Yestar Healthcare Holdings Company Limited

巨星醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2393)

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

ACQUISITION OF 20% EQUITY INTERESTS IN GUANGZHOU HONGEN MEDICAL DIAGNOSTIC TECHNOLOGIES COMPANY LIMITED* THROUGH DISPOSAL OF ASSETS

Reference is made to the announcement of the Company dated 13 October 2016 in relation to the acquisition of 70% equity interests in Guangzhou Hongen Medical Diagnostic Technologies Company Limited* (the "**Target Company**"). The aforesaid acquisition was completed in January 2017.

Pursuant to the Previous Share Transfer Agreement, which stated that should the audited net profit of the Target Company for the three years ended 31 December 2019 be able to reach the annual guarantee profit (the "**Annual Guarantee Profit**") as specified in the Previous Share Transfer Agreement, the Purchaser is obligated to acquire the remaining 30% equity interests of the Target Company at a consideration calculated according to 30% of 10 times price to the net profit of the Target Company for the year ended 31 December 2019 audited by the auditor appointed by the Purchaser (up to a maximum consideration of RMB270.0 million).

Despite the fulfillment of the profit guarantee of the Target Company for the three years ended 31 December 2019 as specified in the Previous Share Transfer Agreement, the Purchaser intended to enter into a separate Share Transfer Agreement to acquire 20% equity interests in the Target Company. On the date of the signing of the Share Transfer Agreement, the obligation to acquire the remaining 30% equity interests of the Target Company as stated in the Previous Share Transfer Agreement shall release and all other terms remain valid, especially the Annual Guarantee Profit. In case of any inconsistency, the Share Transfer Agreement shall prevail over the Previous Share Transfer Agreement. As such, the transaction would reduce the liabilities and increase the equity of the Group as a whole.

On 27 March 2020 (after trading hours of the Stock Exchange), the Purchaser, the Vendors and the Target Company entered into the Share Transfer Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendors conditionally agreed to sell 20% equity interests in the Target Company. The Consideration of the Acquisition is that the Target Company shall transfer to Bolang Health its entire existing tissue diagnostic business of the distribution of the Roche Diagnostic Products in the Designated Area, with market value amounted to RMB77 million based on the Valuation prepared by the Valuer, through the entering into the New Dealership Agreement (the "**Disposal**").

As at the date of this announcement, the Target Company is a 70% indirect non wholly-owned subsidiary of the Company. Upon Completion of the Acquisition, the Target Company is a 90% non wholly-owned subsidiary of the Company. The Completion of the Acquisition is subject to the fulfillment or waiver (as the case may be) of certain conditions precedent as set out in the paragraph headed "Conditions Precedent" below.

As all the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition and the Disposal are less than 5%, the Acquisition and the Disposal do not constitute any discloseable transactions of the Company and no disclosure requirement under Chapter 14 of the Listing Rules.

CONNECTED TRANSACTION

As at the date of this announcement, the Target Company is an indirect non wholly-owned subsidiary of the Company. Mr. Ma, being a substantial shareholder of the Target Company holding approximately 15.855% of its equity interest, together with the Vendors (other than Mr. Ma) holding an aggregate of 30% equity interest in the Target Company, is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. The Vendors are not substantial shareholders of the Company (as defined under the Listing Rules) as at the date of this announcement.

Since the Acquisition has been entered into between the Purchaser, a wholly owned subsidiary of the Company, and the Vendors, namely Mr. Ma, who is a connected person of the Company at the subsidiary level on normal commercial terms or better, and the highest applicable percentage ratio in respect of the connected transaction is more than 0.1% but less than 5%, the Company is required to comply with the reporting and announcement requirements but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

CONTINUING CONNECTED TRANSACTION

On 27 March 2020 (after trading hours of the Stock Exchange), the Purchaser, the Vendors, the Target Company and Bolang Health entered into the Dealership Agreement to govern the on-going transactions between the Target Company and Bolang Health.

Pursuant to the Share Transfer Agreement, the Target Company shall transfer to Bolang Health its entire existing tissue diagnostic business of the distribution of the Roche Diagnostic Products in the Designated Area (Guangdong province in the PRC) by entering into the New Dealership Agreement. Pursuant to the Dealership Agreement, the Target Company shall procure Bolang Health to sign the New Dealership Agreement and Roche Authorisation Letter with Roche based on the contents of the existing distribution agreement entered into between the Target Company and Roche, making Bolang Health to become the primary authorised distributor of Roche upon Completion.

During the period from the Effective Date of the Dealership Agreement to the date on which Bolang Health formally signs the New Dealership Agreement and Roche Authorisation Letter with Roche, the Target Company will back to back supply products to Bolang Health (at the same price as the Target Company purchased such products from Roche) to enable Bolang Health to sell Roche Diagnostics Products to its customers until the formal signing of the New Dealership Agreement and Roche Authorisation Letter with Roche.

As disclosed above, Mr. Ma is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. As at the date of this announcement, Mr. Ma is also the ultimate beneficial and legal owner holding 100% equity interests in the capital of Bolang Health, Bolang Health is an associate of Mr. Ma. Therefore the transaction contemplated under the Dealership Agreement with Bolang Health will also constitute continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

Since the Dealership Agreement has been entered into between the Target Company, a non wholly-owned subsidiary of the Company, and Bolang Health, an associate of Mr. Ma, connected person of the Company, at the subsidiary level on normal commercial terms or better, and the highest applicable percentage ratio in respect of the continuing connected transaction is more than 0.1% but less than 5%, the Company is required to comply with the reporting, announcement and annual review requirements but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

The Board of Directors has approved the Share Transfer Agreement, the Acquisition, the Disposal and the Dealership Agreement contemplated thereunder, and the Directors (including the independent non-executive Directors) have confirmed and considered that the transactions contemplated under the Share Transfer Agreement and the Dealership Agreement have been subject to arm's length negotiation between the Purchaser, the Vendors, the Target Company and Bolang Health, and have been entered into by the Target Company in the ordinary and usual course of business and on normal commercial terms or better and which are no less favourable to the Target Company than those available to or from Independent Third Parties and are of the view that the transactions contemplated under Dealership Agreement and the proposed maximum caps for an amount of RMB75 million for the period ending 31 December 2020 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors has interest in the transactions contemplated thereto and hence, no Director of the Company is required to abstain from voting on the Board resolutions.

As the Acquisition is subject to the conditions precedent set out in the Share Transfer Agreement being satisfied or waived (as the case may be), and the Acquisition may or may not proceed to Completion, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

On 27 March 2020 (after trading hours of the Stock Exchange), the Purchaser, the Vendors and the Target Company entered into the Share Transfer Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendors conditionally agreed to sell 20% equity interests in the Target Company. The Consideration of the Acquisition is that the Target Company shall transfer to Bolang Health its existing tissue diagnostic business of the distribution of the Roche Diagnostic Products in the Designated Area (Guangdong province), with market value amounted to RMB77 million, through the entering into the New Dealership Agreement, based on the Valuation prepared by the Valuer, which was arrived based on 70% of the entire existing tissue diagnostic business currently owned by the Target Company amounted to RMB110 million.

The Valuer is an Independent Third Party.

THE SHARE TRANSFER AGREEMENT

Date:

27 March 2020

Parties to the Acquisition Agreement:

(i) Mr. Wang Kaijun, Mr. Zhang Shuqiang, Ms. Song Yalin and Mr. Ma Boming, together as the Vendors;

(ii) Guangxi Yestar Medical Equipment Co., Ltd*, a wholly-owned subsidiary of the Company, as the Purchaser; and

(iii) The Target Company is owned by Mr. Wang, Mr. Zhang, Ms. Song and Mr. Ma as to 3.579%, 3.966%, 6.600% and 15.855% respectively as at the date of this announcement.

Interests to be acquired of under the Acquisition

Pursuant to the Share Transfer Agreement, the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell 20% equity interests in the Target Company, of which 2.386%, 2.644%, 4.400% and 10.570% shall be acquired from Mr. Wang, Mr. Zhang, Ms. Song and Mr. Ma, respectively. Upon Completion of the Acquisition, the Target Company will become a 90% non wholly-owned subsidiary of the Company.

Consideration

The Consideration of the Acquisition is RMB77 million, which is based on the Valuation prepared by the Valuer and will be settled through the transfer of the entire existing tissue diagnostic business currently owned by the Target Company in respect of the distribution of the Roche Diagnostic Products in the Designated Area to Bolang Health. The Consideration as well as the settlement method of the Consideration were determined after arm's length negotiations between the parties with reference to the Valuation. According to the Valuation prepared by the Valuer by adopting the market approach, the value of the Consideration for the Acquisition and the disposed business amounted to RMB77 million as at 31 December 2019, which was arrived based on 70% of the entire existing tissue diagnostic business currently owned by the Target Company in Guangdong province amounted to RMB110 million.

The value of 20% equity interest of the Target Company is RMB84 million as at 31 December 2019, which is based on the Valuation prepared by the Valuer by adopting the market approach upon deduction on its respective market value amounted to 20% of its entire existing tissue diagnostic business in Guangdong province to be disposed of.

Basis of Opinion and Assumption of Valuation

The Valuation has conducted with reference to the International Valuation Standards issued by the International Valuation Standards Council and the following factors form an integral part of the basis of opinion:

(i) The economic outlook in general;

(ii) The nature of business and historical financial performance of tissue diagnostic business of the distribution;

(iii) Consideration and analysis on the micro and macro economy affecting the subject business; and

(iv) Other operational and market information in relation to the tissue diagnostic business of the distribution.

In determining the market value of the entire existing tissue diagnostic business of the distribution of the Roche Diagnostic Products in Guangdong province in the PRC, the following key assumptions were made:

(i) There will be no material changes in the international financial environment, global economic environment and national macroeconomic conditions, and that there will be no material change in the political, economic and social environment in which the appraised entity operates;

(ii) The accuracy of the financial and operational information provided to the Valuer by the Company and relied to a considerable extent on such information in arriving at the opinion of value; and

(iii) There are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value.

Conditions Precedent

(i) the Dealership Agreement having been signed by all parties in respect of the transfer of the business of the distribution of the Roche Diagnostic Products to Bolang Health in Designated Area stated under the Share Transfer Agreement;

(ii) there being no change in the principal businesses of the Target Company;

(iii) there being no material adverse change in the composition and positions of the assets of the Target Company, no event that may have material adverse impact on the trading and financial positions, prospects, assets or obligations of the Target Company, no circumstances that may lead to the termination of the operation of the Target Company, and no charge, pledge, sequestration, seizure or other encumbrance or third-party interest over its 20% equity interest;

(iv) the representations and warranties under the Share Transfer Agreement having been performed and complied with in all material aspects by the parties to the Share Transfer Agreement;

(v) the shareholders resolutions approving the transfer of the 20% equity interest having been passed and the completion of distribution of the accumulated undistributed profits from 1 January 2017 to 31 December 2019 in proportion to their respective shareholdings within three years from date of the general meeting of the shareholders of the Target Company having been concluded;

(vi) the articles of association of the Target Company having been signed by the Purchaser and the Vendors;

(vii) if necessary, the written shareholders' approval of the acquisition of the 20% equity interests in the Target Company and the signing of the Dealership Agreement having been obtained from the Shareholders of the Company (or a closely allied group of Shareholders) who hold more than 50% of the nominal value of all the Shares of the Company; and

(viii) if necessary, all necessary approvals and consents required under applicable laws and regulations (including the Listing Rules) having been obtained by the Company in respect of the transactions contemplated under the Share Transfer Agreement.

Fulfilment of each of the above conditions precedent shall be subject to the review and approval by all the relevant parties or shall be waived by the relevant parties in writing, if applicable. The completion date of the conditions precedent shall be the date on which all the conditions precedent are fulfiled.

Completion

The Completion Date shall be the date of fulfilment on which the following have been duly completed:

(i) the registration and filing procedures for change of industrial and commercial departments of the Target Company for the transfer of its 20% equity interests;

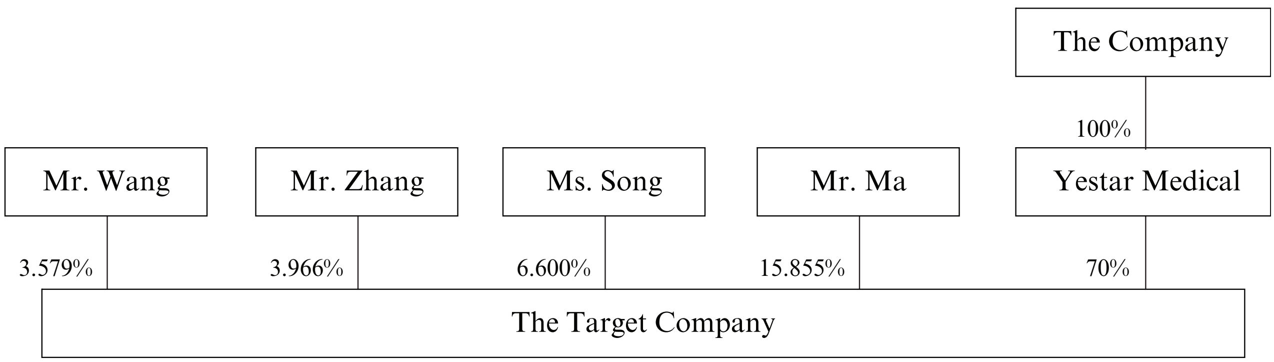
(ii) the amendment of the register of shareholders and articles of association of the Target Company; and

(iii) fulfilment or waived of each of the above conditions precedent.

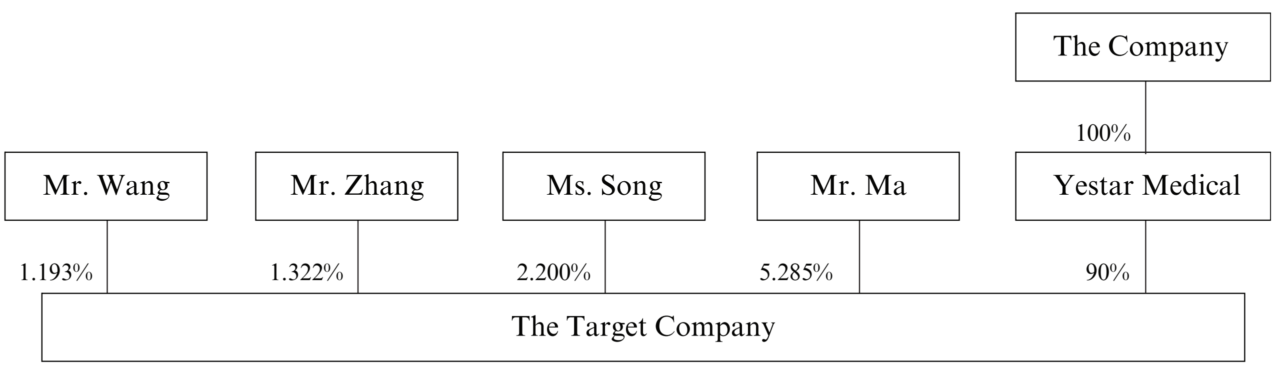
Shareholding of the Target Company before and immediately upon Completion

The shareholding structure of the Target Company before and after the Completion is set out below:

Before Completion



After Completion



Non-competition restrictions

(i) The Purchaser and the Target Company undertake that unless otherwise agreed by all the parties to the Share Transfer Agreement, the Purchaser and the Target Company shall not commence directly or indirectly any business in respect to the distribution of the Roche Diagnostic Products in Designated Area during the term of the Dealership Agreement and as long as Bolang Health is the official and authorised distributor of Roche without the written consent of the Vendors. Unless a prior written consent is obtained from the Vendors and Bolang Health, the Purchaser and the Target Company shall not employ any staff (full-time or part-time) of Bolang Health;

(ii) The Vendors undertake that should Bolang Health disposes of the business of the distribution of the Roche Diagnostic Products under the New Dealership Agreement in the future, the Purchaser and the Target Company shall enjoy the right of first refusal under the same conditions; and

(iii) Unless otherwise agreed by the parties, the Vendors undertake that without the written consent of the Purchaser, the Vendors and Bolang Health shall not commence directly or indirectly any business in respect to the distribution of the Roche Diagnostic Products in Designated Area during the term of the Dealership Agreement and as long as Bolang Health is the official and authorised distributor of Roche and shall not hold shares in any entity with a business that competes with the Target Company's Roche product related business, acting as a director, supervisor, consultant or having any forms of engagement with any entities engaging in Roche product related businesses of the Target Company. Unless a prior written consent is obtained from the Purchaser and the Target Company, the Vendors and Bolang Health shall not employ any staff (full-time or part-time) of the Purchaser and the Target Company.

Distributable profits

The parties have unanimously agreed that the accumulated undistributed profits of the Target Company from 1 January 2017 to 31 December 2019 shall be entitled as to 70% and 30% by the Purchaser and the Vendors respectively. The parties have further agreed that the distribution of such accumulated undistributed profits shall be completed within three years from the date of approval from shareholders of the Target Company. The Purchase and the Vendors shall be entitled to 90% and 10% of profits generated by the Target Company respectively after 31 December 2019.

BASIS OF CONSIDERATION

The Consideration of the Acquisition as well as the settlement method of the Consideration were determined based on the Valuation prepared by the Valuer, by adopting the market approach following commercial negotiations between the parties on an arm's length basis with reference to various factors, including but not limited to the Valuation prepared by the Valuer, the cash flow and liquidity of the Company.

The Directors consider that the Consideration is fair and reasonable. The Group will settle the Consideration through the transfer of its existing tissue diagnostic business in Guangdong province currently owned by the Target Company to Bolang Health in respect of the distribution of the Roche Diagnostic Products in the Designated Area through the entering into the New Dealership Agreement which amounted to RMB77 million.

FINANCIAL EFFECTS OF BUSINESS DISPOSAL

Upon Completion, the Target Company will be a 90% indirectly non wholly-owned subsidiary of the Company and no longer hold the existing tissue diagnostic business in respect of the distribution of the Roche Diagnostic Products in the Designated Area, which will lead to the decrease in revenue and net profit of the Target Company to the extent of its related existing tissue diagnostic business. After taking into account the consolidation of financial information from the Target Company, the sharing of actual net profit generated and distributed to the Group increased to 90% rather than 70% interests by the Target Company, it is expected that the Group will have no significant gain or loss from the Acquisition through the disposal of the existing tissue diagnostic business. The Directors also do not anticipate that the Disposal will have a significant negative impact on the business and performance of the Group.

INFORMATION OF THE GROUP AND REASONS FOR AND BENEFITS OF THE ACQUISITION THROUGH THE DISPOSAL OF ASSETS

1. The Group is the largest distributor of Fujifilm products and one of the largest distributors of Roche Diagnostics in the PRC. The Group has been transformed itself into a high margin medical consumables manufacturer and distributor in the PRC since 2014. Targeting the booming domestic healthcare industry, the core business of the Group focuses on high margin and fast-moving healthcare consumables namely, IVD products and medical imaging products.

2. The Consideration of the Acquisition is to transfer the entire existing tissue diagnostic business of the distribution of the Roche Diagnostic Products of the Target Company in the Designated Area to Bolang Health through entering into the New Dealership Agreement, which is not only strengthen the free cash flow and liquidity of the Company as the Company is not required to pay the Consideration in cash for the Acquisition but also sustain the healthy business operation as a whole.

3. The value of the entire existing tissue diagnostic business of the distribution of the Roche Diagnostic Products in the Designated Area, namely Guangdong province, owned by the Target Company amounted to RMB77 million, which is relatively small and not a principal IVD business of the Group.

4. It has been the Group's strategy to further develop and consolidate its medical consumable business by allocating more resources to medical IVD products so as to consolidate the Group's product range on the one hand, and formula its operating and distribution platform through all comparative advantage of subsidiaries of the Company on the other hand.

5. It is also the Group's strategy to have the minority shareholders to proactive work with the Company through their contribution to the Group and hence the enhance of operation efficiency of the business.

6. The Group is under contractual obligation to acquire all the remaining 30% equity interests in the Target Company at a maximum consideration up to RMB270 million pursuant to the Previous Share Transfer Agreement as the audited net profit of the Target Company for the three years ended 31 December 2019 reach the annual guarantee profit as specified in the Previous Share Transfer Agreement upon the completion of the audited financial statements of the Target Company. The

execution of the Share Transfer Agreement could release the obligation of the Company to purchase all the remaining 30% equity interest at the agreed price with much lower consideration.

The Board is of the view that the Acquisition represents a contractual obligation and also business opportunity for the Group to develop and consolidate itself in the health industry in the PRC and will, in the long run, broaden the Group's revenue base by diversifying the product base of the Group. The Board considers that the Acquisition of the Target Company will enable the Group to broaden its market share in the PRC medical equipment and consumable product market as well as the Group's product portfolio.

In light of the above, the Directors consider that the terms of the Share Transfer Agreement are fair and reasonable and the Acquisition is in the interest of the Company and Shareholders as a whole.

INFORMATION OF THE PURCHASER

The Purchaser is a wholly-owned subsidiary of the Company, established in the PRC with limited liability on 24 December 2009. The Purchaser principally engages in the manufacturing and sales of medical X-ray films (including medical dry films, dental films, mammary gland films, medical thermal imaging film, etc.), X-ray film's developer and fixer and medical imaging printers.

INFORMATION OF THE VENDORS

The Vendors, namely Mr. Wang, Mr. Zhang, Ms. Song and Mr. Ma are private investors in the medical equipment industry. As at the date of this announcement, Mr. Wang, Mr. Zhang, Ms. Song and Mr. Ma own as to 3.579%, 3.966%, 6.600% and 15.855% respectively of the Target Company, and the Company owns as to 70.000% of the Target Company, which is an indirect non-wholly owned subsidiary of the Company. The Vendors (namely Mr. Ma) is a connected person of the Company at the subsidiary level.

As at the date of this announcement, Mr. Ma is also ultimate beneficial and legal owner holding 100% equity interests in the capital of Bolang Health, Bolang Health is an associate of Mr. Ma.

INFORMATION OF THE TARGET COMPANY AND BOLANG HEALTH

THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability on 6 September 2015 and its scope of business includes the licensing of the medical device business (in accordance with the "Permits for Medical Device Operation Enterprises"). The registered capital of the Target Company is RMB20 million. As at the date of this announcement, the Target Company holds a valid Permits for Medical Device Operation Enterprises and medical devices of Class 2 which require Permits for Medical Device Operation Enterprises to operate.

BOLANG HEALTH

Bolang Health is a newly-established company in the PRC with limited liability on 2 April 2019 and its scope of business includes corporate management services (except for those involving permitted items of operation); cosmetics and hygiene product wholesale; cosmetics and hygiene product retail; operation of non-permitted medical devices; leasing services of medical equipment; medical equipment repair; bio-tech consulting; exchange services (except for development of protected wild plant and animal resources of rare species endemic to China); bio-tech transfer services (except for development of protected wild plant and animal resources of rare species endemic to China); medical research and test development (except for human stem cell, genetic diagnosis and treatment technology); cargo export and import (except for goods subject to special management requirements for the access of foreign investment and to permission and approval); technology export and import; health supplement retail (specific items of operation pursuant to Food Distribution Permit); packaged food wholesale; bulk food wholesale; packaged food retail; bulk food retail; operation of permitted medical devices; wholesale of equipment for medical diagnosis, monitoring and treatment; retail of equipment for medical diagnosis, monitoring and treatment; exports and imports examination and evaluation.

The registered capital of Bolang Health is RMB20 million. As at the date of this announcement, its ultimate beneficial and legal owner is Mr. Ma, who owns 100% of its entire equity interests.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the financial information of the Target Company for the two years ended 31 December 2019, prepared in accordance with IFRS:

	Financial year ended 31 December	
	2018	**2019**
	audited	audited
	(RMB'000)	*(RMB'000)*
Revenue	448,997	537,446
Net Assets	131,892	163,693
Audited profit before taxation	83,543	109,365
Audited profit after taxation	62,586	81,801

Upon Completion, the Target Company will become an 90% non wholly-owned subsidiary of the Company, and the financial results of the Target Company thereof will be consolidated into the consolidated financial statements of the Group.

CONNECTED TRANSACTION

As at the date of this announcement, the Target Company is an indirect non wholly-owned subsidiary of the Company. Mr. Ma, being a substantial shareholder of the Target Company holding approximately 15.855% of its equity interest, together with the Vendors (other than Mr. Ma) holding an aggregate of 30% equity interest of the Target Company, is connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. The Vendors are not substantial shareholders of the Company (as defined under the Listing Rules) as at the date of this announcement.

Since the Acquisition has been entered into between the Purchaser, a wholly owned subsidiary of the Company, and the Vendors, namely Mr. Ma, who is a connected person of the Company at the subsidiary level on normal commercial terms or better, and the highest applicable percentage ratio in respect of the connected transaction is more than 0.1% but less than 5%, the Company is required to comply with the reporting and announcement requirements but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

CONTINUING CONNECTED TRANSACTION

On 27 March 2020 (after trading hours of the Stock Exchange), the Purchaser, the Vendors, the Target Company and Bolang Health entered into the Dealership Agreement to govern the on-going transactions between the Target Company and Bolang Health.

Pursuant to the Share Transfer Agreement, the Target Company shall transfer to Bolang Health its entire existing tissue diagnostic business of the distribution of the Roche Diagnostic Products in the Designated Area (Guangdong province in the PRC) by entering into the New Dealership Agreement. Pursuant to the Dealership Agreement, the Target Company shall procure Bolang Health to sign the New Dealership Agreement and Roche Authorisation Letter with Roche based on the contents of the existing distribution agreement entered into between the Target Company and Roche, making Bolang Health to become the primary authorised distributor of Roche.

During the period from the Effective Date of the Dealership Agreement to the date on which Bolang Health formally signs the New Dealership Agreement and Roche Authorisation Letter with Roche, the Target Company will back to back supply products to Bolang Health (at the same price as the Target Company purchased such products from Roche) to enable Bolang Health to sell Roche's products to its customers until the formal signing of the New Dealership Agreement and Roche Authorisation Letter with Roche.

As disclosed above, Mr. Ma is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. As at the date of this announcement, Mr. Ma is also the ultimate beneficial and legal owner holding 100% equity interests in the capital of Bolang Health, Bolang Health is an associate of Mr. Ma. Therefore the transaction contemplated under the Dealership Agreement with Bolang Health will also constitute continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

Since the Dealership Agreement has been entered into the Target Company, an non wholly-owned subsidiary of the Company, and the Vendors (namely Mr. Ma), an associate of a connected person of the Company at the subsidiary level on normal commercial terms or better, and the highest applicable percentage ratio in respect of the continuing connected transaction is more than 0.1% but less than 5%, the Company is required to comply with the reporting, announcement and annual review requirements but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

THE DEALERSHIP AGREEMENT

Date:	27 March 2020
Parties:	The Vendors; The Purchaser; The Target Company; and Bolang Health
Effective Date:	Dealership Agreement Effective Date
Term of the Agreement and Extension:	One year from the Dealership Agreement Effective Date and could be automatically renewed on the same terms and conditions upon the expiration of the one year term and each of the one year term thereafter, with the prior Board approval of the Target Company, until being the date when all parties have fulfilled all their obligations under Dealership Agreement.
Subject matter:	It has been agreed under the Dealership Agreement that: (a) the Target Company has agreed to supply Roche Diagnostics Products to Bolang Health within the Designated Area, and that Bolang Health shall on-sale these products to its customers; (b) Bolang Health shall limit the geographical restrictions in the Designated Area when distributing such products;

(c) with effect from the Dealership Agreement Effective Date, Bolang Health shall not source or acquire any Roche Diagnostics Products from suppliers other than the Target Company;

(d) with effect from the Dealership Agreement Effective Date, the Target Company shall not be engaged in the distribution of any medical equipment and consumables of Roche Diagnostics Products within the Designated Area save as to fulfil the terms of the agreement(s) executed under the Share Transfer Agreement and the Dealership Agreement;

(e) Bolang Health shall purchase from the Target Company all up to quality and unexpired stocks in possession of Roche Diagnostics Products purchased directly from Roche when the Target Company was still a distributor of Roche Diagnostics Products at their purchase price within three months from the effective date of the New Dealership Agreement and settle in full within 5 days upon purchase; and

(f) Roche Diagnostics Products shall only be sold in authorized regions in the Designated Area under the Dealership Agreement and the authorization letters with Roche.

Pricing basis: The selling price of Roche Diagnostics Products of the Target Company to Bolang Health shall be identical to the selling price of Roche to the Target Company. The Target Company shall not make any profit out of the transactions contemplated under the Dealership Agreement.

Annual Caps: Proposed annual caps for the sales of Roche Diagnostics Products are as follows:

	Annual Cap
From Dealership Agreement Effective Date up to 31 December 2020	RMB75 million

The above proposed annual caps for the period ended 31 December 2020 is arrived at by the estimated sales volume multiplied by the projected price of the relevant Roche Diagnostics Products.

Basis of the annual caps:

The annual maximum caps under the Dealership Agreement were determined based on the followings:

1. The historical transaction amount of Roche Diagnostics Products supplied to the Target Company from Roche;
2. The projected selling price of Roche Diagnostics Products Sold to the Target Company for the period ending 31 December 2020;
3. The estimated demand for Roche Diagnostics Products by customers of Target Company for the period ending 31 December 2020;
4. The estimated period to procure Roche to enter into New Dealership Agreement with Bolang Health directly;
5. A buffer of time to accommodate changes in market conditions; and
6. The estimated date of execution of the New Dealership Agreement.

Historical Transaction between the Target Company and Roche: The following represents the historical transaction amount between Roche and the Target Company for the tissue diagnostic business for the two years ended 31 December 2019 for Roche Diagnostics Products:

	Total Historical Sales
Year ended 31 December 2019	RMB64.43 million
Year ended 31 December 2018	RMB66.78 million

Termination: None of the parties may unilaterally terminate the Dealership agreement.

The Directors (including the independent non-executive Directors) have confirmed and considered that the transactions contemplated under the Dealership Agreement entered into among the Vendors, the Purchaser, the Target Company and Bolang Health, are in the ordinary and usual course of business and on normal commercial terms or better and which are no less favourable to the Target Company than those available to or from Independent Third Parties and are of the view that the transactions contemplated under

Dealership Agreement and the proposed annual maximum caps for an amount of RMB75 million for the period ending 31 December 2020 is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable aggregate percentage ratio (as defined under the Listing Rules) in respect of the Acquisition and the Disposal are less than 5%, the Acquisition and the Disposal do not constitute discloseable transactions of the Company and no disclosure requirement under Chapter 14 of the Listing Rules.

Since the Dealership Agreement have been entered into between the Target Company, a non wholly-owned subsidiary of the Company, and Bolang Health, an associate of a connected person of the Company at the subsidiary level on normal commercial terms or better, and the highest applicable percentage ratio in respect of the continuing connected transaction is more than 0.1% but less than 5%, the Company is required to comply with the reporting, announcement and annual review requirements but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

The Board of Directors has approved the Share Transfer Agreement, the Acquisition, the Disposal and the Dealership Agreement contemplated thereunder, and the Directors (including the independent non-executive Directors) have confirmed and considered that the transactions contemplated under the Share Transfer Agreement and the Dealership Agreement have been subject to arm's length negotiation between the Target Company and Bolang Health, and have been entered into by the Target Company in the ordinary and usual course of business and on normal commercial terms or better and which are no less favourable to the Target Company than those available to or from Independent Third Parties and are of the view that the transactions contemplated under Dealership Agreement and the proposed annual caps for an amount of RMB75 million for the period ending 31 December 2020 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

WARNING

As the Acquisition is subject to the conditions precedent set out in the Share Transfer Agreement being satisfied or waived (as the case may be), and the Acquisition may or may not proceed to Completion, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"Acquisition"	the acquisition by the Purchaser from the Vendors the 20% of the equity interest in the Target Company
"associate(s)"	has the meanings given to it under the Listing Rules
"Bolang Health"	博朗健康產業(廣州)有限公司 (Bolang Health Industry (Guangzhou) Company Limited*), a company established in the PRC with limited liability on 2 April 2019, and its ultimate beneficial and legal owner is Mr. Ma, who owns 100% of the entire equity interests in Bolang Health as at the date of this announcement
"Company"	Yestar Healthcare Holdings Company Limited (巨星醫療控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
"Completion"	completion of the Acquisition, being the completion of (i) the change in business registration of the Target Company for its 20% equity interests; (ii) the amendment of the register of shareholders of the Target Company and memorandum and articles of association of the Target Company and (iii) fulfilment or waived of each of the conditions precedent
"Completion Date"	the date on which Completion takes place
"Connected Person(s)"	has the meaning given to it in the Listing Rules
"Consideration"	consideration for the Acquisition amounted to RMB77 million, which will be settled through the transfer to Bolang Health of the entire existing tissue diagnostic business currently owned by the Target Company in respect of the distribution of the Roche Diagnostic Products in the Designated Area with value based on the Valuation prepared by the Valuer
"Dealership Agreement"	the agreement dated 27 March 2020 entered into among the Purchaser, the Vendors, the Target Company and Bolang Health
"Dealership Agreement Effective Date"	the date on which all parties have signed the Dealership Agreement

"Designated Area"	namely Guangdong province in the PRC under the Share Transfer Agreement
"Director(s)"	director(s) of the Company
"Disposal"	the transfer of the entire existing tissue diagnostic business of the distribution of the Roche Diagnostic Products currently owned by the Target Company in the Designated Area to Bolang Health through the entering into the New Dealership Agreement
"Effective Date"	the date on which all conditions precedent of the Share Transfer Agreement have been fulfilled or waived (as the case maybe) according to a written confirmation issued by the Purchaser
"Group"	collectively, the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	third party(ies) independent of the Company and is(are) not connected person(s) (as defined under the Listing Rules) of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Ma Boming" or "Mr. Ma"	Mr. Ma Boming (馬博明), beneficially interested in 15.855% of the Target Company and is a connected person of the Company at a subsidiary level as at the date of this announcement
"Mr. Wang Kaijun" or "Mr. Wang"	Mr. Wang Kaijun (王凱軍), beneficially interested in 3.579% of the Target Company and is an Independent Third Party as at the date of this announcement
"Mr. Zhang Shuqiang" or "Mr. Zhang"	Mr. Zhang Shuqiang (張書強), beneficially interested in 3.966% of the Target Company and is an Independent Third Party as at the date of this announcement
"Ms. Song Yalin" or "Ms. Song"	Ms. Song Yalin (宋亞琳), beneficially interested in 6.600% of the Target Company and is an Independent Third Party as at the date of this announcement

"New Dealership Agreement"	a separate dealership agreement to be entered into between Bolang Health and Roche in relation to the business of the distribution of the Roche Diagnostic Products in the Designated Area to be transferred to Bolang Health, which is currently operated by the Target Company
"PRC"	the People's Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Previous Share Transfer Agreement"	the agreement dated 13 October 2016 entered into among the Purchaser, the Vendors and the Target Company in relation to the acquisition of 70% equity interests in the Target Company
"RMB"	Renminbi, the lawful currency of the PRC
"Roche"	Roche Diagnostics (Shanghai) Ltd.* (羅氏診斷產品(上海)有限公司), a company established in the PRC with limited liability
"Roche Authorisation Letter"	an letter authorising Bolang Health to operate business of the distribution of Roche Diagnostics Products in the Designated Area
"Roche Diagnostics Products"	The tissue diagnostics products of Roche (namely immunohistochemical staining, routine staining, special staining, pathology information system, digital pathology, molecular pathology)
"Share(s)"	ordinary share(s) of HK$0.025 each in the issued share capital of the Company
"Share Transfer Agreement"	the agreement dated 27 March 2020 entered into among the Purchaser, the Vendors and Target Company in relation to the acquisition of the 20% equity interests in the Target Company
"Shareholder(s)"	holder(s) of the issued Share(s)
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Target Company"	廣州弘恩醫療診斷技術有限公司 (Guangzhou Hongen Medical Diagnostic Technologies Company Limited*), a company established in the PRC with limited liability on 6 September 2015

"Valuation"	valuation prepared by the Valuer by adopting the market approach with value of RMB77 million, which was arrived based on 70% of the existing tissue diagnostic business in Guangdong province currently owned by the Target Company amounted to RMB110 million
"Valuer"	Asia-Pacific Consulting and Appraisal Limited, an Independent Third Party
"Vendors"	collectively, Mr. Wang, Mr. Zhang, Ms. Song and Mr. Ma, and each a "Vendor"
"Yestar Medical" or "Purchaser"	廣西巨星醫療器械有限公司 (Guangxi Yestar Medical Equipment Co., Ltd*), a company established in the PRC with limited liability on 24 December 2009 and an indirect wholly-owned subsidiary of the Company
"%"	per cent.

* *For identification purpose only*

By Order of the Board
Yestar Healthcare Holdings Company Limited
巨星醫療控股有限公司
Hartono James
Chairman, CEO and Executive Director

Shanghai, 27 March 2020

As at the date of this announcement, the executive Directors are Mr. Hartono James, Ms. Wang Ying, Ms. Wang Hong and Mr. Chan Chung Man; and the independent non-executive Directors are Dr. Hu Yiming, Mr. Karsono Tirtamarta (Kwee Yoe Chiang) and Mr. Sutikno Liky.

In case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.