committee interpretations approved by the predecessor International Accounting Standards Committee
"Acquisition"	acquisition of the Sale Shares by the Company from the Sellers pursuant to the Agreement
"Agreement"	the share purchase agreement dated 15 October 2024 and entered into among the Company, the Sellers, the Founders, the Target Warrantors, Dade Hongyi and Dezhiqing, pursuant to which the Sellers have agreed to sell, and the Company has agreed to purchase the Sale Shares, collectively representing 100% of the issued and outstanding share capital of the Target Company (assuming the full exercise by Jianqiao of the Jianqiao Warrant)

"Antitrust Clearance"	to the extent required under any applicable PRC antitrust laws, the Company obtaining all authorizations, consents, and approvals from the applicable antitrust authority necessary to consummate the Transactions, including, with respect to the PRC Anti-Monopoly Law, (a) the Company obtaining a notice of review decision or other document issued by the antitrust authority approving the Transactions pursuant to the PRC Anti-Monopoly Law, or (b) the relevant statutory periods for a decision by the antitrust authority prescribed by the PRC Anti-Monopoly Law, including any extensions thereof, having expired
"Board"	the board of Directors
"Business"	business-to-business pharmaceutical supply chain, operation service platform and related businesses engaged by the Target Company through the Domestic Company and its subsidiaries
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong and Beijing, PRC
"Cash Consideration"	in respect of a Seller (other than the Manager Seller), the cash amounts payable to such Seller at the applicable Completion as set out in the Agreement
"CBOR Growth Rate"	in respect of a financial year, the percentage ratio calculated in accordance with the following formula (which, for the avoidance of doubt, can be negative): the CBOR Growth Rate (A) = (B − C) ÷ C × 100% where: B means the Core Business Operating Revenue for such financial year; and C mean the Core Business Operating Revenue for the preceding financial year unless otherwise provided in the Agreement

"Circular 37"	the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment and Financing and Round Trip Investment via Special Purpose Companies (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) issued by SAFE on 4 July 2014, as amended from time to time
"Company"	YSB Inc. 藥師幫股份有限公司, an exempted company with limited liability established in the Cayman Islands, the Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock code: 9885)
"Completion"	any of the Main Completion, the Manager Seller Completion, the Jianqiao Completion, and the Meihua Completion, each in accordance with the Agreement, as may be applicable in the context
"Completion Consideration"	the aggregate cash amounts payable by the Company at each applicable Completion and the Completion Consideration Shares
"Completion Consideration Shares"	(1) the Consideration Shares issuable at the Main Completion, (2) the Manager Seller Completion Consideration Shares, (3) the Consideration Shares issuable to Jianqiao at the Jianqiao Completion, and (4) the Consideration Shares issuable to Meihua at the Meihua Completion under the Agreement, as may be applicable in the context
"Completion Date"	each date on which the applicable Completion is scheduled to occur, which shall be any Business Day within five (5) Business Days after the date on which all the Conditions Precedent applicable to the respective Seller(s) have been satisfied (or waived in accordance with the Agreement) as the respective Seller(s) and the Company may mutually agree, or failing agreement, the fifth (5th) Business Day after the date on which all the Conditions Precedent applicable to the respective Seller(s) have been satisfied (or waived in accordance with the Agreement), or on such other date as the respective Seller(s) and the Company may agree in writing
"Conditions Precedent"	has the meaning given to it in the section headed "I. Discloseable transaction in relation to the Acquisition of the Target Company involving issue of Consideration Shares under General Mandate – The Acquisition – Conditions Precedent" in this announcement

"Consideration"	the consideration payable by the Company to each Seller for the purchase of the Sale Shares, which shall be the payment of (i) the Completion Consideration to each applicable Seller at each applicable Completion, (ii) to the extent payable in accordance with the Agreement, the Contingent Consideration to each Founder Seller after the Main Completion, and (iii) to the extent payable in accordance with the Agreement, the Manager Seller Contingent Consideration to the Manager Seller after the Manager Seller Completion
"Consideration Shares"	include all Completion Consideration Shares, all Contingent Consideration Shares, and all Manager Seller Contingent Consideration Shares to be issued at the price of HKD12 per Consideration Share and as part of the Consideration payable under the Agreement for the purchase of the Sale Shares
"Contingent Consideration"	consists of Part I Contingent Consideration and Part II Contingent Consideration
"Contingent Consideration Shares"	Consideration Shares issued as part of the Contingent Consideration pursuant to the Agreement
"Core Business"	the Business, excluding (i) sale and distribution of active pharmaceutical ingredients such as panax notoginseng (三七), 6-amino-penicillanic acid (6-氨基青黴烷酸), pharmaceutical intermediate penicillin potassium (藥用中間體青黴素鉀), potassium benzylpenicillin (青黴素鉀工業鹽), amoxicillin ingredients (阿莫西林原料), and tert-butylamine clavulanate (克拉維酸叔丁胺鹽), and (ii) any other present or future business that may have the same type of products or trading purposes
"Core Business Operating Revenue"	the operating revenue generated from the Core Business (excluding value added tax and surcharges) under the Accounting Standards
"Dade Hongyi"	Ningbo Dade Hongyi Investment Center (Limited Partnership)* (寧波大得宏毅投資中心(有限合夥))
"Dezhiqing"	Shenzhen Dezhiqing Investment Co., Ltd.* (深圳市德之青投資有限公司)
"Directors"	director(s) of the Company
"Domestic Company"	Hunan Space Folding Internet Technology Co., Ltd.* (湖南空間折疊互聯網科技有限公司)

"Domestic Transaction"	the transfer of all of the equity interests in the registered capital of the Domestic Company to the Company's affiliate(s) (as defined in the Agreement) as designated by the Company and related transactions
"Domestic Transaction Documents"	all agreements and other documents as necessary to give effect to the Domestic Transaction which, for the avoidance of doubt, shall reflect the key terms as set out in the Agreement
"Financial Consolidation"	occurs or is deemed to have occurred at such time when the auditor of the Company in its professional opinion considers the financial results and assets and liabilities of the Target Group can be consolidated into the consolidated financial statements of the Company pursuant to the Accounting Standards
"Founders"	Gao Bo (高博), Ouyang Peng (歐陽鵬) and He Yu (何雨), being the founders and the core management team of the Target Group
"Founder Sellers"	GD Venture Ltd., Paul Sprint Ltd, and JFC Venture Ltd, each of which is wholly-owned by Gao Bo (高博), Ouyang Peng (歐陽鵬) and He Yu (何雨)
"Founder Seller Proportion"	with respect to a Founder Seller, the proportion of the number of shares sold by such Founder Seller under the Agreement bears to the total number of shares sold by all the Founder Sellers under the Agreement
"General Mandate"	the general mandate granted, at the annual general meeting of the Company held on 23 May 2024, to the Directors to issue, allot and deal with additional Shares (including any sale or transfer of Shares out of treasury that are held as treasury shares) of the Company not exceeding 20% of the total number of issued Shares of the Company (excluding any Shares that are held as treasury shares) as at the date of passing of this resolution
"Global Offering"	the Hong Kong public offering and the international offering of Shares in connection with the Company's initial public offering of its Shares
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"Investor Sellers"	Cenova China Healthcare Fund V, L.P., Cherubic Ventures Fund IV, L.P., CVP INTERNATIONAL INC., Cherubic Ventures SSG XIV Ltd., Jianqiao, I-Bridge II Investment OneK Limited, Atum Ventures Limited, HSG Seed I Holdco, Ltd., D Healthcare 1 Limited, Meihua, Yikuaiyiyao Jiuhe Holdings Limited, HT Darwin Capital, G.P. and Chan Chiu Fan Wesleyjack (陳昭帆)
"Issue Price"	HKD12 per Consideration Share
"Jianqiao"	Jianqiao OneK Investment Limited* (康橋資本)
"Jianqiao Completion"	completion of the sale and purchase of the Sale Shares of Jianqiao in accordance with the Agreement
"Jianqiao Warrant"	the warrant to purchase Series B+ preferred shares of the Target Company issued by the Target Company to Jianqiao
"Key Employees"	each of the eligible managers and any other person the Company and the Founder Sellers may mutually agree in writing
"Key Employee Turnover Rate"	in respect of any year, the ratio of (i) the number of Key Employees (other than the Founders) ceasing to be employed by the Target Group (no matter whether as a result of voluntary termination of employment by such Key Employees, or termination of employment by mutual consent of any member of the Target Group and such Key Employees (excluding termination of employment by any member of the Target Group in accordance with Article 39 of the Labour Contract Law of the PRC where such member of the Target Group has issued a termination notice and a certificate of termination to such effect)) bears to (ii) the total number of Key Employees (other than the Founders) as of the beginning of such year
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Long Stop Date"	a date that is 365 days after the date of the Agreement, or such other date as may be agreed by: (a) the Company and the Sellers other than Jianqiao, Meihua and Manager Seller with respect to the Main Completion; and/or

(b) the Company and each of Jianqiao, Meihua and Manager Seller, respectively, with respect to the Jianqiao Completion, the Meihua Completion, and the Manager Seller Completion, as applicable

"Main Completion"	completion of the sale and purchase of the Sale Shares of all the Sellers (other than Jianqiao, Meihua and Manager Seller) in accordance with the Agreement
"Main Completion Date"	the Completion Date on which the Main Completion is scheduled to occur
"Manager Seller"	YK United Limited
"Manager Seller Completion"	completion of the sale and purchase of the Sale Shares of the Manager Seller in accordance the Agreement
"Manager Seller Completion Consideration" or "Manager Seller Completion Consideration Shares"	a total of 3,027,821 Consideration Shares payable to the Manager Seller at the Manager Seller Completion
"Manager Seller Contingent Consideration" or "Manager Seller Contingent Consideration Shares"	a total of 4,357,561 Consideration Shares payable to the Manager Seller after the Manager Seller Completion, subject to the conditions set out in the Agreement being met
"Meihua"	Xiamen Meihua Shengshi Equity Investment Limited Partnership* (廈門梅花盛世股權投資合夥企業(有限合夥))
"Meihua Completion"	completion of the sale and purchase of the Sale Shares of Meihua in accordance with the Agreement
"Net Profit"	in respect of a company for any financial year, the audited sum of after-tax profit attributable to the shareholders of the company and excluding any non-recurring gains or losses (as defined in the Explanatory Announcement for Information Disclosure by Companies Publicly Issuing Securities No. 1 – Non-recurring Gains or Losses (公開發行證券的公司信息披露解釋性公告第1號－非經常性損益) issued by CSRC, as amended from time to time)

"ODI Approvals"	(a) the record-filing of an outbound investment with the National Development and Reform Commission of the PRC (or its competent local counterpart); (b) the record-filing of an outbound investment with the Ministry of Commerce of the PRC (or its competent local counterpart); and (c) the foreign exchange registration with the relevant local branch of the State Administration of Foreign Exchange of the PRC or a designated bank
"Part I Contingent Consideration"	a total cash amount of RMB60 million and a total of 6,188,867 Consideration Shares payable to the Founder Sellers, which comprises three instalments corresponding to (i) 2024 Q4 or 2027 Q1, as applicable, (ii) Year 2025 and (iii) Year 2026
"Part II Contingent Consideration"	a total of 6,876,519 Consideration Shares payable to the Founder Sellers, which comprises two instalments corresponding to (i) Year 2025 and (ii) Year 2026
"Performance Targets"	has the meaning given to it in the section headed "I. Discloseable transaction in relation to the Acquisition of the Target Company involving issue of Consideration Shares under General Mandate – The Acquisition – Consideration and payment terms" in this announcement
"PRC"	the People's Republic of China which, for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Prospectus"	the prospectus of the Company dated 15 June 2023 in relation to the Global Offering
"SAFE"	the State Administration of Foreign Exchange of the PRC
"Sale Shares"	with respect to each Seller, the number of shares (including the shares to be issued upon full exercise by Jianqiao of the Jianqiao Warrant) to be sold by such Seller in accordance with the Agreement, together with all rights attaching to those shares as at the applicable Completion
"Sellers"	the Founder Sellers, the Investor Sellers and the Manager Seller
"Shareholders"	the holders of the Shares
"Shares"	ordinary share(s) having a par value of USD0.0000025 each in the share capital of the Company

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Folding Space (Cayman) Ltd., an exempted company with limited liability established in the Cayman Islands
"Target Group"	the Target Company and its subsidiaries (including the Domestic Company)
"Target Warrantors"	the Target Company and its three principal subsidiaries, namely the WFOE, the Domestic Company and Hunan Yikuai Pharmaceutical Technology Co., Ltd.* (湖南一塊醫藥科技有限公司)
"Valuation Date"	31 July 2024
"Valuer"	AVISTA Valuation Advisory Limited, an independent valuer engaged by the Company to assess the fair value of the entire equity interest of the Target Company as at 31 July 2024
"WFOE"	Hunan Space Folding Pharmaceutical Co., Ltd.* (湖南空間折疊醫藥有限責任公司)
"%"	per cent

By order of the Board
YSB Inc.
Mr. Buzhen Zhang
Chairman and Executive Director

Hong Kong, 15 October 2024

As at the date of this announcement, the Board comprises Mr. Buzhen Zhang and Mr. Fei Chen as executive Directors, Mr. Ziyang Zhu as non-executive Director, and Ms. Rong Shao, Mr. Sam Hanhui Sun and Mr. Hongqiang Zhao as independent non-executive Directors.

* *for identification purpose only.*

* *for illustrative purpose only, exchange rate of HKD1:RMB0.91037 had been used in this announcement.*