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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**

SUMMARY

On 28 October 2022, Ms. Kong Qingjuan, the registered shareholder of Mama100 E-commerce (a controlled by the Company through a series of contractual arrangements), entered into an equity interest transfer agreement dated 28 October 2022, pursuant to which Ms. Kong Qingjuan agreed to transfer all her equity interest in Mama100 E-commerce to Ms. Yang Wenyun.

On the same day, the Group entered into the following agreements, which would take effect from the Commencement (i.e. when 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. Yang Wenyun):

1. the Termination Agreements with all other parties to the respective 2019 Structure Contracts and the 2019 Platform Service Agreement, pursuant to which the parties thereto agreed that the respective 2019 Structure Contracts and the 2019 Platform Service Agreement shall be terminated; and
2. the 2022 Structure Contracts and the 2022 Platform Service Agreement to continue its control of Mama100 E-commerce after the termination of the 2019 Structure Contracts and the 2019 Platform Service Agreement.

It is expected that the abovementioned notice of approval would be issued by the end of November 2022.

Background

Reference is made to the announcements (the “**Announcements**”) of the Company dated 30 June 2014, 20 November 2014, 30 December 2016 and 31 October 2019. As disclosed in the Announcements, the Group had entered into a series of contractual arrangements with Mama100 E-commerce and its shareholders in order to conduct e-commerce businesses through Mama100 E-commerce since June 2014. As at the date of this announcement, the sole registered shareholder of Mama100 E-commerce was Ms. Kong Qingjuan. The 2019 Structure Contracts and 2019 Platform Service Agreement, which became effective on 13 November 2019, were the last set of such contractual arrangements prior to the 2022 Structure Contracts and the 2022 Platform Service Agreement.

On 28 October 2022, Ms. Kong Qingjuan, the sole registered shareholder of Mama100 E-commerce, entered into an equity interest transfer agreement dated 28 October 2022, pursuant to which Ms. Kong Qingjuan agreed to transfer all her equity interest in Mama100 E-commerce to Ms. Yang Wenyun.

On the same day, the Group entered into the following agreements, which would take effect from the Commencement (i.e. when 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. Yang Wenyun):

1. the Termination Agreements with all other parties to the respective 2019 Structure Contracts and the 2019 Platform Service Agreement, pursuant to which the parties thereto agreed that the respective 2019 Structure Contracts and the 2019 Platform Service Agreement shall be terminated; and
2. the 2022 Structure Contracts and the 2022 Platform Service Agreement to continue its control of Mama100 E-commerce after the termination of the 2019 Structure Contracts and the 2019 Platform Service Agreement.

Pursuant to the 2022 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) Ms. Yang Wenyun does not obtain or receive any financial or commercial benefits from her interest in Mama100 E-commerce under the 2022 Structure Contracts despite holding direct or indirect equity interests in Mama100 E-commerce.

The 2022 Structure Contracts

Each of the 2022 Structure Contracts is dated 28 October 2022, which would take effect from the Commencement (i.e. when 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. Yang Wenyun). Each of the 2022 Structure Contracts will come into force from the Commencement until terminated by the parties thereto.

The parties to and summary of major provisions of the 2022 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 would be entitled to charge Mama100 E-commerce quarterly for service fees at a range of 90% to 100% of the total amount of retained 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 retained 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 retained profit of Mama100 E-commerce should be paid to Guangzhou Hapai. The reason for leaving a maximum of 10% of the total amount of retained 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. Yang Wenyun, Ms. Yang Wenyun would agree 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. Yang Wenyun, Guangzhou Hapai would be 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. Yang Wenyun 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. Yang Wenyun, among other things, during the Term:

- (i) Ms. Yang Wenyun 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. Yang Wenyun 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. Yang Wenyun 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 Undertakings

Pursuant to the Business Management Agreement, Ms. Yang Wenyun executed a Power of Attorney dated 28 October 2022 pursuant to which she irrevocably authorized Guangzhou Hapai to, among other things:

- (i) exercise all 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. Yang Wenyun executed the Undertaking dated 28 October 2022 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 2022 Structure Contracts;
- (ii) her 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 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.

The spouse of Ms. Yang Wenyun also executed the Spouse Undertaking dated 28 October 2022 pursuant to which he irrevocably undertook, among other things, that:

- (i) the equity interest in Mama100 E-commerce held by Ms. Yang Wenyun does not form part of the community property; and
- (ii) any income arising in relation to such equity interest in Mama100 E-commerce shall be solely owned and disposed by Ms. Yang Wenyun and he will neither claim any rights to such income, nor participate in the management of the business operation of Mama100 E-commerce.

(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 2022 Structure Contracts

Authorization to obtain assets of Mama100 E-commerce

Pursuant to the Business Management Agreement, Ms. Yang Wenyun 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. Yang Wenyun as the shareholder 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, Jingtian & Gongcheng, the Business Management Agreement includes the guarantee by Ms. Yang Wenyun 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 2022 Structure Contracts, any dispute arising from the validity, interpretation and performance of the 2022 Structure Contracts among 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 2022 Structure Contracts also provide that pending formation of the arbitral tribunal or in appropriate cases, the courts of Hong Kong SAR, 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, Jingtian & Gongcheng, 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 SAR and the Cayman Islands may not be recognizable or enforceable in the PRC.

Conflict of interests

The Company confirms that appropriate arrangements have been made to address the potential conflict of interests between Ms. Yang Wenyun and the Group. In particular, the Undertaking executed by Ms. Yang Wenyun 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. Wang Yidong, an 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 2022 Structure Contracts

The 2022 Structure Contracts shall be in force until terminated by the Company.

Legality and Enforceability of the 2022 Structure Contracts

Save as disclosed under the section headed “Risks involved in the 2022 Structure Contracts”, the Group’s PRC legal advisor, Jingtian & Gongcheng, confirmed that (i) the 2022 Structure Contracts are not in violation of the mandatory provisions of 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; and (iii) the 2022 Structure Contracts do not fall within the circumstances as stipulated in the Civil Code of the PRC which may render the 2022 Structure Contracts be considered void thereunder.

In addition, pursuant to the Power of Attorney and the Undertakings, 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 2022 Structure Contracts.

As advised by the legal advisor of the Company as to the laws of the PRC, Jingtian & Gongcheng, other than the Arbitral Award Provisions and the Interim Remedies Provisions, which may not be enforced under the relevant laws of the PRC, the contractual rights and obligations under the 2022 Structure Contracts are enforceable under PRC laws. Based on the above legal advice from Jingtian & Gongcheng, the Directors believe that, other than the Arbitral Award Provisions and the Interim Remedies Provisions, each of the 2022 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 2022 Structure Contracts and the legal opinion provided by the Company's PRC legal advisor, Jingtian & Gongcheng, 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 2022 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. Yang Wenyun 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 Company's PRC legal advisor, Jingtian & Gongcheng has further advised that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations, which are subject to the discretion of competent PRC legislative, administrative and judicial authorities, and accordingly, there can be no assurance that the PRC regulatory authorities will ultimately take a view that is consistent with the opinion of the Company's PRC legal advisor, Jingtian & Gongcheng. Further, the 2022 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 2022 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 2022 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 2022 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 2022 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 2022 Structure Contracts and the Group has applied its internal control processes and procedures to Mama100 E-commerce. In particular, pursuant to the 2022 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.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTIONS

Overview

Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2021 Edition) (外商投資准入特別管理措施(負面清單)(2021年版)) (the “**Negative List**”) and the Catalog of Industries for Encouraging Foreign Investment (2020 Edition) (鼓勵外商投資產業目錄(2020年版)) (the “**Encouraging Catalog**”), which were promulgated and are amended from time to time jointly by the Ministry of Commerce of the PRC (中華人民共和國商務部) and the National Development and Reform Commission (中華人民共和國發展與改革委員會). The Negative List and the Encouraging Catalog divide industries into three categories in terms of foreign investment, namely, “encouraged”, “restricted” and “prohibited”. Industries not listed in the Negative List and the Encouraging Catalog are generally deemed as falling into the fourth category “permitted”.

Pursuant to the Negative List, provision of value-added telecommunications services falls within the “restricted” category. As such, the shareholding percentage of a foreign investor in companies engaged in value-added telecommunications services shall not exceed 50%. Moreover, pursuant to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法), a provider of “operational internet information services” (namely services involving the provision of information or website-design services through the internet to internet-users for a fee) is required to obtain an ICP License. In addition, certain qualification requirements under the FITE Regulations would apply to such foreign investors which made direct ownership in the relevant PRC entities holding an ICP License infeasible.

Mama100 E-commerce holds an ICP License for the operation of value-added telecommunication services. Due to ownership restrictions and qualification requirements in the PRC applicable to foreign investors, the Group is not able to hold the equity interest of Mama100 E-commerce directly.

Qualification requirements under the FITE Regulations

On 11 December 2001, the State Council promulgated the FITE Regulations, which were amended on 10 September 2008 and 6 February 2016. Pursuant to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services.

On 29 March 2022, the State Council promulgated Decision of the State Council to Amend and Repeal Certain Administrative Regulations (2022) (the “**2022 Amendment Decision**”) which took effect on 1 May 2022. Among others, the 2022 Amendment Decision repealed the requirement that the main foreign investor who invests in a value-added telecommunications business, in the PRC must possess prior experience overseas in operating value-added telecommunications businesses and a proven track record (the “**Qualification Requirements**”) previously in the FITE Regulations. The Group’s PRC legal advisor, Jingtian & Gongcheng, is of the opinion that the relevant government authorities have not yet issued a clear interpretation or guidance for foreign invested corporation to obtain ICP Licenses and it remains uncertain for foreign invested corporation to obtain ICP Licenses despite the 2022 Amendment Decision.

On the basis of the above, we are of the view that the Contractual Arrangements are narrowly tailored and we are therefore required to carry out our value-added telecommunication services through the Contractual Arrangements.

Unwinding the 2022 Structure Contracts

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 2022 Structure Contracts in whole or in part, the Group will fully or partially (as the case may be) unwind the 2022 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 to the extent permitted under all the applicable laws, rules and regulations.

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 which became effective on 1 January 2020. The Foreign Investment Law is the fundamental law for foreign investment in the PRC, which replaced 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 2022 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 2022 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 2022 Structure Contracts as a whole and each of the agreements comprising the 2022 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 2022 Structure Contracts will be recognized as foreign investment, (ii) whether the 2022 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 2022 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 2022 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 2022 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 2022 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 or other relevant PRC laws and regulations or the interpretations, 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.

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 2022 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, 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.

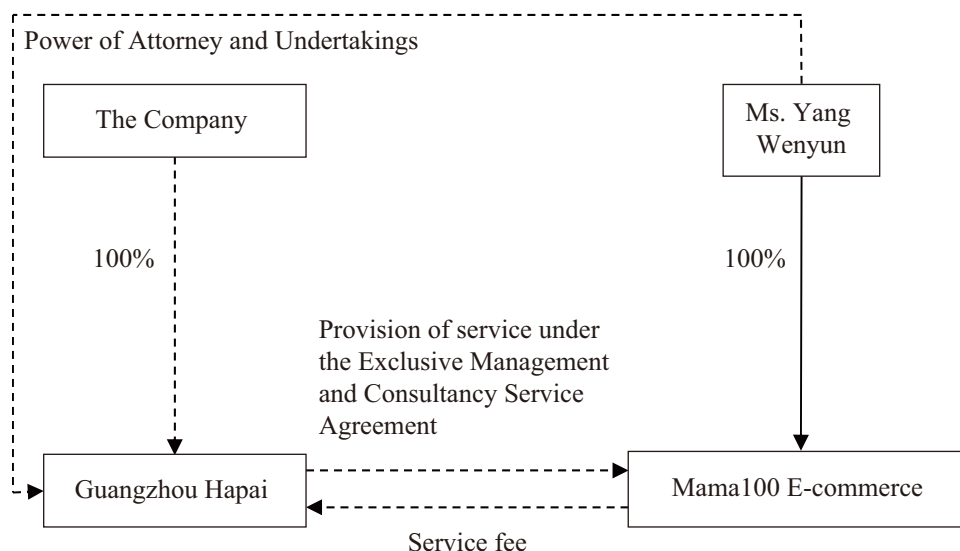
(the above business model is referred to as “**O2O Business**”)

Mama100 E-commerce also maintained 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.

Corporate Structure

The following chart illustrates the relationship among the Company, Guangzhou Hapai, Mama100 E-commerce and its shareholder in relation to the 2022 Structure Contracts (after the completion of the Transfer).



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 Mama100 E-commerce under contractual arrangements.

THE 2022 PLATFORM SERVICE AGREEMENT

Date

28 October 2022

Parties

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

Term

From Commencement until termination

Summary of terms of the 2022 Platform Service Agreement

The Company and Mama100 E-commerce entered into the 2022 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; and (v) other platform services requested by the Company.

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; and (ii) 1.3% settlement charge on sales of goods, representing the amount charged by the payment services utilized by Mama100 E-commerce.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS CONTEMPLATED UNDER THE 2022 STRUCTURE CONTRACTS AND THE 2022 PLATFORM SERVICE AGREEMENT

The 2022 Structure Contracts and the 2022 Platform Service Agreement would allow 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 2022 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 baby, adult and pet nutrition and care products markets. In particular, the Group will continue to maintain financial and operational control of Mama100 E-commerce pursuant to the 2022 Structure Contracts, and the 2022 Platform Service Agreement will enable the Group to continue to enhance the sales efficiency of the Group's products and promotion via the internet.

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the 2022 Structure Contracts and the 2022 Platform Service Agreement:

- (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; and
- (iii) the 2022 Structure Contracts are fundamental to the Company's e-commerce business legal structure and operations.

None of the Directors has material interests in the transactions contemplated under the 2022 Structure Contracts and the 2022 Platform Service Agreement. Accordingly, all the Directors (including all the independent non-executive Directors) voted unanimously to pass the resolutions in respect of the transactions contemplated under the 2022 Structure Contracts and the 2022 Platform Service Agreement.

LISTING RULES IMPLICATIONS

Prior to the completion of the Transfer, Mama100 E-commerce, as an associate of Ms. Kong Qingjuan, who is a director of certain subsidiaries of the Company, is a connected person of the Company at the subsidiary level. After the completion of the Transfer, upon which the 2022 Structure Contracts and the 2022 Platform Service Agreement will come into effect, Mama100 E-commerce will be 100% owned by Ms. Yang Wenyun. Ms. Yang Wenyun is the company secretary of the Company, a full-time employee of the Group, and the supervisors of several subsidiaries of the Company in the PRC. Save as disclosed above, Ms. Yang Wenyun has no other relationships with the Group nor its connected persons. Accordingly, Ms. Yang Wenyun is not a connected person of the Company and upon completion of the Transfer, Mama100 E-commerce will cease to be a connected person of the Company as it will no longer be an associate of a connected person of the Company. Accordingly, the 2022 Structure Contracts, the 2022 Platform Service Contract, and the transactions contemplated thereunder would not be continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company will continue to comply with the requirements under the Listing Rules and the Stock Exchange's guidance letters as issued, amended and supplemented from time to time regarding contractual arrangements in respect of the 2022 Structure Contracts and the 2022 Platform Service Agreement.

INFORMATION ON THE GROUP AND MAMA100 E-COMMERCE

Information on the Group

The Group is principally engaged the manufacture and sale of premium pediatric nutrition and baby care products, adult nutrition and care products and pet nutrition and care products.

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 Transfer, Mama100 E-commerce is 100% owned by Ms. Kong Qingjuan. Upon completion of the Transfer, Mama100 E-commerce will be 100% owned by Ms. Yang Wenyun. 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
“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”	a series of contracts dated 31 October 2019 pursuant to which the Group was enabled to conduct e-commerce business through Mama100 E-commerce
“2022 Platform Service Agreement”	the agreement dated 28 October 2022 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

“2022 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
“Board”	the board of Directors of the Company
“Business Management Agreement”	the agreement entered into between Guangzhou Hapai, Mama100 E-commerce and Ms. Yang Wenyun, 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. Yang Wenyun
“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 28 October 2022 entered into between Guangzhou Hapai and Ms. Yang Wenyun, pursuant to which the entire registered capital of Mama100 E-commerce will be pledged to Guangzhou Hapai
“Exclusive Call Option Agreement”	the agreement dated 28 October 2022 entered into between Guangzhou Hapai, Mama100 E-commerce and Ms. Yang Wenyun, 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 28 October 2022 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
“FITE Regulations”	Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) promulgated by the State Council on 11 December 2001 and last amended on 29 March 2022

“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)
“Jingtian & Gongcheng”	Beijing Jingtian & Gongcheng (Guangzhou) Law Office
“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
“Power of Attorney”	the power of attorney to be signed by Ms. Yang Wenyun pursuant to the Business Management Agreement
“PRC” or “China”	the People's Republic of China. When used in the context of laws, rules and/or regulations of “China” or the “PRC”, it only refers to such laws, rules and/or regulations of mainland China
“Share(s)”	ordinary shares of HK\$0.01 each in the capital of the Company
“Spouse Undertaking”	the undertaking dated 28 October 2022 signed by the spouse Ms. Yang Wenyun pursuant to the Business Management Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	the period from the Commencement until termination
“Termination Agreements”	the respective agreements to terminate the 2019 Exclusive Management and Consultancy Service Agreement, the 2019 Equity Interests Pledge Agreement, the 2019 Exclusive Call Option Agreement, the 2019 Business Management Agreement, the 2019 Trademark License Agreement and the 2019 Platform Service Agreement

“Termination Date”	the date on which the Termination of the 2022 Structure Contracts becomes effective
“Trademark License Agreement”	the agreement dated 28 October 2022 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
“Transfer”	the transfer of all her equity interest in Mama100 E-commerce by Ms. Kong Qingjuan to Ms. Yang Wenyun
“Undertaking”	the undertaking dated 28 October 2022 signed by Ms. Yang Wenyun pursuant to the Business Management Agreement
“Undertakings”	the Undertaking and the Spouse Undertaking

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, 28 October 2022

As at the date of this announcement, the executive directors of the Company are Mr. Luo Fei, Mrs. Laetitia Albertini 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 Mr. Tan Wee Seng, Mrs. Lok Lau Yin Ching and Mr. Wang Can.