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Medlive Technology Co., Ltd.

醫脈通科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2192)

DISCLOSEABLE TRANSACTION

ACQUISITION OF 60% EQUITY INTEREST IN BEIJING FOCUS INNOVATION TECHNOLOGY CO., LTD.*

EQUITY TRANSFER AGREEMENT

On 8 June 2022, Kingyee Beijing, the Sellers and the Target Company entered into the Equity Transfer Agreement pursuant to which the Sellers agreed to sell, and Kingyee Beijing agreed to acquire, 60% equity interest of the Target Company for the Consideration of RMB48,000,000, which shall be paid by Kingyee Beijing to the Sellers in cash.

Through its own brand projects, the Target Company, namely Beijing Focus Innovation Technology Co., Ltd.* (北京專注創新科技有限公司), works with resources received from authoritative medical institutions and top-tier academics and experts to plan and publish medicine guidelines and medical consensus based on market demand, and comprehensively publicizes medicine guidelines through various conferences and publications.

The Sellers have granted the Option to Kingyee Beijing so that if the accumulated audited net profit of the Target Company during the Guaranteed Periods does not reach 50% of the Guaranteed Profit, Kingyee Beijing has the right, but not an obligation, to require the Sellers to repurchase the Target Equity held by Kingyee Beijing.

LISTING RULES IMPLICATIONS

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

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

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

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

EQUITY TRANSFER AGREEMENT

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

Date

8 June 2022

Parties

1. Purchaser Kingyee (Beijing) Co., Ltd. (金葉天成 (北京) 科技有限公司), an indirect wholly-owned subsidiary of the Company incorporated in the PRC with limited liability and the purchaser to the Acquisition. It is principally engaged in the provision of precision marketing and corporate solutions, medical knowledge solutions and intelligent patient management solutions.
2. Sellers Sun Xiaoguang (孫曉光), as Seller A;
Zhang Yuejing (張月靜), as Seller B; and
He Zheng (賀徵), as Seller C.

3. Target Company Beijing Focus Innovation Technology Co., Ltd.* (北京專注創新科技有限公司), a company incorporated in the PRC with limited liability.

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

Consideration and Guaranteed Profit

The Sellers have undertaken to ensure that the accumulated audited net profit of the Target Company for the three years ending 31 December 2022, 2023 and 2024 (the “**Guaranteed Period(s)**”) in total shall be no less than RMB28,150,000 (the “**Guaranteed Profit**”).

The Consideration payable by Kingyee Beijing is RMB48,000,000 (subject to adjustments made to the Remaining Instalments (as defined below)), in which a total of RMB24,000,000, RMB16,000,000 and RMB8,000,000 shall be paid to Seller A, Seller B and Seller C, respectively. The Consideration shall be paid in cash at a maximum of four instalments (collectively, the “**Instalments**”) as follows:

- (a) within 5 business days after all the Conditions are satisfied (or waived by Kingyee Beijing), Kingyee Beijing shall pay RMB12,001,000, RMB8,000,000 and RMB4,000,000 to Seller A, Seller B and Seller C, respectively (the “**First Instalment**”); and
- (b) subject to completion of the Acquisition, for each of the three remaining instalments after the First Instalment (the “**Remaining Instalment(s)**”), within 5 business days after (i) the date of issue of the annual results announcement of the Company; or (ii) the date of issue of an audited report of the Target Company by an auditor recognized by Kingyee Beijing, whichever is later, for each of the Guaranteed Periods, Kingyee Beijing shall pay the Sellers an adjusted amount in accordance with the following formula:

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

where:

- A = Accumulated audited net profit or loss of the Target Company during the Guaranteed Periods as at the end of the relevant Guaranteed Period
- B = The Guaranteed Profit (being RMB28,150,000)
- C = The total Consideration to be paid to each Seller

D = The Consideration already paid to each Seller at the time of each Remaining Instalment

If the adjusted amount payable under the relevant Remaining Instalments as determined using the above formula is negative, Kingyee Beijing shall not be required to make any payment under the relevant Remaining Instalments, but the Sellers shall not be required to return any Consideration already received. Further, Kingyee Beijing shall not be required to pay the difference if the actual payment made to the Sellers after the Remaining Instalments have been paid is lower than RMB48,000,000, nor make any Remaining Instalment to such extent if it shall result in the total amount of Consideration paid exceeding RMB48,000,000.

Option

The Sellers have granted the Option to Kingyee Beijing so that if the accumulated audited net profit of the Target Company during the Guaranteed Periods in total does not reach 50% of the Guaranteed Profit, Kingyee Beijing has the right, but not an obligation, to require the Sellers to repurchase the Target Equity held by Kingyee Beijing. The consideration of such repurchase shall be the sum of all payments made under all previous Instalments plus a simple interest of 8% per annum. The Company will comply with the applicable Listing Rules if and when the Option is exercised.

Basis of Consideration

The Consideration was determined after arm's length negotiations between Kingyee Beijing and the Sellers with reference to the price-to-earnings multiples of healthcare service providers in the PRC and the Group's previous similar acquisition in the past year, as well as the provisions regarding the Guaranteed Profit (which was calculated based on the Target Company recording an average net profit of RMB9.38 million per year during the Guaranteed Period) and the benefits expected to be derived by the Acquisition as described under the section headed "Reasons for and benefits of the Acquisition" in this announcement.

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

Conditions precedent

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

- (a) the shareholders of the Target Company shall have approved the Acquisition and the adoption of the revised articles of association of the Target Company upon completion of the Acquisition, and the existing shareholders of the Target Company shall have waived their pre-emptive right in respect of the Acquisition;
- (b) Kingyee Beijing shall have completed its necessary internal decision-making procedures in respect of the Acquisition;
- (c) Seller A, together with certain employees of an affiliate of the Target Company which is controlled by Seller A (the “**Affiliate**”), shall have terminated their respective employment contracts with the Affiliate and shall have signed employment contracts with the Target Company in a form satisfactory to Kingyee Beijing; and
- (d) Seller A and Seller B, together with certain key employees of the Target Company (collectively, the “**Key Employee(s)**”), shall have signed, among others, employment contracts, non-compete agreements, and non-disclosure agreements with the Target Company in a form satisfactory to Kingyee Beijing.

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

Transfer

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

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

Upon completion of the Acquisition, the Target Company will be owned as to 60%, 30% and 10% by Kingyee Beijing, Seller A and Seller B, respectively.

The Directors confirm that upon the completion of the Acquisition, the Target Company will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Company.

Board composition

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

Distribution of dividend

Beginning from the year ending 31 December 2022, the Target Company shall distribute no less than 60% of the distributable profit of the Target Company to its shareholders.

Further, the parties acknowledged that the Sellers shall be entitled to part of the undistributed profit as at 31 December 2021. Hence, the parties agreed that the Sellers shall be entitled to the distribution of 60% of the undistributed profit of the Target Company (as audited by an auditor recognized by Kingyee Beijing) as at 31 December 2021, provided that such distribution shall only be made after the end of the Guaranteed Periods. For reference purpose, the undistributed profit of the Target Company as at 31 December 2021 based on the audited accounts provided to the Company by the Sellers is just under RMB420,000.

Non-compete

The Sellers undertake that, upon the signing of the Equity Transfer Agreement, (i) the Key Employees and the companies controlled by them will not engage or invest in the same or similar business as the Target Company's principal business, except for shares listed and traded on a stock exchange that are held solely for the purpose of investment income (the amount of which shall not exceed 5% of the total number of shares of such listed companies); and (ii) any entities in which the Key Employees have invested in, controlled or is working part-time (except for the Affiliate) shall not have the word "focus" (專注) or words with the same meaning in their entity names, trade names, names of products or services, trademarks or logos.

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

INFORMATION OF THE TARGET COMPANY AND THE SELLERS

The Target Company

The Target Company is a company incorporated in the PRC with limited liability and is owned as to 60%, 30% and 10% by Seller A, Seller B and Seller C, respectively, as at the date of this announcement.

Through its own brand projects, the Target Company works with resources received from authoritative medical institutions and top-tier academics and experts to plan and publish medicine guidelines and medical consensus based on market demand, and comprehensively publicizes medicine guidelines through various conferences and publications.

Set out below is the financial information of the Target Company for the two years ended 31 December 2021:

	For the year ended 31 December	
	2020	2021
	(Audited)	(Audited)
	(RMB'000)	(RMB'000)
Net profit before tax	2,880	2,440
Net profit after tax	2,642	2,266

The audited net asset value of the Target Company as at 31 December 2021 was approximately RMB2.28 million.

The Sellers

Sun Xiaoguang (孫曉光) is Seller A and the legal and beneficial owner of 60% equity interest of the Target Company as at the date of this announcement, and also the founder, an executive director and a Key Employee of the Target Company. Seller A has over 20 years of experience in the advertising and medical information technology industry, and currently holds positions in a number of public offices, including the director of China Medicine Education Association (中國醫藥教育協會), standing committee member and deputy general secretary of the Medical Communication Professional Committee of the Chinese Research Hospital Association* (中國研究型醫院學會醫學傳播學專業委員會) and committee member and deputy general secretary of the Professional Committee of Cancer Prevention and Treatment Science of China Anti-Cancer Association* (中國抗癌協會腫瘤防治科普專業委員會).

Zhang Yuejing (張月靜) is Seller B and the legal and beneficial owner of 30% equity interest of the Target Company as at the date of this announcement, and also the general manager and a Key Employee of the Target Company. Seller B has worked at the Target Company for over 10 years and currently holds positions in a number of public offices, including the director of China Medicine Education Association (中國醫藥教育協會), member of the Professional Committee of Cancer Prevention and Treatment Science of China Anti-Cancer Association* (中國抗癌協會腫瘤防治科普專業委員會) and deputy general secretary of the Lung Cancer Professional Committee of the China Elderly Health Care Association* (中國老年保健協會肺癌專業委員會).

He Zheng (賀徵) is Seller C and the legal and beneficial owner of 10% equity interest of the Target Company as at the date of this announcement.

Seller A and Seller C are spouses.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is the leading online professional physician platform in China. The Group has focused on using technology to support physicians' clinical decision making for over 20 years.

Through its own brand projects, the Target Company works with resources received from authoritative medical institutions and top-tier academics and experts to plan and publish medicine guidelines and medical consensus based on market demand, and comprehensively publicizes medicine guidelines through various conferences and publications. Since its establishment in 2008, through developing its own brand projects and acting under the guidance of authoritative establishments such as the National Health Commission of the PRC and the Chinese Medical Association, the Target Company has secured the collaboration and support of many academicians, academics and experts, whilst having maintained good cooperative relations with many leading pharmaceutical companies, thereby establishing a good reputation within the industry.

As part of the Group's business strategies, the Group intends to achieve external growth by strategically pursuing strategic partnerships in the medical and pharmaceutical industry, whilst effectively integrating the resources of its *Medlive* platform via investments and acquisition opportunities. Upon completion of the Acquisition, in view of the potential synergy between the businesses of the Group and the Target Company, it is expected that the Group will be able to benefit from the collaboration and resources secured by the Target Company since its establishment and strengthen its project development capabilities with experts and academics in the medical field, as well as commence jointly with medical experts conducting real-world studies for the purpose of validating the use of pharmaceutical products and medical devices. The Directors therefore consider that the Acquisition, if materializes, presents a good opportunity for the Group to expand its existing businesses

and upgrade its innovative business. Furthermore, in anticipation of the cooperation with the Group, the Target Company has, since commencing discussions with the Group about the Acquisition, carried out steps in order to streamline its operations which will result in reducing staff costs and improving profitability such that the Sellers are comfortable with agreeing to the Guaranteed Profit provisions.

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

LISTING RULES IMPLICATIONS

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

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

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

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

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Target Equity by Kingyee Beijing from the Sellers pursuant to the Equity Transfer Agreement
“Board”	the board of Directors
“Company”	Medlive Technology Co., Ltd. (醫脈通科技有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2192)
“Conditions”	the conditions precedent to the obligations of Kingyee Beijing to pay the Consideration and to complete the registration and filing procedures in respect of the Acquisition as set out in the section headed “Equity Transfer Agreement — Conditions precedent” in this announcement
“Consideration”	the consideration in respect of the Acquisition, being RMB48,000,000 (subject to adjustments made to the Remaining Instalments), and where the context requires, the amount of cash consideration paid or payable to each of the Sellers
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement entered into among Kingyee Beijing, the Sellers and the Target Company on 8 June 2022 in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and not connected with its connected persons (as defined under the Listing Rules)

“Kingyee Beijing”	Kingyee (Beijing) Co., Ltd. (金葉天成 (北京) 科技有限 公司), an indirect wholly-owned subsidiary of the Company incorporated in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Option”	the option granted by the Sellers to Kingyee Beijing requiring the Sellers to repurchase the Target Equity as detailed in the section headed “Equity Transfer Agreement — Option” in this announcement
“PRC”	the People’s Republic of China (but excluding, for the purpose of this announcement only, Hong Kong, Macau and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Seller A”	Sun Xiaoguang (孫曉光)
“Seller B”	Zhang Yuejing (張月靜)
“Seller C”	He Zheng (賀徵)
“Seller(s)”	collectively, Seller A, Seller B and Seller C
“Shares”	ordinary shares of US\$0.00001 each in the issued share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Beijing Focus Innovation Technology Co., Ltd.* (北京專注創 新科技有限公司), a company incorporated in the PRC with limited liability and is owned as to 60%, 30% and 10% by Seller A, Seller B and Seller C, respectively, as at the date of this announcement
“Target Equity”	60% equity interest in the Target Company

“US\$” United States dollars, the lawful currency of the United States of America

“%” per cent. or percentage

* *For identification purposes only*

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

Hong Kong, 8 June 2022

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