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Health and Happiness (H&H) International Holdings Limited

健合(H&H)國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1112)

**CONTRACTUAL ARRANGEMENTS
IN RELATION TO MAMA100 E-COMMERCE
CONTINUING CONNECTED TRANSACTIONS**

SUMMARY

As disclosed in the Announcement, the Group entered into the 2016 Structure Contracts on 30 December 2016 pursuant to which the Company controls Mama100 E-commerce by way of a series of contractual arrangements.

As the registered shareholders of Mama100 E-commerce intended to restructure their shareholding in Mama100 E-commerce for administrative efficiency, the Group entered into the 2019 Structure Contracts to continue its control of Mama100 E-Commerce after the termination of the 2016 Structure Contracts.

Specifically, each of Mr. Luo Fei, Mr. Wu Xiong and Mr. Chen Fufang entered into an equity interest transfer agreement dated 31 October 2019 with Ms. Kong Qingjuan, pursuant to which each of Mr. Luo Fei, Mr. Wu Xiong and Mr. Chen Fufang agreed to transfer all their equity interests in Mama100 E-commerce to Ms. Kong Qingjuan, such that the number of shareholders of Mama100 E-commerce will be reduced to one.

Since Mr. Luo Fei, Mr. Wu Xiong and Mr. Chen Fufang will cease to be shareholders of Mama100 E-commerce, on the same day, the Group entered into the Termination Agreements with all other parties to the respective 2016 Structure Contracts and the 2016 Platform Service Agreement, pursuant to which the parties thereto agreed that the respective 2016 Structure Contracts and the 2016 Platform Service Agreement shall be terminated upon the Guangzhou Huangpu AMR approves and issues the notice of approval in relation of the change of the sole shareholder and legal representative of Mama100 E-commerce to Ms. Kong Qingjuan. It is expected that such notice would be issued by the end of November 2019.

In order to continue to conduct the e-commerce business contemplated under the 2016 Structure Contracts and the 2016 Platform Service Agreement immediately after termination thereof, the Group entered into the 2019 Structure Contracts with, among others, Mama100 E-commerce and Ms. Kong, and the 2019 Platform Service Agreement on 31 October 2019 with Mama100 E-commerce, which will take effect at the same time as the 2016 Structure Contracts are terminated.

Listing Rules Implications

As at the date of this announcement, Mama100 E-commerce is owned as to 57.7% by Mr. Luo Fei, 26% by Mr. Wu Xiong, 11.9% by Mr. Chen Fufang and 4.4% by Ms. Kong Qingjuan. After the completion of the Transfers, Mama100 E-commerce will be 100% owned by Ms. Kong Qingjuan. Mr. Luo Fei is an executive Director of the Company. Ms. Kong Qingjuan is a director of Health and Happiness (H&H) China Limited (formerly known as Biostime Guangzhou), a subsidiary of the Company and certain other subsidiaries of the Company in the PRC, and therefore a connected person at the subsidiary level. Accordingly, Mama100 E-commerce is a connected person of the Company by virtue of it being an associate of Mr. Luo Fei before the completion of the Transfers, and an associate of Ms. Kong Qingjuan after the completion of the Transfers. Accordingly, the 2019 Structure Contracts, the 2019 Platform Service Contract and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Having considered that each of the 2019 Structure Contracts, the 2019 Platform Service Contract and the transactions contemplated thereunder has been entered into by the Group with the same party, namely, Mama100 E-commerce and/or Ms. Kong Qingjuan, and are for the same purpose of enabling the Group to conduct e-commerce activities for the Group's products, the Directors consider that each of the 2019 Structure Contracts, the 2019 Platform Service Contract and the transactions contemplated thereunder shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio (other than the profits ratio) in relation to the largest Annual Caps for the 2019 Structure Contracts, the 2019 Platform Service Contract and the transactions contemplated thereunder in aggregate is more than 0.1% but less than 5%, each of the 2019 Structure Contracts, the 2019 Platform Service Contract and the transactions contemplated thereunder fall within either Rule 14A.76(2) of the Listing Rules and is subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Overview

The Group generally sells its products to regional distributors and such distributors further distribute the products through different types of retail sales channels, including but not limited to baby specialty stores owned and operated by third parties. The Group also sells and promotes its products through internet platforms operated by Mama100 E-commerce in China.

Prior to 10 April 2015, under the relevant rules and regulations in the PRC, foreign investors were not allowed to hold more than 50% of the equity interest of a company providing value-added telecommunications services including e-commerce. Mama100 E-commerce was established for the purpose of enabling the Group to operate its e-commerce platform. Mama100 E-commerce has obtained the Internet Content Provider License (增值電信業務許可證) as an “Internet Content Provider” (“ICP”) and is allowed to conduct e-commerce businesses. Therefore, on 27 June 2014, the Group entered into the 2014 Structure Contracts in order to conduct the e-commerce business as contemplated under the 2014 Structure Contracts through Mama100 E-commerce.

Since 19 June 2015, new rules and regulations have been promulgated by the PRC government under which foreign invested enterprise established under the laws of the PRC where foreign investors hold more than 50% of the equity interests could apply the Electronic Data Interchange Permit (增值電信業務經營許可證(在線數據處理與交易業務)) from the relevant PRC authority and is allowed to engage in e-commerce business. However, as the relevant policy is not yet clear and there is no specific implementation guidance as to the regulation of foreign investors in the value added telecommunication business in the PRC, the e-commerce business still could not be transferred to the Group for operation.

On 30 December 2016, the Group entered into the 2016 Structure Contracts to continue to conduct the e-commerce business as contemplated under the 2014 Structure Contracts.

Pursuant to the 2016 Structure Contracts:

- (i) the Group is able to exercise control over Mama100 E-commerce;
- (ii) the Group has the right to govern the management of Mama100 E-commerce;
- (iii) the Group has the right to deal with the assets of Mama100 E-commerce;
- (iv) the Group would have the right to acquire the entire equity interest in Mama100 E-commerce (as and when the PRC relevant rules and regulations allow it to do so);
- (v) the Company is able to consolidate the financial results of Mama100 E-commerce into the Group’s results; and
- (vi) none of the Old Mama100 Shareholders obtains or receives any financial or commercial benefits from his/her respective interest in Mama100 E-commerce under the 2016 Structure Contracts despite holding direct or indirect equity interests in Mama100 E-commerce.

In association with the 2016 Structure Contracts, the Group also entered into the 2016 Platform Service Agreement on 30 December 2016 for a term of three years commencing on 1 January 2017 and ending on 31 December 2019.

As the registered shareholders of Mama100 E-commerce intended to restructure their shareholding in Mama100 E-commerce for administrative efficiency, the Group entered into agreements to terminate the 2016 Structure Contracts and entered into the 2019 Structure Contracts to continue its control of Mama100 E-Commerce after the termination of the 2016 Structure Contracts.

Specifically, each of Mr. Luo Fei, Mr. Wu Xiong and Mr. Chen Fufang entered into an equity interest transfer agreement dated 31 October 2019 with Ms. Kong Qingjuan, pursuant to which each of Mr. Luo Fei, Mr. Wu Xiong and Mr. Chen Fufang agreed to transfer all their equity interests in Mama100 E-commerce to Ms. Kong Qingjuan, such that the number of shareholders of Mama100 E-commerce will be reduced to one. Since Mr. Luo Fei, Mr. Wu Xiong and Mr. Chen Fufang will cease to be shareholders of Mama100 E-commerce, on the same day, the Group entered into the Termination Agreements with all other parties to the respective 2016 Structure Contracts and the 2016 Platform Service Agreement, pursuant to which the parties thereto agreed that the respective 2016 Structure Contracts and the 2016 Platform Service Agreement shall be terminated upon the Guangzhou Huangpu AMR approves and issues the notice of approval in relation of the change of the sole shareholder and legal representative of Mama100 E-commerce to Ms. Kong Qingjuan. It is expected that such notice would be issued by the end of November 2019.

In order to continue to conduct the e-commerce business contemplated under the 2016 Structure Contracts and the 2016 Platform Service Agreement immediately after termination thereof, the Group entered into the 2019 Structure Contracts with, among others, Mama100 E-commerce and Ms. Kong, and the 2019 Platform Service Agreement on 31 October 2019 with Mama100 E-commerce, which will take effect at the same time as the 2016 Structure Contracts are terminated.

As soon as the relevant rules, regulations or policy in the PRC become clear and there is specific implementation guidance as to allow the business to be operated by the Group without the 2019 Structure Contracts, the Group will unwind the 2019 Structure Contracts, including but not limited by way of exercising the call option under the Exclusive Call Option Agreement to acquire the equity interest of Mama 100 E-commerce.

The 2019 Structure Contracts

Each of the 2019 Structure Contracts is dated 31 October 2019. The term of each of the 2019 Structure Contracts is three years from the Commencement.

The parties to and summary of major provisions of the 2019 Structure Contracts are set out as follows:

(1) Exclusive Management and Consultancy Service Agreement

Pursuant to the Exclusive Management and Consultancy Service Agreement entered into between Guangzhou Hapai, an indirect wholly-owned subsidiary of the Company, and Mama100 E-commerce, Guangzhou Hapai has the exclusive right to provide management and consultancy services to Mama100 E-commerce during the Term.

Under the Exclusive Management and Consultancy Service Agreement, Guangzhou Hapai is entitled to charge Mama100 E-commerce quarterly for service fees at a range of 90% to 100% of the total amount of net profit of Mama100 E-commerce for the corresponding period in accordance with the volume of the services provided because it is commercially agreed by both parties that the net profit of Mama100 E-commerce is generated as a result of the management and consultancy services provided by Guangzhou Hapai, including technical service, network support, business consulting and other services, and therefore not less than 90% of the total amount of net profit of Mama100 E-commerce should be paid to Guangzhou Hapai. The reason for leaving a maximum of 10% of the total amount of net profit in the reserve of Mama100 E-commerce is to meet the general working capital of Mama100 E-commerce for daily operation.

(2) Equity Interests Pledge Agreement

Pursuant to the Equity Interests Pledge Agreement entered into by and between Guangzhou Hapai and Ms. Kong Qingjuan, Ms. Kong Qingjuan agreed to pledge all of her equity interest in Mama100 E-commerce to Guangzhou Hapai as security for the performance of the obligations under the relevant Structure Contracts until all such obligations are discharged to the satisfaction of Guangzhou Hapai.

(3) Exclusive Call Option Agreement

Pursuant to the Exclusive Call Option Agreement entered into by and among Guangzhou Hapai, Mama100 E-commerce and Ms. Kong Qingjuan, Guangzhou Hapai is irrevocably entitled to, as and when permitted by applicable PRC laws and regulations during the Term, acquire the entire equity interest in Mama100 E-commerce held by Ms. Kong Qingjuan for a consideration in the amount of RMB10,000, or when appraisal is required under PRC law, 1% of the appraisal price or at the lowest price permitted by the then applicable PRC laws and regulations.

(4) *Business Management Agreement*

Pursuant to the Business Management Agreement entered into by and among Guangzhou Hapai, Mama100 E-commerce and Ms. Kong Qingjuan, among other things, during the Term:

- (i) Ms. Kong Qingjuan will procure Mama100 E-commerce not to enter into any transaction which may materially affect its assets, business operation, human resources, rights and obligations, unless upon prior written consent from Guangzhou Hapai or any third party designated by Guangzhou Hapai;
- (ii) Mama100 E-commerce and Ms. Kong Qingjuan agree to strictly implement relevant proposals from Guangzhou Hapai from time to time in relation to Mama100 E-commerce's recruitment and dismissal of employee, business management, financial management and so on; and
- (iii) Ms. Kong Qingjuan agrees to, upon receiving any dividend or any other earnings or income from Mama100 E-commerce as its shareholder, immediately and unconditionally pay or transfer at nil consideration of all such earnings or income to Guangzhou Hapai.

(5) *Power of Attorney and Undertaking*

Pursuant to the Business Management Agreement, Ms. Kong Qingjuan executed a Power of Attorney dated 31 October 2019 pursuant to which she irrevocably authorized Guangzhou Hapai to, among other things:

- (i) exercise all his/her rights of shareholders and voting rights in Mama100 E-commerce, including but not limited to appointing the executive directors, general manager, chief financial officer and senior management personnel of Mama100 E-commerce; and
- (ii) sell, transfer, pledge or otherwise deal in all or any of her equity interest in Mama100 E-commerce.

The executive directors of Guangzhou Hapai is entitled to authorize any person to exercise the rights which Guangzhou Hapai is authorized to exercise under the Power of Attorney.

In addition, Ms. Kong Qingjuan executed an Undertaking dated 31 October 2019 pursuant to which she irrevocably undertook, among other things, that:

- (i) any successor to her shall hold the respective equity interest in Mama100 E-commerce subject to the conditions, requirements and obligations under the Undertaking and the 2019 Structure Contracts;
- (ii) her respective equity interest in Mama100 E-commerce does not form part of the community property, and his/her decisions in relation to Mama100 E-commerce shall not be affected by his/her spouse;
- (iii) she will neither, directly or indirectly (either on his/her own or through any other individual or legal entity), participate or engage in any business which is or may be in competition with the business of Mama100 E-commerce or its associated company, or acquire or hold any such business, nor carry on any activities which may lead to any conflict of interest between herself and Guangzhou Hapai;
- (iv) in the event that she receives any asset in relation to the liquidation of Mama100 E-commerce, she agrees to transfer at nil consideration or at the lowest consideration as permitted by the then applicable laws and regulations to Guangzhou Hapai such asset; and
- (v) in the event that she receives any amount from Guangzhou Hapai or any third party in relation to the exercise of the call option under the Exclusive Call Option Agreement, he/she agrees to unconditionally return all such amount to Guangzhou Hapai or any third party designated by Guangzhou Hapai.

(6) *Trademark License Agreement*

Pursuant to the Trademark License Agreement entered into between Mama100 Hong Kong and Mama100 E-commerce, Mama100 Hong Kong licenses a registered trademark to Mama100 E-commerce during the Term at nil consideration.

Further information about the 2019 Structure Contracts

Authorization to obtain assets of Mama100 E-commerce

Pursuant to the Business Management Agreement, Ms. Kong Qingjuan shall ensure that Mama100 E-commerce will not engage in any transaction that may materially affect, among other things, the assets of Mama100 E-commerce without the prior written consent of the Guangzhou Hapai. In addition, Guangzhou Hapai has been authorized to exercise all rights of Ms. Kong Qingjuan as shareholders of Mama100 E-commerce under applicable laws and the articles of association of Mama100 E-commerce. As advised by the legal advisor of the Company as to the laws of the PRC, Beijing Kangda (Guangzhou) Law Firm, the Business Management Agreement includes the guarantee that, in the event of liquidation or winding up of Mama100 E-commerce, when the shareholders of Mama100 E-commerce obtain any asset, they will transfer such assets to Guangzhou Hapai at nil consideration or at the minimum consideration as permitted under the applicable laws and regulations of the PRC.

Dispute resolution

Pursuant to the 2019 Structure Contracts, any dispute arising from the validity, interpretation and performance of the 2019 Structure Contracts between the parties thereto should first be resolved through negotiation, failing which any party may submit the said dispute to the Guangzhou Arbitration Commission with a view to resolving the dispute through arbitration in accordance with the arbitration rules thereof. The arbitral tribunal may award remedies over the shares or land assets of Mama100 E-Commerce, injunctive relief (such as stipulating certain conducts of business or compelling transfer of assets) or order the winding up of Mama100 E-Commerce (the “**Arbitral Award Provisions**”).

The 2019 Structure Contracts also provide that pending formation of the arbitral tribunal or in appropriate cases, the courts of Hong Kong, the Company’s place of incorporation (the Cayman Islands), Mama100 E-commerce’s place of establishment (the PRC), the jurisdiction where the principal assets of the Company and Mama100 E-commerce are located (the PRC) have the power to grant interim remedies in support of the arbitration (the “**Interim Remedies Provisions**”).

However, as advised by the legal advisor of the Company as to the laws of the PRC, Beijing Kangda (Guangzhou) Law Firm, according to the PRC laws and regulations, the arbitral tribunal normally would not grant such kind of remedies or injunctive relief or winding up order of such PRC operational entities as Mama100 E-commerce under the PRC laws and regulations. For instance, the arbitral tribunal has no authority to grant such injunctive relief, nor will it be able to order the winding up of the PRC operational entities pursuant to existing PRC laws and regulations. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China.

Conflict of interests

The Company confirms that appropriate arrangements have been made to address the potential conflict of interests between Ms. Kong Qingjuan and the Group. In particular, the Undertaking executed by Ms. Kong Qingjuan in favour of Guangzhou Hapai provide that she will neither, directly or indirectly, participate or engage in any business which is or may be in competition with the business of Mama100 E-commerce or its associated company, or acquire or hold any such business, nor carry on any activities which may lead to any conflict of interest between herself and Guangzhou Hapai. Mr. Luo Yun, a non-executive Director of the Company who is not a director nor shareholder of Mama100 E-commerce, has been authorized by Guangzhou Hapai to exercise the rights granted to Guangzhou Hapai under the Power of Attorney to avoid any conflict of interests.

Renewal of the 2019 Structure Contracts

Under the applicable 2019 Structure Contracts, the Company has the right to renew such 2019 Structure Contracts before the expiration of the relevant Structure Contracts unilaterally under the existing terms or at terms to be further agreed between the relevant parties.

Legality and Enforceability of the 2019 Structure Contracts

The Group's PRC legal advisor, Beijing Kangda (Guangzhou) Law Firm, confirmed that (i) the 2019 Structure Contracts comply with the relevant laws and regulations in the PRC applicable to Mama100 E-commerce and the respective articles of association of Mama100 E-commerce and Guangzhou Hapai; (ii) Mama100 E-commerce has obtained the necessary approvals and licenses to conduct the O2O Business (as defined below) in the PRC under the relevant PRC laws and regulations; (iii) the 2019 Structure Contracts would not be deemed as concealing illegal intentions with a lawful form and void under the PRC Contract Law (《中華人民共和國合同法》); and (iv) the "Notice Regarding the Consistent Implementation of the 'Stipulations on Three Provisions' of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Internet Games" (Xin Chu Lian [2009] No. 13) (《關於貫徹落實國務院〈「三定」〉規定和中央編辦有關解釋，進一步加強網路遊戲前置審批和進口網路遊戲審批管理的通知》(新出聯[2009]13號)) promulgated by the PRC government does not apply to the current business of Mama100 E-commerce. The Group's PRC legal advisor has also consulted the Guangdong Communication Administration (廣東通訊管理局), being a competent authority in the PRC in regulating companies providing value-added telecommunications services in Guangdong, including Mama100 E-commerce, regarding the 2019 Structure Contracts, and the Guangdong Communication Administration did not raise any objection to the 2019 Structure Contracts.

In addition, pursuant to the Power of Attorney and the Undertaking, appropriate arrangements have been made to protect the Company's interests in the event of death, bankruptcy or divorce of Mama100 E-commerce's registered shareholder to avoid any practical difficulties in enforcing the 2019 Structure Contracts.

As advised by the legal advisor of the Company as to the laws of the PRC, Beijing Kangda (Guangzhou) Law Firm, other than the Arbitral Award Provisions and the Interim Remedies Provisions, which may not be enforced under the relevant laws of the PRC, all the contractual rights and obligations under the 2019 Structure Contracts are enforceable under PRC laws. Based on the legal advice from Beijing Kangda (Guangzhou) Law Firm, the Directors believe that, other than the Arbitral Award Provisions and the Interim Remedies Provisions, each of the 2019 Structure Contracts which confer significant control and economic benefits from Mama100 E-commerce to Guangzhou Hapai is enforceable under the relevant laws and regulations of the PRC.

Consolidation of financial results

The Company has discussed with its auditors regarding the consolidation of the financial results of Mama 100 E-commerce under the prevailing accounting principles. Based on the 2019 Structure Contracts and the legal opinion provided by the Company's PRC legal advisor, Beijing Kangda (Guangzhou) Law Firm, the auditors concurred with the Company that it is appropriate to consolidate the financial results of Mama 100 E-commerce under the prevailing accounting principles.

Risks involved in the 2019 Structure Contracts

As the primary beneficiary of Mama100 E-commerce, the Group is exposed to the business risks and financial risks faced by Mama100 E-commerce. There is no assurance that Mama100 E-commerce will generate any profit which can be paid to the Group through the Exclusive Management and Consultancy Service Agreement and Business Management Agreement. Any profit or loss of Mama100 E-commerce (net of intra-group transactions) will be reflected in the consolidated financial results of the Group.

The exercise of the Exclusive Call Option Agreement is subject to applicable laws and regulations of the PRC. There is no assurance that the acquisition of the entire equity interests in Mama100 E-commerce held by Ms. Kong Qingjuan under the Exclusive Call Option Agreement will be permitted in the future, or whether such acquisition will incur any costs and expenses to the Group in addition to the consideration stipulated under the Exclusive Call Option Agreement. Due to these limitations, the transfer of ownership in Mama100 E-commerce pursuant to the exercise of the call option under the Exclusive Call Option Agreement may still be subject to substantial costs.

The Group's PRC legal advisor, Beijing Kangda (Guangzhou) Law Firm, is of the opinion that as at the date of this announcement, the execution, delivery and performance of the 2019 Structure Contracts by each of the parties thereto, is in compliance with (i) the provisions under the articles of association of such party and (ii) any applicable PRC laws and regulations. However, as advised by the Company's PRC legal advisor, Beijing Kangda (Guangzhou) Law Firm, the interpretation and implementation of the laws and regulations concerning the foreign investment in the PRC, and their application to and effect on the legality, binding effect and enforceability of contracts, are subject to the discretion of competent PRC legislative, administrative and judicial authorities. In particular, there is no

assurance that PRC legislative, administrative or judicial authorities will not adopt a different or contrary interpretation or view against view of the Company and its legal advisor in respect of the legality, binding effect and enforceability of the 2019 Structure Contracts, and may determine that the contracts do not comply with applicable regulations.

Further, the 2019 Structure Contracts may not provide control over Mama100 E-commerce as effective as direct ownership; the registered shareholders of Mama100 E-commerce may have potential conflicts of interest with the Company; and the 2019 Structure Contracts may be subject to scrutiny of the tax authorities and additional tax may be imposed on the Group.

We believe that there are limited business insurance products available in the market, and to the best knowledge of our Directors, no insurance products specifically designed for protecting the risks relating to the 2019 Structure Contracts are available in the PRC market. Further, it is not compulsory for Mama100 E-commerce to maintain an insurance policy to cover risks relating to the 2019 Structure Contracts under the applicable PRC laws and regulations. Accordingly, the Group has not purchased any insurance to cover the above risks.

Internal control

The Company has put in place effective internal controls over Guangzhou Hapai and Mama100 E-commerce to safeguard its assets held through the 2019 Structure Contracts. As a wholly-owned subsidiary of the Company, Guangzhou Hapai is subject to all the internal control process and procedures applicable to the Group.

The operations of Mama100 E-commerce are exclusively controlled by Guangzhou Hapai through the 2019 Structure Contracts and the Group has applied its internal control processes and procedures to Mama100 E-commerce. In particular, pursuant to the 2019 Structure Contracts, (i) Guangzhou Hapai has the right to appoint, and has appointed, the directors, general manager, chief financial officer and other senior management of Mama100 E-commerce and Guangzhou Hapai has the right to hire and terminate employees of Mama100 E-commerce; (ii) the shareholders of Mama100 E-commerce are not allowed to dispose of any assets without the prior written consent of Guangzhou Hapai.

Further information on Guangzhou Hapai and Mama100 E-commerce

Business Model of Mama100 E-commerce

The current business model of Mama100 E-commerce under the 2019 Structure Contracts comprises O2O Business and B2C Business (as defined below). Under the O2O Business model:

- Mama100 E-commerce maintains and operates online platforms through (i) its self-owned website and mobile application, and (ii) online stores established on third parties' platforms including WeChat (微信). These online platforms are primarily utilized for online sales of the Group's products. Mama100 E-commerce itself does not own any of the Group's products, the products are owned by the baby specialty stores through purchases from the distributors of the Group.
- Once a customer places an order of products with any of Mama100 E-commerce's online platforms and makes respective payment to Mama100 E-commerce (mainly through online payment methods such as Alipay (支付宝), online bank and etc), Mama100 E-commerce will notify and refer the customer order to the baby specialty store located nearest to that customer, and such baby specialty store will arrange delivery of the ordered products to the said customer.
- Mama100 E-commerce will then make weekly or daily (depending on the requirement of the respective online platform) settlement with the relevant baby specialty stores by (i) forwarding the respective payments of ordered products it received from the customers to the relevant baby specialty stores (as the relevant product delivered to the customer was originally owned by the relevant baby specialty store, instead of Mama100 E-commerce), and (ii) at the same time charging such baby specialty stores for service fees in respect of the referral of product orders and online services provided.

(the above business model is referred to as “**O2O Business**”)

Since October 2015, with a view to further expand its business in the e-commerce area, Mama100 E-commerce applied to and successfully completed relevant cross-border e-commerce business registration at competent PRC authority, pursuant to which it is allowed to conduct cross border e-commerce businesses in the PRC. Such qualification allows Mama100 E-commerce to conduct its business-to-consumer business (“**B2C Business**”) more effectively by enabling Mama100 E-commerce to conduct sales cross border. Under the B2C Business model:

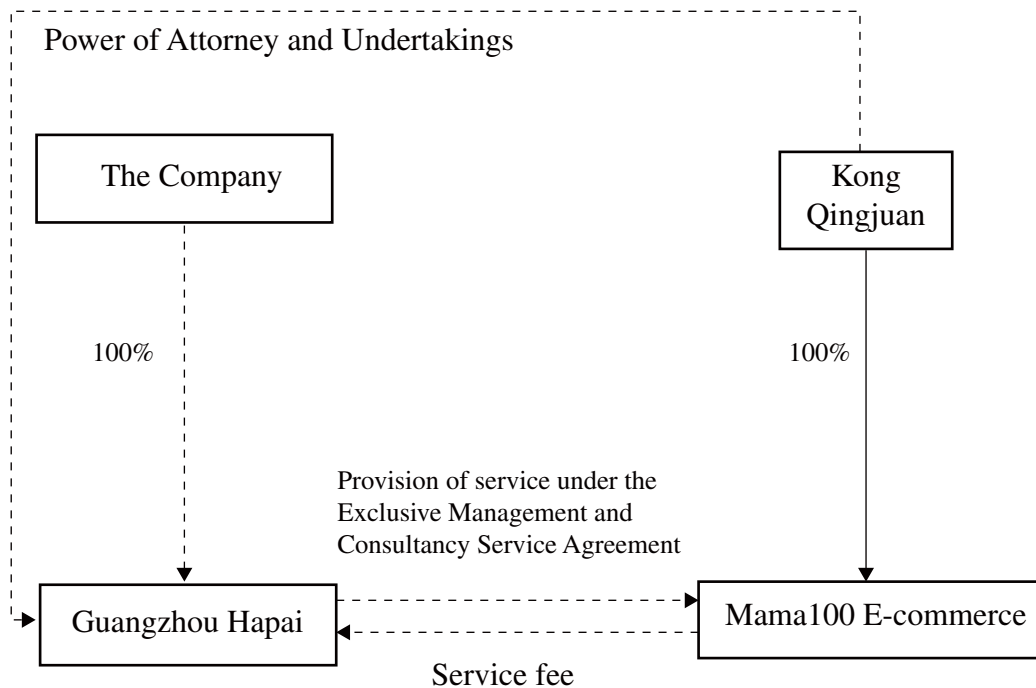
- Similar to the O2O Business model, customers of the Group place orders for the Group's products with any of Mama100 E-commerce's online platforms and make payments for these orders via online payment methods to the relevant member of the Group which will supply the products ordered.

- Mama100 E-commerce will electronically inform the Group of the orders taken from the customers.
- The Group will arrange delivery of the products ordered directly to the customers according to the orders taken through Mama100 E-commerce, either through the Company's subsidiary in the PRC to consumers in the PRC or through the Company's subsidiaries outside of the PRC to consumers in the PRC.

(the above business model is referred to as “**B2C Business**”)

Corporate Structure

The following chart illustrates the relationship among the Company, Guangzhou Hapai, Mama 100 E-commerce and its shareholder in relation to the 2019 Structure Contracts (after the completion of the Transfers).



Other information

Apart from Mama100 E-commerce, Guangzhou Hapai also generates intra-group revenue from any other subsidiaries of the Company by providing IT support to these subsidiaries. Other than revenue generated through Mama100 E-commerce, Guangzhou Hapai does not generate revenue from outside the Group.

As at the date of this announcement, Guangzhou Hapai has not encountered any interference or encumbrance from any governing bodies in operating its business through Mama 100 E-commerce under the 2019 Structure Contracts.

THE 2019 PLATFORM SERVICE AGREEMENT

Date

31 October 2019

Parties

- (1) The Company
- (2) Mama100 E-commerce

Term

Three years from the date of Commencement

Summary of terms of the 2019 Platform Service Agreement

On 31 October 2019, the Company and Mama100 E-commerce entered into the 2019 Platform Service Agreement, pursuant to which Mama100 E-commerce will provide the following services to the Company and its subsidiaries:

- (i) sales of goods for the Group's general trading and cross-border e-commerce through the internet;
- (ii) promotion of the Group's products in general trading and cross-border e-commerce through the internet;
- (iii) online-to-offline order delivery services for the Group's retail member stores;
- (iv) provision of internet platform for interaction among consumers.

In consideration of providing the above services, the Company will pay the following service fees to Mama100 E-commerce:

- (i) expenses incurred by Mama100 E-commerce in providing sales and promotion services to the Group;
- (ii) 1% settlement charge on sales of goods, representing the amount charged by the payment services utilized by Mama100 E-commerce;
- (iii) service fees as a percentage of the products sold on the internet platform(s) provided by Mama100 E-commerce, which is expected to be approximately 1.3% on average.

Pursuant to the 2019 Platform Service Agreement, the aggregate fees payable by the Group to Mama100 E-commerce for the services rendered under it must not exceed RMB11.1 million, RMB9.26 million, RMB10.2 million and RMB9.2 million, respectively, for the four years ending 31 December 2019^{Note 1}, 2020, 2021 and 2022^{Note 2}.

Notes:

- (1) Aggregated with fees payable under the 2016 Platform Service Agreement.
- (2) Up to the Expiry Date.

HISTORICAL TRANSACTION AMOUNTS AND ANNUAL CAPS

The aggregate maximum transaction amount (i.e. annual caps) in respect of and the actual amount transacted under the 2016 Structure Contracts and the 2016 Platform Service Agreement for the three years ended/ending 31 December 2017, 2018 and 2019 are as follows:

		Year ended/ending 31 December		
		2017	2018	2019
		<i>(in RMB)</i>	<i>(in RMB)</i>	<i>(in RMB)</i>
2016 Exclusive Management and Consultancy Service Agreement	<i>annual cap</i>	600,000	1,330,000	2,020,000
	<i>actual transaction amount</i>	Nil ^{Note 1}	Nil ^{Note 1}	1,092,842 ^{Note 2}
2016 Platform Service Agreement	<i>annual cap</i>	<u>12,480,000</u>	<u>16,810,000</u>	<u>22,250,000</u>
	<i>actual transaction amount</i>	<u>7,198,306</u>	<u>10,901,161</u>	<u>5,601,947^{Note 2}</u>
Total (on an aggregated basis)	<i>annual cap</i>	<u>13,080,000</u>	<u>18,140,000</u>	<u>24,270,000</u>
	<i>actual transaction amount</i>	<u>7,198,306</u>	<u>10,901,161</u>	<u>6,694,789^{Note 2}</u>

Notes:

- (1) During the years ended 31 December 2017 and 2018, Mama100 E-commerce recorded net losses, primarily due to the expenses needed to develop its e-commerce, and had no net profit to be remitted to Guangzhou Hapai. Thus no transaction amount was recorded under the 2016 Structure Contracts for the years ended 31 December 2017 and 2018.
- (2) Up to 30 June 2019.

The proposed annual caps (the “**Annual Caps**”) for the four years ending 31 December 2019, 2020, 2021 and 2022 (up to the Expiry Date) are expected to be as follows:

	Year ending 31 December			
	2019 <i>(in RMB)</i>	2020 <i>(in RMB)</i>	2021 <i>(in RMB)</i>	2022⁽³⁾ <i>(in RMB)</i>
Exclusive Management and Consultancy Service Agreement	4,400,000 ⁽¹⁾	3,540,000	3,900,000	3,600,000
2019 Platform Service Agreement	<u>11,100,000⁽²⁾</u>	<u>9,260,000</u>	<u>10,200,000</u>	<u>9,200,000</u>
Total (on an aggregated basis)	<u>15,500,000</u>	<u>12,800,000</u>	<u>14,100,000</u>	<u>12,800,000</u>

Notes:

- (1) The annual cap for the year ending 31 December 2019 is the aggregated annual caps for the transactions contemplated under the 2016 Exclusive Management and Consultancy Service Agreement and the Exclusive Management and Consultancy Service Agreement.
- (2) The annual cap for the year ending 31 December 2019 is the aggregated annual caps for the transactions contemplated under the 2016 Platform Service Agreement and the 2019 Platform Service Agreement.
- (3) Up to the Expiry Date.

Basis of calculation of Annual Caps

Exclusive Management and Consultancy Service Agreement

As the Company expects that in the three years ending 31 December 2019, any revenue generated by Mama100 E-commerce will need to be utilized to cover the operating cost of Mama100 E-commerce and to make necessary capital investments, it is expected that any service fees to be remitted by Mama100 E-commerce to Guangzhou Hapai under the Exclusive Management and Consultancy Service Agreement, if any, would not be substantial. The Annual Caps of the Exclusive Management and Consultancy Service Agreement are calculated with reference to the historical profit and loss of Mama100 E-commerce, the expected improvement in the business volume and profitability of Mama100 E-commerce for the three years ending 31 December 2021 and up to the Expiry Date.

Platform Service Agreement

The Annual Caps of the 2019 Platform Service Agreement are calculated based on the historical transaction amounts under the 2016 Platform Service Agreement, the prevailing market price, the scope of platform services and the estimated volume of the services to be provided by Mama100 E-commerce to the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The execution of the 2019 Structure Contracts and the Platform Service Agreement allows the Group to enhance the sales efficiency of the Group's products by baby specialty stores via the Internet at a low cost and accordingly substantially increase the sales volume of the Group's products to its distributors. Through co-operation with Mama100 E-commerce pursuant to the terms of the 2019 Structure Contracts, the Group is able to explore the e-commerce markets in China and make its distribution network more effective, thus strengthening the Group's market position in the adult and baby nutrition and care products markets.

In particular, the Group will continue to maintain financial and operational control of Mama100 E-commerce pursuant to the 2019 Structure Contracts, and the 2019 Platform Service Agreement will enable the Group to continue to enhance the sales efficiency of the Group's products and promotion via the internet.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mama100 E-commerce is owned as to 57.7% by Mr. Luo Fei, 26% by Mr. Wu Xiong, 11.9% by Mr. Chen Fufang and 4.4% by Ms. Kong Qingjuan. After the completion of the Transfers, Mama100 E-commerce will be 100% owned by Ms. Kong Qingjuan. Mr. Luo Fei is an executive Director of the Company. Ms. Kong Qingjuan is a director of Health and Happiness (H&H) China Limited (formerly known as Biostime Guangzhou), a subsidiary of the Company and certain other subsidiaries of the Company in the PRC, and therefore a connected person at the subsidiary level. Accordingly, Mama100 E-commerce is a connected person of the Company by virtue of it being an associate of Mr. Luo Fei before the completion of the Transfers, and an associate of Ms. Kong Qingjuan after the completion of the Transfers. Accordingly, the 2019 Structure Contracts, the 2019 Platform Service Contract and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Having considered that each of the 2019 Structure Contracts, the 2019 Platform Service Contract and the transactions contemplated thereunder has been entered into by the Group with the same party, namely, Mama100 E-commerce and/or Ms. Kong Qingjuan, and are for the same purpose of enabling the Group to conduct e-commerce activities for the Group's products, the Directors consider that each of the 2019 Structure Contracts, the 2019 Platform Service Contract and the transactions contemplated thereunder shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio (other than the profits ratio) in relation to the largest Annual Caps for the 2019 Structure Contracts, the 2019 Platform Service Contract and the transactions contemplated thereunder in aggregate is more than 0.1% but less than 5%, each of the 2019 Structure Contracts, the 2019 Platform Service Contract and the transactions contemplated thereunder fall within either Rule 14A.76(2) of the Listing Rules and is subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

FOREIGN INVESTMENT LAW OF THE PRC

Description of the Foreign Investment Law

On 15 March 2019, the foreign investment law (the “**Foreign Investment Law**”) was formally passed by the 13th National People’s Congress and will take effect on January 1, 2020. The Foreign Investment Law is the fundamental law for foreign investment in the PRC, which will replace the Law on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law on Sino-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign Owned Enterprise Law (《中華人民共和國外資企業法》) as the general law applicable for the foreign investment within the PRC.

Impact and Potential Consequences of the Foreign Investment Law on the 2019 Structure Contracts

The Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. Since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, administrative regulations and provisions of the State Council do not incorporate contractual arrangements as a form of foreign investment, then the Foreign Investment Law would not apply to, or have any impact on, the 2019 Structure Contracts, and it would not substantially change the identification of foreign investors in the context of foreign investment and the principle of recognition and treatment of contractual arrangements compared with the current PRC laws and regulations, therefore the 2019 Structure Contracts as a whole and each of the agreements comprising the 2019 Structure Contracts will not be affected and will continue to be legal, valid and binding on the parties.

However, the Foreign Investment Law stipulates that foreign investment includes “foreign investors investing in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council”. Therefore, it may be possible that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment. It is therefore uncertain as to (i) whether the 2019 Structure Contracts will be recognized as foreign investment, (ii) whether the 2019 Structure Contracts will be deemed to be in violation of the foreign investment access requirements, and (iii) how the above-mentioned Structure Contracts will be handled. Therefore, there is no guarantee that the 2019 Structure Contracts and the business of Mama100 E-commerce will not be materially and adversely affected in the future.

Potential Risks to the Group

In the extreme case scenario, we may be required to unwind the 2019 Structure Contracts and/or dispose of the Mama100 E-commerce. As a result, the Group may be required to dispose of the business under the 2019 Structure Contracts and will lose rights to receive the economic benefits from the Mama100 E-commerce, such that the financial results of the Mama100 E-commerce would no longer be consolidated into the Company's financial results and the Company will have to de-recognise assets and liabilities of the Mama100 E-commerce according to the relevant accounting standards.

Measures adopted by the Company to mitigate against any potential risk arising from the Foreign Investment Law

Since there are uncertainties with respect to the interpretation and implementation of the newly enacted Foreign Investment Law, the Board will closely monitor the development of the Foreign Investment Law with the help of the Company's PRC legal adviser, including but not limited to any new negative list issued by or approved to be issued by the State Council, or any future laws, administrative regulations or provisions prescribed by relevant governmental authorities. The Company will then discuss with its PRC legal adviser in order to assess any possible impact arising from the development of the Foreign Investment Law on the 2019 Structure Contracts and the business operation of the Group.

In case there would be material and adverse effect on the Group or the business of Mama100 E-commerce arising from the Foreign Investment Law, the Company will disclose, as soon as possible: (i) updates of material development to the Foreign Investment Law as and when it occurs; and (ii) specific measures taken by the Company to fully comply with the development to the Foreign Investment Law supported by a PRC legal opinion and any material impact of the development of the Foreign Investment Law on the Company's operations and financial position.

CONSIDERATION BY THE BOARD AND RECOMMENDATION BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Directors (including the independent non-executive Directors) consider that the Transactions:

- (i) have been entered into in the ordinary and usual course of business of the Company;
- (ii) have been conducted on normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole;
- (iii) the 2019 Structure Contracts are fundamental to the Company's e-commerce business legal structure and operations; and
- (iv) the Annual Caps for the four years ending 31 December 2019, 2020, 2021 and 2022 (up to the Expiry Date) are fair and reasonable.

Mr. Luo Fei, being a shareholder of Mama100 E-commerce before the completion of the Transfers and a Director, had abstained from voting on the Board resolutions in respect of the Transactions and the Annual Caps. Save for Mr. Luo Fei, none of the Directors has material interests in the Transactions. Except for Mr. Luo Fei, all the Directors (including all the independent non-executive Directors) voted unanimously to pass the resolutions in respect of the Transactions.

INFORMATION ON THE GROUP AND MAMA100 E-COMMERCE

Information on the Group

The Group is principally engaged in providing premium pediatric nutritional and baby care products in the PRC, including premium probiotic supplements for children, infant formulas, dried baby food products and baby care products for infants and children. Through the acquisitions of equity in Biostime Healthy Australia Holdings Pty Limited and its subsidiaries, the Group has repositioned itself as an all-round nutrition and care provider for the entire family, providing high-end pediatric and adult nutrition and care products through its established brands predominantly in China, Australia and New Zealand, and other countries around the world.

Guangzhou Hapai, as an indirect wholly-owned subsidiary of the Company, is principally engaged in provision of services in relation to information technology, advertisement planning, marketing and promotion.

Mama100 Hong Kong, as an indirect wholly-owned subsidiary of the Company, is principally engaged in investment holding, as well as holding of the relevant intellectual property rights used in the internet platforms operated by Mama100 E-commerce.

Information on Mama100 E-commerce

Mama100 E-commerce is a limited liability company established in the PRC on 8 November 2013. Before the Transfers, Mama100 E-commerce is owned as to 57.7% by Mr. Luo Fei, 26% by Mr. Wu Xiong, 11.9% by Mr. Chen Fufang and 4.4% by Ms. Kong Qingjuan. Upon completion of the Transfers, Mama100 E-commerce will be 100% owned by Ms. Kong Qingjuan. It is principally engaged in online sales and marketing of adult and baby nutrition and care products.

The Group would continue to maintain financial and operational control of Mama100 E-commerce through its relevant subsidiaries.

Definition

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

Term	Definition
“2014 Structure Contracts”	a series of contracts dated 27 June 2014 pursuant to which the Group was enabled to conduct e-commerce business through Mama100 E-commerce
“2016 Business Management Agreement”	the agreement dated 30 December 2016 entered into between Guangzhou Hapai, Mama100 E-commerce and Old Mama100 Shareholders, pursuant to which the Group will obtain the control of business and financial management of Mama100 E-commerce
“2016 Equity Interests Pledge Agreement”	the agreement dated 30 December 2016 entered into between Guangzhou Hapai and the Old Mama100 Shareholders, pursuant to which the entire registered capital of Mama100 E-commerce will be pledged to Guangzhou Hapai
“2016 Exclusive Call Option Agreement”	the agreement dated 30 December 2016 entered into between Guangzhou Hapai, Mama100 E-commerce and Old Mama100 Shareholders, pursuant to which Guangzhou Hapai will be entitled to, as and when permitted by applicable PRC laws and regulations, acquire all of the equity interest of Mama100 E-commerce
“2016 Exclusive Management and Consultancy Service Agreement”	the agreement dated 30 December 2016 entered into between Guangzhou Hapai and Mama100 E-commerce, pursuant to which Guangzhou Hapai has the exclusive right to provide certain management and consultancy services to Mama100 E-commerce
“2016 Platform Service Agreement”	the agreement dated 30 December 2016 entered into between the Company and Mama100 E-commerce, pursuant to which Mama100 E-commerce will provide e-commerce platform services to the Company and its subsidiaries
“2016 Power of Attorneys”	the power of attorneys dated 30 December 2016 signed by each of the Old Mama100 Shareholders pursuant to the Business Management Agreement

“2016 Structure Contracts”	collectively, the 2016 Exclusive Management and Consultancy Service Agreement, the 2016 Equity Interests Pledge Agreement, the 2016 Exclusive Call Option Agreement, the 2016 Business Management Agreement (including the 2016 Power of Attorneys and 2016 Undertakings), the 2016 Trademark License Agreement
“2016 Trademark License Agreement”	the agreement dated 30 December 2016 entered into between Mama100 Hong Kong and Mama100 E-commerce, pursuant to which Mama100 Hong Kong will license certain registered trademarks to Mama100 E-commerce
“2016 Undertakings”	the undertakings dated 30 December 2016 signed by each of the Old Mama100 Shareholders and his/her spouse pursuant to the Business Management Agreement
“2019 Platform Service Agreement”	the agreement dated 31 October 2019 entered into between the Company and Mama100 E-commerce, pursuant to which Mama100 E-commerce will provide e-commerce platform services to the Company and its subsidiaries
“2019 Structure Contracts”	collectively, the Exclusive Management and Consultancy Service Agreement, the Equity Interests Pledge Agreement, the Exclusive Call Option Agreement, the Business Management Agreement (including the Power of Attorneys and Undertaking), the Trademark License Agreement
“Announcement”	the announcement of the Company dated 30 December 2016 in relation to the 2016 Structure Contracts and the 2016 Platform Service Agreement
“Board”	the board of Directors of the Company
“Business Management Agreement”	the agreement dated 31 October 2019 entered into between Guangzhou Hapai, Mama100 E-commerce and Ms. Kong Qingjuan, pursuant to which the Group will obtain the control of business and financial management of Mama100 E-commerce
“Commencement”	the point in time at which the Guangzhou Huangpu AMR approves and issues the notice of approval in relation of the change of the sole shareholder and legal representative of Mama100 E-commerce to Ms. Kong Qingjuan
“Company”	Health and Happiness (H&H) International Holdings Limited (健合 (H&H) 國際控股有限公司), a limited liability incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange

“Directors”	the directors of the Company
“Equity Interests Pledge Agreement”	the agreement dated 31 October 2019 entered into between Guangzhou Hapai and Ms. Kong Qingjuan, pursuant to which the entire registered capital of Mama100 E-commerce will be pledged to Guangzhou Hapai
“Exclusive Call Option Agreement”	the agreement dated 31 October 2019 entered into between Guangzhou Hapai, Mama100 E-commerce and Ms. Kong Qingjuan, pursuant to which Guangzhou Hapai will be entitled to, as and when permitted by applicable PRC laws and regulations, acquire all of the equity interest of Mama100 E-commerce
“Exclusive Management and Consultancy Service Agreement”	the agreement dated 31 October 2019 entered into between Guangzhou Hapai and Mama100 E-commerce, pursuant to which Guangzhou Hapai has the exclusive right to provide certain management and consultancy services to Mama100 E-commerce
“Expiry Date”	the calendar day before the third anniversary of the date of the Commencement
“Group”	the Company and its Subsidiaries
“Guangzhou Hapai”	Guangzhou Hapai Information Technology Co., Ltd.* (廣州市合愛信息技術有限公司), a limited liability company established in the PRC on 29 January 2014 and an indirect wholly-owned subsidiary of the Company
“Guangzhou Huangpu AMR”	Guangzhou Huangpu Administration for Market Regulation* (廣州市黃埔區市場監督管理局)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mama100 E-commerce”	Guangzhou Mama100 E-commerce Limited (廣州市媽媽一百電子商務有限公司), a limited liability company established in the PRC on 8 November 2013
“Mama100 Hong Kong”	Mama100 Hong Kong Limited (媽媽一百香港有限公司), a limited liability company incorporated in Hong Kong on 25 September 2013 and an indirect wholly-owned subsidiary of the Company
“Old Mama100 Shareholders”	shareholders of Mama100 E-commerce before the completion of the Transfers, namely, Mr. Luo Fei, Mr. Wu Xiong, Mr. Chen Fufang and Ms. Kong Qingjuan

“Power of Attorney”	the power of attorney dated 31 October 2019 signed by Ms. Kong Qingjuan pursuant to the Business Management Agreement
“Share(s)”	ordinary shares of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	the period from the Commencement up to and including the Expiry Date
“Termination Agreements”	the respective agreements dated 31 October 2019 to terminate the 2016 Exclusive Management and Consultancy Service Agreement, the 2016 Equity Interests Pledge Agreement, the 2016 Exclusive Call Option Agreement, the 2016 Business Management Agreement, the 2016 Trademark License Agreement and the 2016 Platform Service Agreement
“Trademark License Agreement”	the agreement dated 31 October 2019 entered into between Mama100 Hong Kong and Mama100 E-commerce, pursuant to which Mama100 Hong Kong will license certain registered trademarks to Mama100 E-commerce
“Transactions”	the transactions contemplated under the 2019 Structure Contracts and the 2019 Platform Service Agreement
“Transfers”	the respective transfers of all their equity interests in Mama100 E-commerce by each of Mr. Luo Fei, Mr. Wu Xiong and Mr. Chen Fufang to Ms. Kong Qingjuan
“Undertaking”	the undertaking dated 31 October 2019 signed by Ms. Kong Qingjuan pursuant to the Business Management Agreement

The English translation of company names in Chinese marked with “” is for identification purpose only.*

By Order of the Board
Health and Happiness (H&H) International Holdings Limited
Luo Fei
Chairman

Hong Kong, 31 October 2019

As at the date of this announcement, the executive Directors of the Company are Mr. Luo Fei, Mrs. Laetitia Marie Edmee Jehanne ALBERTINI ep. GARNIER and Mr. Wang Yidong; the non-executive Directors of the Company are Dr. Zhang Wenhui and Mr. Luo Yun; and the independent non-executive Directors of the Company are Dr. Ngai Wai Fung, Mr. Tan Wee Seng and Professor Xiao Baichun.