

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**碧生源控股有限公司**

**BESUNYEN HOLDINGS COMPANY LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 926)**

**VERY SUBSTANTIAL DISPOSAL  
DISPOSAL OF 100% EQUITY INTERESTS  
IN THE TARGET COMPANY**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 8 December 2019 in respect of the execution of the Framework Agreement on the disposal of 100% equity interests in the Target Company. The Board hereby announces that the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser and the Guarantors (the Company and Besunyen Hong Kong) entered into the Equity Transfer Agreement on 14 August 2020 (after trading hours), pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 100% equity interests in the Target Company for an Estimated Consideration of RMB463 million payable by the Purchaser entirely in cash. Upon the Completion, the Target Company will cease to be a subsidiary of the Company.

**LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 75%, the Disposal constitutes a very substantial disposal of the Company, and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

**EGM**

An EGM will be convened and held by the Company to seek Shareholders' approval of the Equity Transfer Agreement and the transactions contemplated thereunder. As far as the Company is aware, none of the Shareholders is materially interested in the Equity Transfer Agreement and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting on the resolution in relation to the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, detailed information regarding the Disposal and a notice of the EGM is expected to be despatched to the Shareholders on or before 31 August 2020.

**The Disposal is subject to the satisfaction of the conditions set out in the section headed “Conditions Precedent to Closing” in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.**

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 8 December 2019 in respect of the execution of the Framework Agreement on the disposal of 100% equity interests in the Target Company. The Board hereby announces that the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser and the Guarantors (the Company and Besunyen Hong Kong) entered into the Equity Transfer Agreement on 14 August 2020 (after trading hours), pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 100% equity interests in the Target Company for an Estimated Consideration of RMB463 million payable by the Purchaser entirely in cash. Upon the Completion, the Target Company will cease to be a subsidiary of the Company.

## **EQUITY TRANSFER AGREEMENT**

The major terms of the Equity Transfer Agreement are as follows:

### **Date**

14 August 2020

### **Parties**

- (1) Vendor: Beijing Outsell Health Product Development Co., Ltd.
- (2) Purchaser: BASIC VENTURE LIMITED
- (3) Guarantors: The Company and Besunyen Hong Kong

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties independent of the Company and its connected persons.

### **Assets to be Disposed**

Pursuant to the Equity Transfer Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 100% equity interests in the Target Company.

### **Consideration**

Assuming the cash minus the total liabilities of the Target Company as at the date of the Closing is nil, the consideration of the Disposal shall be RMB463 million (“**Estimated Consideration**”). The Estimated Consideration was arrived at after arm’s length negotiations between the parties with reference to the valuation of the Property of RMB402.3 million as at 14 August 2020 appraised by the Independent Valuer adopting market approach and cost approach.

The final consideration (“**Final Consideration**”) will be the amount of the Estimated Consideration plus the amount equivalent to the cash minus the total liabilities of the Target Company as indicated in the closing statements. The closing statements refer to the balance sheet as at the date of the Closing of the Target Company prepared by the Vendor in accordance with the PRC accounting standards and agreed by the Purchaser. If the Purchaser disagrees with the closing statements and the Vendor and the Purchaser fail to reach an agreement within ten (10) Business Days after the Purchaser so disagrees, the Vendor and the Purchaser will engage an accounting firm which should be

selected among Deloitte, PricewaterhouseCoopers, Ernst & Young and KPMG, to determine the closing statements separately pursuant to the PRC accounting standards which shall be final and binding upon the Vendor and the Purchaser. There is no difference for the closing statements to be prepared in accordance with International Financial Reporting Standard and the PRC accounting standard.

As of the date of this announcement, the amount of the Target Company's cash minus its total liabilities is RMB20 million.

### **Payment of Consideration**

The Consideration shall be payable by the Purchaser to the Vendor in the following manners:

- (1) the Purchaser has paid a deposit equivalent to RMB92.6 million to the Vendor under the Framework Agreement on 27 December 2019 ("**Deposit**"). Before the Purchaser makes the first instalment payment of the Consideration, the Vendor shall return the Deposit to the escrow account of the Purchaser and the Vendor ("**Escrow Account**") for the Purchaser to make the first instalment payment of the Consideration.
- (2) an amount equivalent to 95% of RMB463 million plus the amount of cash minus the total liabilities of the Target Company (if any) as at the date of the Closing shall be paid by the Purchaser to the Vendor on the date of the Closing after the satisfaction of all of the following conditions ("**First Instalment Consideration**"):
  - (i) all conditions precedent to Closing have been satisfied or waived in writing;
  - (ii) the Vendor has delivered to the Purchaser all closing documents; and
  - (iii) the Deposit has been returned by the Vendor to the Escrow Account.
- (3) the remaining amount of the Final Consideration minus the First Instalment Consideration shall be paid by the Purchaser to the Vendor on the first anniversary date of the Closing ("**Second Instalment Consideration**"). If there is any breach of contract by the Vendor or the Purchaser entitling to claim for compensation pursuant to the Equity Transfer Agreement, the Purchaser has the right to deduct the amount of loss incurred by the Purchaser and agreed by the parties from the Second Instalment Consideration, and pay the remaining amount to the Vendor. The circumstances in which the Purchaser is entitled to claim for compensation pursuant to the Equity Transfer Agreement include: (i) the Purchaser suffering losses resulting from (a) any actions or claims of any kind raised by any persons (including the governmental authorities) based on any facts or conditions existing prior to the Closing relating to the Property, the Target Company or the Target Equity Interest; (b) the Vendor's failure to comply with any applicable laws prior to the date of the Closing; (c) the Vendor and Guarantors' failure to fulfil their tax liabilities in respect of any transaction between themselves and the Target Company or in relation to the Target Company (including the Disposal) or the Target Company's any unfulfilled tax liability as at the date of the Closing; (ii) the Vendor breaching its other representations, warranties, covenants, consents or obligations under the Equity Transfer Agreement. In deciding whether to agree on the amount of loss claimed by the Purchaser, the Vendor will engage an independent third party with relevant expertise to evaluate and assess. The Purchaser's such right is not a condition precedent to its payment of the Second Instalment Consideration.

Considering that (i) 95% of the Estimated Consideration will be paid on the date of the Closing; (ii) the Purchaser is obligated to pay the Vendor the Second Instalment Consideration on the first anniversary date of the Closing, and only the amount of loss incurred by the Purchaser that agreed by the Vendor can be deducted therefrom; (iii) it is not uncommon to pay the consideration in instalments and to pay the second instalment one year after the first instalment; and (iv) the terms of the Equity Transfer Agreement are reached after arm's length negotiation among the parties, the Directors are of the view that the payment arrangement of the Second Instalment Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### **Guarantee**

The Guarantors agree to bear joint liability for the full performance of any and all obligations and liabilities of the Vendor under the Equity Transfer Agreement and any reasonable costs and expenses incurred by the Purchaser in exercising its rights for remedies arising from any breach of contract by the Vendor.

### **Pledge of the Target Equity Interests**

On the date of the Equity Transfer Agreement, all the Target Equity Interests have been pledged to the Purchaser or its designee in accordance with the terms of the Framework Agreement. Subject to the provisions set forth below, from the date of the Equity Transfer Agreement to the date of the Closing, all the Target Equity Interests shall continue to be pledged to the Purchaser or its designee. This pledge is only for the purpose of protecting the exclusive purchase right of the Purchaser on the Target Equity Interests, and the Purchaser has no right to acquire the pledged Target Equity Interests directly in the event of any breach of contract by the Vendor or the Guarantors. Other than such exclusive purchase right, the Purchaser has no right to the Target Equity Interests.

Upon the taking effect of the Equity Transfer Agreement, after the Purchaser completes the confirmative due diligence and is satisfied with the results of the due diligence (this condition can be waived by the Purchaser in writing) and within three (3) Business Days after the Purchaser makes a written request, the Vendor will cooperate with the making of Industrial and Commercial Registration in relation to the Disposal. During the period from the completion of the Industrial and Commercial Registration in relation to the Disposal to the date of the Closing, the Target Equity Interests having been registered under the name of the Purchaser at that time shall be pledged to the Vendor or its designee. For this purpose, the Purchaser has signed relevant pledge documents on the date of the Equity Transfer Agreement.

### **Conditions Precedent to Closing**

The obligation of the Purchaser to complete the Closing and pay the First Instalment Consideration is subject to the satisfaction or written waiver of the following conditions on or before the date of the Closing:

- (1) all approvals required for the Disposal (including without limitation the approval of the Shareholders' meeting of the Company with respect to the Disposal and the approval of the Stock Exchange with respect to the announcement and circular of the Disposal) have been duly obtained and remain fully valid;
- (2) the Target Company has completed the relevant change registration and filing procedures and has received a new business license, and the persons designated by the Purchaser have been appointed or engaged as the new legal representative, general manager, director(s) and supervisor(s) of the Target Company;
- (3) the cash minus the total liabilities of the Target Company as at the date of the Closing shall not be a negative number;
- (4) there are no outstanding accounts payable to which the Target Company is a party; and

(5) any other conditions precedent customary for this type of transaction.

Except for condition (1), the rest of the conditions precedent are waivable. As at the date of this announcement, none of the conditions precedent has been waived.

### **Closing**

The Closing of the Disposal means the completion of Industrial and Commercial Registration procedures for the Disposal and the delivery of all closing documents. The Closing shall take place within five (5) Business Days after the date when all conditions precedent to Closing have been fulfilled or waived in writing.

The Equity Transfer Agreement shall enter into force and effect after it is duly executed by all parties thereof. If the Closing does not happen within eighteen (18) months from the effective date of the Equity Transfer Agreement, any party thereof shall have the right to give a written notice to the other parties to terminate the Equity Transfer Agreement.

### **Other Terms**

The Purchaser continues to own the exclusive right to purchase the Target Equity Interests and the Property until the date of the Closing or the date when the Equity Transfer Agreement is terminated.

### **Liability for the Termination of Equity Transfer Agreement due to Any Party's Fault**

If the Equity Transfer Agreement is terminated due to any breach of contract by the Vendor, the Guarantors or the Target Company, the Vendor shall return the Deposit and the Consideration for transfer of the Target Equity Interests received by it to the Purchaser, and the Vendor, the Guarantors and the Target Company shall pay a total of RMB231.5 million to the Purchaser as liquidated damages for such breach of contract. If the aforesaid amount of the liquidated damages is insufficient to compensate the losses sustained by the Purchaser, the Vendor, the Guarantors and the Target Company shall make up the difference.

If the Equity Transfer Agreement is terminated due to any breach of contract by the Purchaser, the Purchaser shall pay RMB231.5 million to the Vendor as liquidated damages for such breach of contract.

Such reciprocal liquidated damages arrangement is a commercial arrangement between the Purchaser and the Vendor. As the Disposal will bring substantial benefits to the Group, and such amount of liquidated damages can procure the Purchaser to fulfil its obligation to the completion, the Company is of the view that such arrangement is fair and reasonable.

### **INFORMATION OF THE TARGET COMPANY**

The Target Company is a limited liability company incorporated under the laws of the PRC in September 2019 and an indirect wholly-owned subsidiary of the Company. The Vendor, which is the sole shareholder of the Target Company as at the date of this announcement, transferred the Property to the Target Company as capital contribution in August 2020. Save for holding the Property, the Target Company has no business operation since its incorporation. Save for the Property, the value-added tax input to be recoverable of approximately RMB22 million which is related to transfer of the Property from the Vendor to Target Company and cash of approximately RMB20 million, the Target Company does not and will not have any other material assets or liabilities before the Closing. For the two financial years immediately preceding the Disposal, the revenue attributable to the Property were nil since there was no operation on the Property, and the expenses incurred for the Property for each of the two years 2018 and 2019 were approximately RMB2.6 million, mainly comprising of depreciation of property, plant and equipment, amortization of land use rights and property taxes. The Property is currently lying idle, and the disposal of the Property will not affect the Company's business operation.

As at 14 August 2020, the unaudited net assets of the Target Company were RMB445 million. The unaudited net profits (before and after taxation) of the Target Company for the period from its incorporation to 31 December 2019 were nil, and the unaudited net losses (before and after taxation) of the Target Company for the period from 1 January 2020 to 14 August 2020 were RMB0.1 million.

## **GENERAL INFORMATION OF THE GROUP AND THE PARTIES**

### **The Company**

The Company is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange. The Group is a leading provider of therapeutic teas in the PRC, mainly engaged in the research and development, production, sale and promotion of therapeutic teas and medicines.

### **Besunyen Hong Kong**

Besunyen Hong Kong is a limited liability company incorporated in Hong Kong, and an indirect wholly-owned subsidiary of the Company, mainly engaged in investment holding.

### **Vendor**

The Vendor is a company incorporated with limited liability in the PRC, and an indirect wholly-owned subsidiary and the main operating entity of the Company, mainly engaged in the development, production, sale and promotion of therapeutic teas.

### **Purchaser**

The Purchaser is a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of Gateway Real Estate Fund VI, L.P. The principal business of Gateway Real Estate Fund VI, L.P. is long-term investment in real properties in the Asia Pacific region. Based on information provided to the Company, the ultimate beneficial owners of the Purchaser are a consortium of institutional investors led by Gateway VI GP Limited, the general partner of Gateway Real Estate Fund VI, L.P.. The management and control over the Gateway Real Estate Fund VI, L.P. have been fully delegated to Gateway VI GP Limited.

Gateway VI GP Limited is controlled by Gaw Capital Partners, a uniquely positioned private equity fund management company that focuses in real estate markets in greater China and other high barrier-to-entry markets globally. Since its inception in 2005, Gaw Capital Partners has raised six commingled funds targeting the Greater China and APAC regions. Gaw Capital Partners also manages value-add/opportunistic funds in Vietnam and the US, a Pan-Asia hospitality fund, a European Hospitality Fund, and also provides services for separate account direct investments globally.

## **FINANCIAL EFFECTS OF THE DISPOSAL**

The Disposal is expected to record a net gain after taxation of approximately RMB66 million on the consolidated financial statements of the Company, calculated assuming the Disposal is completed on 14 August 2020 and with reference to the difference between (i) the Estimated Consideration of RMB463 million plus the amount of the Target Company's cash minus its total liabilities as of the date of this announcement of RMB20 million; and (ii) the unaudited net book value of the assets to be disposed of as at 14 August 2020 of approximately RMB369 million at the consolidation level of the Group and the transaction costs, tax surcharges and corporate income tax of the Disposal of approximately RMB48 million. The relevant calculations are estimates provided for illustrative purpose only. The actual gain attainable by the Group depends on the actual book value of the Target Company as at the Completion.

## REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board believes that the Disposal represents a good opportunity to realize sizable proceeds from the sale of the Property. The net proceeds from the Disposal would be approximately RMB437 million (equal to the proceeds from the Disposal minus relevant transaction costs and tax surcharges). The Group intends to use the net proceeds from the Disposal for the following purposes: (i) approximately RMB137 million will be used to replenish the working capital for the day-to-day operation of the Group to expand the existing business of the Group and increase market presence; (ii) approximately RMB100 million will be used to repay debts to reduce the financial costs of the Group; (iii) approximately RMB50 million will be used to distribute dividends to the Shareholders; and (iv) the remaining approximately RMB150 million will be used for potential investments in the big health industry which are in line with the Group's strategy and/or infrastructure projects of the Group; in each case subject to actual conditions and the resolution of the Board from time to time. The Group has been exploring investment opportunities, and will make appropriate disclosure pursuant to applicable requirements under the Listing Rules if the Group makes any investment decision. As of the date of this announcement, the Company has not identified any potential investments.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 75%, the Disposal constitutes a very substantial disposal of the Company, and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## EGM

An EGM will be convened and held by the Company to seek Shareholders' approval of the Equity Transfer Agreement and the transactions contemplated thereunder. As far as the Company is aware, none of the Shareholders is materially interested in the Equity Transfer Agreement and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting on the resolution in relation to the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM.

As at the date of this announcement, the Company has received an irrevocable undertaking from Foreshore Holding Group Limited, the controlling shareholder of the Company holding approximately 50.07% of the total issued Shares of the Company, to vote in favour of the resolution in relation to the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, detailed information regarding the Disposal and a notice of the EGM is expected to be despatched to the Shareholders on or before 31 August 2020.

**The Disposal is subject to the satisfaction of the conditions set out in the section headed "Conditions Precedent to Closing" in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.**

## Definitions

In this announcement, unless otherwise defined or the context otherwise requires, the following words shall have the following meanings:

|                             |       |  |
|-----------------------------|-------|--|
| “Besunyen Hong Kong”        | means | Besunyen (Hong Kong) Co., Limited (碧生源(香港)有限公司), a limited liability company incorporated under the laws of Hong Kong, and an indirect wholly-owned subsidiary of the Company  |
| “Board”                     | means | the board of Directors   |
| “Business Day”              | means | any day when banks in PRC, Hong Kong and the United States of America are open for business, (excluding Saturday, Sunday and statutory holidays)   |
| “Closing” or “Completion”   | means | the completion of the Disposal in accordance with the terms of the Equity Transfer Agreement   |
| “Company”                   | means | Besunyen Holdings Company Limited (碧生源控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange                            |
| “connected persons”         | means | has the meaning ascribed to it in the Listing Rules  |
| “Consideration”             | means | the consideration payable by the Purchaser to the Vendor with respect to the Disposal in accordance with the terms and conditions of the Equity Transfer Agreement   |
| “Directors”                 | means | the directors of the Company   |
| “Disposal”                  | means | the Vendor’s sale of 100% equity interests in the Target Company to the Purchaser in accordance with the Equity Transfer Agreement   |
| “EGM”                       | means | the extraordinary general meeting to be convened and held by the Company to seek the consideration and approval of the Shareholders regarding the Equity Transfer Agreement and the transactions contemplated thereunder |
| “Equity Transfer Agreement” | means | the equity transfer agreement entered into by the Purchaser, the Vendor and the Guarantors regarding the Disposal on 14 August 2020  |
| “Framework Agreement”       | means | the Framework Agreement entered into by the Company, the Vendor and the Purchaser on 8 December 2019   |
| “Group”                     | means | the Company and its subsidiaries   |
| “Guarantors”                | means | the Company and Besunyen Hong Kong   |
| “Hong Kong”                 | means | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “Independent Third Party”   | means | the individuals or companies independent of the Company and its connected persons  |
| “Independent Valuer”        | means | Asia-Pacific Consulting and Appraisal Limited  |

|  |       |   |
|--|-------|---|
| “Industrial and Commercial Registration” | means | filing with the relevant administration of market regulation in the PRC   |
| “Land”                                   | means | the state-owned land for industrial purposes located in Doudian Town, Fangshan District, Beijing, with an area of land use right of 54,333.36 square meters and the Target Company has the land use right for such Land |
| “Listing Rules”                          | means | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “PRC”                                    | means | the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan                               |
| “Premises”                               | means | the buildings and facilities constructed on the Land, with a gross floor area of 77,191.65 square meters and the Target Company owns the Premises   |
| “Property”                               | means | the Land and the Premises   |
| “Purchaser”                              | means | BASIC VENTURE LIMITED, a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of Gateway Real Estate Fund VI, L.P.  |
| “RMB”                                    | means | Renminbi, the lawful currency of the PRC  |
| “Shares”                                 | means | the ordinary share(s) of US\$0.00000833333 each in the capital of the Company   |
| “Shareholder(s)”                         | means | the holder(s) of the Shares   |
| “Stock Exchange”                         | means | The Stock Exchange of Hong Kong Limited   |
| “Target Company”                         | means | Beijing Shenhuibiyuan Cloud Computing Technology Company Limited (北京申惠碧源雲計算科技有限公司), a company incorporated under the laws of the PRC with limited liability, and a direct wholly-owned subsidiary of the Vendor         |
| “Target Equity Interests”                | means | the 100% equity interests in the Target Company   |

“Vendor” means Beijing Outsell Health Product Development Co., Ltd. (北京澳特舒爾保健品開發有限公司), a company incorporated under the laws of the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company

By order of the Board  
**Besunyen Holdings Company Limited**  
**Zhao Yihong**  
*Chairman and Chief Executive Officer*

Hong Kong, 14 August 2020

*As at the date of this announcement, the executive Directors are Mr. Zhao Yihong (Chairman and Chief Executive Officer) and Ms. Gao Yan (Vice Chairman); the non-executive Director is Mr. Zhuo Fumin; and the independent non-executive Directors are Mr. Ren Guangming, Mr. He Yuanping and Mr. Fu Shula.*