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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Besunyen Holdings Company Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser, the transferee or to the bank manager, the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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碧生源控股有限公司

BESUNYEN HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 926)

- (1) PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) SHARE
HELD ON THE RECORD DATE;
(2) CLOSURE OF REGISTER OF MEMBERS;
(3) POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS
UNDER THE SHARE OPTION SCHEME;
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Underwriter

 **Lego Securities Limited**
力高證券有限公司

Financial adviser to the Company

 **Lego Corporate
Finance Limited**
力高企業融資有限公司

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

 **英皇融資有限公司**
Emperor Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 9 to 35 of this circular. A letter from the Independent Board Committee is set out on pages 36 to 37 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the proposed Rights Issue is set out on pages 38 to 64 of this circular.

A notice convening the EGM to be held by way of electronic means on Tuesday, 13 September 2022 at 10:30 a.m. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is also enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Registrar as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting by way of electronic means at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter under the Underwriting Agreement on the occurrence of certain events including force majeure. These certain events are set out in the section headed "Termination of the Underwriting Agreement" on page 23 of this circular. If the Underwriter exercises its right to terminate the Underwriting Agreement, the Rights Issue will not proceed.

The Rights Issue is only underwritten on a best effort basis. Pursuant to the Company's constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed irrespective of the level of acceptance of the provisionally allotted Rights Shares.

In the event the Rights Issue is undersubscribed, any Rights Shares not subscribed by the Qualifying Shareholders or transferees of nil-paid Rights Shares and not subscribed by other subscribers procured by the Underwriter pursuant to the Underwriting Agreement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

It should be noted that the Shares will be dealt with on an ex-rights basis from Thursday, 15 September 2022. Dealings in the Rights Shares in the nil-paid form will take place from Wednesday, 28 September 2022 to Thursday, 6 October 2022 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter upon the occurrence of certain events, the Rights Issue will not proceed. Any persons contemplating dealings in the Shares prior to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Wednesday, 28 September 2022 to Thursday, 6 October 2022 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any Shareholders or other persons contemplating any dealings in the Share and/or in their nil-paid forms are recommended to consult their own professional advisers.

23 August 2022

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“2021 Annual Report”	the annual report of the Company for the year ended 31 December 2021
“2022 Interim Results Announcement”	the interim results announcement of the Company for the six months ended 30 June 2022
“Announcement”	the announcement of the Company dated 12 July 2022 in relation to the Rights Issue
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, a Sunday, a public holiday and a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general banking business in Hong Kong throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act, Cap. 22 (Act 3 of 1961) of the Cayman Islands as consolidated and revised
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	Besunyen Holdings Company Limited (stock code: 926), a company incorporated in the Cayman Islands whose Shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders who wish to apply for Rights Shares in excess for their pro-rata entitlements under the Rights Issue

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve, among other matters, the Rights Issue and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the Listing Rules to advise the Independent Shareholders on the Rights Issue and the transactions contemplated thereunder
“Independent Financial Adviser” or “Emperor Capital”	Emperor Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder
“Independent Shareholder(s)”	any Shareholder(s) other than Mr. Zhao and Ms. Gao and their associates and those are involved in or interested in the Rights Issue who are required to abstain from voting on the resolution(s) to approve the Rights Issue at the EGM
“Independent Third Party(ies)”	third party(ies) independent of the Company and not a connected person of the Company
“Irrevocable Undertakings”	the irrevocable undertakings by Mr. Zhao and Ms. Gao to the Company as set out in the paragraph headed “Irrevocable Undertakings” in this circular
“Last Trading Day”	11 July 2022, being the last full trading day for the Shares immediately prior to the date of the Announcement
“Latest Acceptance Date”	11 October 2022, being the last day for acceptance of and payment for the Rights Shares and for application or such other date as the Company and the Underwriter may agree in writing
“Latest Practicable Date”	17 August 2022, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein

DEFINITIONS

“Latest Time for Termination”	12 October 2022, or such later time or date as may be agreed between the Company and the Underwriter in writing, which shall be the latest time for termination of the Underwriting Agreement
“Listing Committee”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Zhao”	Mr. Zhao Yihong, an executive Director, the chairman, chief executive officer of the Company, spouse of Ms. Gao and a controlling shareholder of the Company
“Mr. Zhuo”	Mr. Zhuo Fumin, a non-executive Director
“Ms. Gao”	Ms. Gao Yan, an executive Director, vice chairman of the Company, spouse of Mr. Zhao and a controlling shareholder of the Company
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) whom the Directors, after making due and careful enquiries regarding the legal restrictions under the laws of the relevant jurisdictions or the requirements of the relevant overseas regulatory bodies or stock exchanges, consider it necessary or expedient to exclude them from the Rights Issue
“Overseas Shareholder(s)”	the Shareholder(s) (whose names appear on the register of members of the Company at 5:00 p.m. on the Record Date) with registered address(es) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Posting Date”	26 September 2022, or such other date as the Company and the Underwriter may agree in writing, being the date on which the Prospectus Documents are posted to the Qualifying Shareholders
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus to be issued to the Shareholders containing, among other things, details of the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s) to be issued by the Company

DEFINITIONS

“Qualifying Shareholder(s)”	Shareholder(s), whose name(s) appear on the register of members of the Company at 5:00 p.m. on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	23 September 2022 or on such other date as the Company and the Underwriter may agree in writing, being the date by reference to which the Shareholders’ entitlements to the Rights Issue are to be determined
“Registrar”	Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company
“Rights Issue”	the proposed offer for subscription of the Rights Shares at the Subscription Price on the basis of two (2) Rights Shares for every one (1) Share held by the Shareholders on the Record Date and subject to the conditions set out in the paragraph headed “Underwriting arrangement — Conditions of the Rights Issue and the Underwriting Agreement” in this circular
“Rights Share(s)”	the new Share(s) to be allotted and issued under the Rights Issue, being (i) up to 81,510,390 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) up to 82,276,390 Rights Shares (assuming no change in the number of Shares in issue other than the full exercise of the outstanding Share Options on or before the Record Date)
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.0003333332 each in the share capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 29 September 2010 and expired on 29 September 2020
“Share Options”	the share options granted by the Company pursuant to the Share Option Scheme
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$1.75 per Rights Share

DEFINITIONS

“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“Undertaking Rights Shares”	the aggregate number of Shares beneficially owned by Mr. Zhao and Ms. Gao as at the date of the Irrevocable Undertakings
“Underwriter”	Lego Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activities under the SFO, being the underwriter to the Rights Issue
“Underwriting Agreement”	the underwriting agreement dated 12 July 2022 entered into between the Company and the Underwriter and as revised, supplemented and/or amended from time to time in accordance with its terms
“Underwritten Shares”	excluding the Undertaking Rights Shares, (i) up to 39,659,952 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) up to 40,175,952 Rights Shares (assuming no change in the number of Shares in issue other than the full exercise of the outstanding Share Options on or before the Record Date)
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

Unless otherwise specified in this circular, the exchange rate adopted in this circular for illustration only is approximately RMB1 to HK\$1.17. No representation is made that any amounts in RMB could have been or could be converted at that rate or at any other rates.

EXPECTED TIMETABLE

The expected timetable for the Rights Issue set out below is for indicative purposes only and it has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change, and any changes will be announced in a separate announcement by the Company as and when appropriate.

All time and date references contained in this circular shall refer to Hong Kong local time and dates.

Events	Hong Kong Date and Time 2022
Latest time for lodging transfer of Shares to qualify for attendance and voting at the EGM	4:30 p.m. on Tuesday, 6 September
Closure of register of members of the Company for attending and voting at the EGM (both dates inclusive)	Wednesday, 7 September to Tuesday, 13 September
Latest time for lodging proxy forms for the EGM (not less than 48 hours prior to the time of the EGM)	10:30 a.m. on Sunday, 11 September
Record date for determining entitlements and voting at the EGM	Tuesday, 13 September
Expected date and time of EGM to approve the proposed Rights Issue	10:30 a.m. on Tuesday, 13 September
Announcement of the poll result of the EGM	Tuesday, 13 September
Register of members of the Company re-opens	Wednesday, 14 September
Last day of dealings in Shares on a cum-rights basis	Wednesday, 14 September
First day of dealings in Shares on an ex-rights basis.	Thursday, 15 September
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue	4:30 p.m. on Friday, 16 September
Closure of register of members to determine the eligibility of the Rights Issue (both days inclusive)	Monday, 19 September to Friday, 23 September
Record Date for determining entitlements to the Rights Issue	Friday, 23 September

EXPECTED TIMETABLE

Events	Hong Kong Date and Time 2022
Register of members of the Company re-opens	Monday, 26 September
Despatch of the Prospectus Documents (including the PAL, EAF and the Prospectus) (in case of the Non-Qualifying Shareholders, the Prospectus only).	Monday, 26 September
First day of dealings in nil-paid Rights Shares.	Wednesday, 28 September
Latest time for splitting of PAL.	4:30 p.m. on Friday, 30 September
Last day of dealings in nil-paid Rights Shares	Thursday, 6 October
Latest time for acceptance of and payment for the Rights Issue and application for and payment for the excess Rights Shares	4:00 p.m. on Tuesday, 11 October
Latest time to terminate the Underwriting Agreement or for the Rights Issue to become unconditional.	4:30 p.m. on Wednesday, 12 October
Announcement of the results of the Rights Issue	Friday, 21 October
Despatch of certificates for the fully-paid Rights Shares or refund cheques if the Rights Issue is terminated/unsuccessful applications for excess Rights Shares	Monday, 24 October
Commencement of dealings in fully-paid Rights Shares.	9:00 a.m. on Tuesday, 25 October

Effect of bad weather on the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares

The latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, a “black” rainstorm warning signal and/or extreme conditions is:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or

EXPECTED TIMETABLE

- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application will be rescheduled to 4:00 p.m. on the following Business Day which does not have any of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares does not take place on or before 4:00 p.m. on Tuesday, 11 October 2022, the dates mentioned in this section may be affected. An announcement will be made as soon as practicable by the Company in such event.



碧生源控股有限公司
BESUNYEN HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 926)

Executive Directors:

Mr. Zhao Yihong (*Chairman and
Chief Executive Officer*)
Ms. Gao Yan (*Vice Chairman*)

Non-executive Director:

Mr. Zhuo Fumin

Registered office:

Portcullis (Cayman) Ltd
The Grand Pavilion Commercial Centre
Oleander Way, 802 West Bay Road
P.O. Box 32052
Grand Cayman KY1-1208
Cayman Islands

Independent non-executive Directors:

Mr. Ren Guangming
Mr. He Yuanping
Mr. Fu Shula

Principal place of business in PRC:

No. 1 Qiushi Industrial Park, Doudian Town
Fangshan District, Beijing 102433
PRC

Place of business in Hong Kong:

Units 2005C-2006A, 20/F., Exchange Tower
No. 33 Wang Chiu Road, Kowloon Bay, Kowloon
Hong Kong

23 August 2022

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) SHARE
HELD ON THE RECORD DATE;
(2) CLOSURE OF REGISTER OF MEMBERS;
(3) POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS
UNDER THE SHARE OPTION SCHEME;
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to the Rights Issue.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, further information on the Rights Issue and the notice of EGM.

PROPOSED RIGHTS ISSUE

The Company proposed to implement the Rights Issue on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date at the Subscription Price of HK\$1.75 per Rights Share, to raise up to (i) approximately HK\$142.6 million before deducting the costs and expenses by way of issuing up to 81,510,390 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) approximately HK\$144.0 million before deducting the costs and expenses by way of issuing up to 82,276,390 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the full exercise of outstanding Share Options), to the Qualifying Shareholders. The Rights Issue will only be available to the Qualifying Shareholders and will not be available to the Non-Qualifying Shareholders.

The terms of the Rights Issue are set out below:

Rights Issue statistic

Basis of the Rights Issue	:	two (2) Rights Shares for every one (1) Share held by the Shareholders on the Record Date
Subscription Price	:	HK\$1.75 per Rights Share
Number of whole Shares in issue as at the Latest Practicable Date	:	40,755,195 Shares
Number of Rights Shares	:	a) Up to 81,510,390 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date); or b) Up to 82,276,390 Rights Shares (assuming no change in the number of Shares in issue other than the full exercise of the outstanding Share Options on or before the Record Date)
Undertaking Rights Shares	:	41,850,438 Rights Shares (or 42,100,438 Rights Shares, assuming the full exercise of the Share Options owned by Mr. Zhao and Ms. Gao), being the aggregate number of Rights Shares undertaken to be subscribed by Mr. Zhao and Ms. Gao under the Irrevocable Undertakings

LETTER FROM THE BOARD

Aggregate nominal value of the Rights Shares	:	a) Up to US\$27,170.12 (assuming no change in the number of Shares in issue on or before the Record Date); or
		b) Up to US\$27,425.45 (assuming no change in the number of Shares in issue other than the full exercise of the outstanding Share Options on or before the Record Date)
Number of whole Shares in issue as enlarged by the allotment and issue of the Rights Shares	:	a) Up to 122,265,585 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue); or
		b) Up to 123,414,585 Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the full exercise of the outstanding Share Options and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment
Total funds to be raised (before expenses)	:	a) Up to approximately HK\$142.6 million (assuming no change in the number of Shares in issue on or before the Record Date); or
		b) Up to approximately HK\$144.0 million (assuming no change in the number of Shares in issue other than the full exercise of the outstanding Share Options on or before the Record Date)
Underwriter	:	Lego Securities Limited

As at the Latest Practicable Date, there are 383,000 outstanding Share Options granted by the Company, which are exercisable into 383,000 Shares. Save for the foregoing, as at the Latest Practicable Date, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares prior to the Record Date.

As at Latest Practicable Date, Mr. Zhao and Ms. Gao have no intention to exercise the outstanding Share Options prior to the completion of the Rights Issue.

LETTER FROM THE BOARD

Assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date, the number of 81,510,390 Rights Shares to be issued and allotted pursuant to the Rights Issue represent (i) approximately 200% of the existing issued Shares as at the Latest Practicable Date; and (ii) approximately 66.67% of the issued Shares as enlarged by the allotment and issue of the Rights Shares.

Assuming that there is no change in the number of issued Shares on or before the Record Date other than the full exercise of outstanding Share Options and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the number of 82,276,390 Rights Shares to be issued and allotted pursuant to the Rights Issue represent (i) approximately 201.88% of the existing issued Shares as at the Latest Practicable Date; and (ii) approximately 66.67% of the issued Shares as enlarged by the allotment and issue of the Rights Shares.

The Rights Issue is only underwritten on a best effort basis. Pursuant to the Company's constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfillment of the conditions of the Rights Issue, the Rights Issue will proceed irrespective of the level of acceptance of the provisionally allotted Rights Shares. Based on the Irrevocable Undertakings given by Mr. Zhao and Ms. Gao, it is anticipated that 41,850,438 Rights Shares (or 42,100,438 Rights Shares, assuming the full exercise of the Share Options, as the case may be) will be taken up. In the event the Rights Issue is undersubscribed, any Rights Shares not subscribed by the Qualifying Shareholders or transferees of nil-paid Rights Shares and not subscribed by other subscribers procured by the Underwriter pursuant to the Underwriting Agreement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

Subscription Price

The Subscription Price of HK\$1.75 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or, where applicable, applies for excess Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 43.55% to the closing price of HK\$3.10 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 14.22% to the closing price of HK\$2.04 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 15.87% to the average closing price of approximately HK\$2.08 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (iv) a discount of approximately 22.57% to the average closing price of approximately HK\$2.26 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 5.91% to the theoretical ex-entitlement price of approximately HK\$1.86 per Share based on the benchmarked price, being the average closing price of HK\$2.08 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 10.58% represented by the theoretical diluted price of approximately HK\$1.86 per Share to the benchmarked price, being the average closing price of HK\$2.08 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (vii) a discount of approximately 92.63% to the consolidated net asset value per Share attributable to the Shareholders as at 31 December 2021 of approximately HK\$23.76 calculated based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately RMB827,517,000 (equivalent to approximately HK\$968,194,890) as at 31 December 2021 as set out in the 2021 Annual Report and 40,755,195 Shares in issue as at the Latest Practicable Date; and
- (viii) a discount of approximately 92.58% to the consolidated net asset value per Share attributable to the Shareholders as at 30 June 2022 of approximately HK\$23.57 calculated based on the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately RMB820,896,000 (equivalent to approximately HK\$960,448,320) as at 30 June 2022 as set out in the 2022 Interim Results Announcement and 40,755,195 Shares in issue as at the Latest Practicable Date.

The Subscription Price was determined by the Company with reference to, among other things, the amount of fund raising targeted by the Company under the Rights Issue (details of which are set out in the section headed “Reasons for the Rights Issue and use of proceeds”) and the market price of the Shares under the prevailing market conditions.

The Directors (including the independent non-executive Directors) consider that the Subscription Price at a discount to the current market price of the Shares would enhance the attractiveness of the Rights Issue, and in turn encourage the Shareholders to participate in the Rights Issue, and accordingly allow them to maintain their shareholdings in the Company and participate in the future growth and development of the Group.

In view of the reasons for the Rights Issue stated in the section headed “Reasons for the Rights Issue and use of proceeds” below, the Directors (including the independent non-executive Directors) consider the terms of the Rights Issue, including the Subscription Price, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The net price per Rights Share (i.e. Subscription Price less the estimated cost and expenses to be incurred in the Rights Issue) upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$1.70 (assuming no change in the number of Shares in issue on or before the Record Date) or HK\$1.70 (assuming no change in the number of Shares in issue on or before the Record Date other than the full exercise of outstanding Share Options).

Basis of provisional allotment

The basis of the provisional allotment shall be two (2) Rights Shares for every one (1) Share held by the Shareholders as at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before 4:00 p.m. on the Latest Acceptance Date.

If a Qualifying Shareholder wishes to accept only a part of, or to renounce or transfer a part of, the Rights Shares provisionally allotted to him/her/it under the PAL, such Qualifying Shareholder will need to split his/her/its PAL into the denominations required. Details as to how to split the PALs will be set out in the Prospectus.

Qualifying Shareholders

The Rights Issue will only be available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders. Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company may send copies of the Prospectus to the Non-Qualifying Shareholders for their information only but will not send any PAL or EAF to them.

To qualify for the Rights Issue, a Shareholder must (i) be registered as a member of the Company at the close of business on the Record Date; and (ii) be a Qualifying Shareholder. Shareholders having an address in Hong Kong as shown on the register of members of the Company at the close of business on the Record Date will qualify for the Rights Issue.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer documents of the Shares (together with the relevant share certificates) with the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Friday, 16 September 2022.

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The Company expects to send the Prospectus Documents to the Qualifying Shareholders on Monday, 26 September 2022.

Qualifying Shareholders who take up their pro-rata entitlement in full under the Rights Issue will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements).

If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Rights of Overseas Shareholders

If, at the close of business on the Record Date, a Shareholder's address on the Company's register of members is in a place outside Hong Kong, such Shareholder may not be eligible to take part in the Rights Issue. The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Based on the register of members of the Company, as at the Latest Practicable Date, the Company had one Overseas Shareholder located in Macau.

Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Directors will make enquiries regarding the legality and feasibility of extending the Rights Issue to the Overseas Shareholder(s) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, after making such enquiries, the Directors are of the opinion that it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place to exclude such Overseas Shareholder(s) from the Rights Issue, no Rights Shares (whether in nil-paid or fully paid form) will be offered to such Overseas Shareholder(s). In such circumstances, the Rights Issue will not be extended to the Non-Qualifying Shareholder(s). The Company has made enquiries regarding the legal restrictions under the applicable securities legislation of such jurisdiction and the requirements of the relevant regulatory body or stock exchange with respect to the Rights Issue in relation to the Overseas Shareholder located in Macau. The legal advisers to the Company as to Macau law advised that there is no restrictions or requirements and no local regulatory compliance would be required to be made in Macau for the Company in extending the Rights Issue to the Overseas Shareholders located in Macau. Accordingly, the Rights Issue will be extended to such Overseas Shareholder having registered address in Macau.

Arrangements will be made for the nil-paid Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market as soon as practicable after dealings in nil-paid Rights Shares commence, and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. The net proceeds of each sale, less expenses and stamp duty, of not less than HK\$100 will be paid pro-rata (rounded down to the nearest cent) to the relevant Non-Qualifying Shareholder(s) in Hong Kong dollars. The Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the

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Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by the Qualifying Shareholders.

It is the responsibility of each Overseas Shareholder who wishes to take part in the Rights Issue to satisfy himself or herself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consents which may be required or the compliance with other necessary formalities or legal requirements. Acceptances of or applications for the Rights Issue by any person will constitute a representation and warranty from such person to the Company that the local laws and requirements have been complied with. Shareholders should consult their professional advisers if in doubt.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares in issue at the time. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid by the Company after the date of allotment and issue of the Rights Shares. Dealings in the Rights Shares will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Adjustments to entitlements

As the Rights Issue will proceed on a best effort basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) or EAF(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code.

Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders (other than HKSCC Nominees Limited) to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules. Investors are advised to exercise caution when dealing in the Shares. There is no minimum amount to be raised under the Rights Issue.

Fractional entitlements to the Rights Shares

On the basis of the entitlement to subscribe two (2) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements of the Shares to the Rights Shares will arise from the Rights Issue.

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Application for excess Rights Shares

Qualifying Shareholders shall be entitled to, by way of excess application, apply for excess Rights Shares, which comprise (i) any unsold Rights Shares which would have been provisionally allotted to the Non-Qualifying Shareholders (if any); (ii) any Rights Shares provisionally allotted to but not validly accepted by the Qualifying Shareholders or otherwise not subscribed for by renounees or transferees of Rights Shares in nil-paid form; and (iii) any unsold Rights Shares created by aggregating fractions of Rights Shares in nil-paid form.

Applications for excess Rights Shares may be made only by the Qualifying Shareholders and only by duly completing and signing the EAF (in accordance with the instructions printed thereon) and lodging the same with a separate cheque or banker's cashier order for the sum payable for the excess Rights Shares being applied for with the Registrar no later than 4:00 p.m. on Tuesday, 11 October 2022.

Pursuant to Rule 7.21(3)(b) of the Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by any controlling shareholder or its associates (together, the “**Relevant Shareholders**”), whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders' applications for excess Rights Shares to the extent that the total number of excess Rights Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares. For the purpose of the Rights Issue, the Company will consider the excess application(s) of Mr. Zhao and Ms. Gao in accordance with Rule 7.21(3)(b) of the Listing Rules. As at the Latest Practicable Date, none of Mr. Zhao and Ms. Gao have expressed any intention to apply for excess Rights Shares.

The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis, according to the principle that any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of excess Rights Shares applied for but no reference will be made to Rights Shares comprised in applications by PAL or the existing number of Shares held by Qualifying Shareholders. If the aggregate number of Rights Shares available for excess application is greater than the aggregate number of excess Rights Shares applied for through EAFs, the Directors will allocate in full to each Qualifying Shareholder the number of excess Rights Shares applied for under the EAFs. No preference will be given to topping up odd lots to whole board lots.

In the event that the Board notes unusual patterns of excess applications and has reason to believe that any excess application may have been made with the intention to abuse the mechanism, such application(s) for excess Rights Shares may be rejected at the sole discretion of the Board.

Shareholders whose Shares are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members

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of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Investors whose Shares are held by a nominee company (including HKSCC Nominees Limited) are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owners prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

For Shareholders whose Shares are held by a nominee company (including HKSCC Nominees Limited) and would like to have their names registered on the register of members of the Company, all necessary documents must be lodged with the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 4:30 p.m. on Friday, 16 September 2022.

Any Rights Shares (excluding those in respect of the Undertaking Shares) not taken up by the Qualifying Shareholders and not taken up by excess applications will be taken up by the Underwriter and/or subscribers procured by it pursuant to the terms and conditions of the Underwriting Agreement.

Taxation

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the Rights Shares in their nil-paid or fully-paid forms and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf. It is emphasised that none of the Company, the Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms.

Application for listing in nil-paid and fully-paid forms

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange. The nil-paid Rights Shares and the fully-paid Rights Shares are expected to have the same board lot size as the Shares, i.e. 1,000 Rights Shares in one board lot. No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and

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settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Stamp duty and other applicable fees

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

Share certificates and refund cheques for the Rights Shares

Subject to the fulfilment of the conditions of the Rights Issue as set out below, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Monday, 24 October 2022. If the Rights Issue does not proceed, refund cheques will be posted on or before Monday, 24 October 2022 by ordinary post to the respective Shareholders, at their own risk, to their registered addresses.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be despatched on or before Monday, 24 October 2022 to the applicants without interest at their registered addresses by ordinary post at their own risk.

The Irrevocable Undertakings

As at the Latest Practicable Date, (a) Mr. Zhao is interested in 20,867,194 Shares and 100,000 Share Options, representing approximately 51.20% and 0.25% of the issued Shares, respectively; and (b) Ms. Gao is interested in 58,025 Shares and 25,000 Share Options, representing approximately 0.14% and 0.06% of the issued Shares, respectively. Pursuant to the Irrevocable Undertakings, each of Mr. Zhao and Ms. Gao has irrevocably and unconditionally undertaken to the Company, among other things, that:

- (i) Mr. Zhao and Ms. Gao will subscribe for 41,734,388 Rights Shares (or 41,934,388 Rights Shares, assuming the full exercise of the Share Options, as the case may be) and 116,050 Rights Shares (or 166,050 Rights Shares, assuming the full exercise of the Share Options, as the case may be), respectively, which comprise the full acceptance of their provisional entitlement by the Latest Acceptance Date; and

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- (ii) Mr. Zhao and Ms. Gao will not sell, and will procure that companies controlled by them not to, dispose of or transfer, or agree to sell, dispose of or transfer any of the Shares held by them and such Shares will remain beneficially owned by each of them up to and including the date on which completion of the Rights Issue takes place or the date on which the Company announces that the Rights Issue will not proceed, whichever is earlier.

Save for the Irrevocable Undertakings, the Company has not received any information or irrevocable undertaking from any other Shareholders of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue as at the Latest Practicable Date.

Underwriting arrangement

On 12 July 2022 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the proposed Rights Issue, pursuant to which the Underwriter has agreed to procure, on a best effort basis, the subscription (but will not itself subscribe) for any unsubscribed Rights Shares (other than the Undertaking Rights Shares to be taken up by Mr. Zhao and Ms. Gao pursuant to the Irrevocable Undertakings) subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions contained therein.

Principal terms of the Underwriting Agreement are as follows:

Date	:	12 July 2022 (after trading hours)
Underwriter	:	Lego Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO and its ordinary course of business includes underwriting of securities.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties. The Underwriter confirmed that it has complied with Rule 7.19(1)(a) of the Listing Rules.

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- Number of Rights Shares to be underwritten : Subject to the terms and conditions of the Underwriting Agreement, the Underwriter agreed to procure, on a best effort basis, the subscription (but will not itself subscribe) for, excluding the Undertaking Rights Shares to be taken up by Mr. Zhao and Ms. Gao pursuant to the Irrevocable Undertakings,
- (i) up to 39,659,952 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date); or
 - (ii) up to 40,175,952 Rights Shares (assuming no change in the number of Shares in issue other than the full exercise of the outstanding Share Options on or before the Record Date).
- Commission : the higher of
- (i) a commission of 1.0% of the sum resulting from multiplying the Subscription Price by the number of Underwritten Shares actually procured by the Underwriter or its sub-underwriters for subscription (such commission shall include sub-underwriting commission and expenses relating to sub-underwriting (if any) which shall be borne by the Underwriter); and
 - (ii) a fixed amount of HK\$150,000.

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiations between the Company and the Underwriter by reference to the size of the Rights Issue, the market price of the Shares and the prevailing market rate of similar transactions. The Directors (including the independent non-executive Directors) consider that the terms of the Underwriting Agreement, including the commission rate, are fair and reasonable and in the interest of the Company and the Shareholders as a whole. None of the Directors has a material interest in the transaction contemplated under the Underwriting Agreement.

The Underwriter may enter into sub-underwriting arrangement with sub-underwriter(s) (if any) or appoint any person to be sub-agent(s) on its behalf for the purpose of arranging for the subscription of the Underwritten Shares with selected subscribers with such authority and rights as the Underwriter has pursuant to its appointment under the Underwriting Agreement.

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Conditions of the Rights Issue and the Underwriting Agreement

The completion of the Rights Issue and the obligations of the Underwriter under the Underwriting Agreement are conditional upon:

- (a) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Posting Date in compliance with the Listing Rules, the Companies (WUMP) Ordinance and the Companies Ordinance;
- (b) the posting of the Prospectus Documents to the Qualifying Shareholders on the Posting Date and the posting of the Prospectus to the Non-Qualifying Shareholders (if any), for information purpose only;
- (c) (i) the Shares remaining listed on the Stock Exchange at all times prior to the Latest Time for Termination and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 10 trading days (other than any suspension pending clearance of the announcement(s) (if any)) and (ii) no indication being received on the Latest Time for Termination from the Stock Exchange to the effect that such listing may be withdrawn or objected to including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason;
- (d) the Listing Committee granting or agreeing to grant (subject to allotment) listing of and permission to deal in all the Rights Shares either unconditionally or subject to such conditions which the Company (with the approval of the Underwriter) accepts, in both nil-paid and fully-paid forms and such listing not being withdrawn or revoked;
- (e) the compliance with and performance of all the undertakings and obligations of Mr. Zhao and Ms. Gao under the Irrevocable Undertakings; and
- (f) the Underwriting Agreement is not terminated in accordance with the terms of the Underwriting Agreement at or before the Latest Time for Termination.

The conditions in paragraphs (a) to (f) (inclusive) above are not waivable by any party to the Underwriting Agreement. As at Latest Practicable Date, none of the conditions has been satisfied. If the conditions have not been fulfilled in all respects by the Latest Time for Termination (or such other date as the Company and the Underwriter may mutually agree in writing) or if the Underwriting Agreement is rescinded or terminated pursuant to the terms thereof, all obligations and liabilities of the parties under the Underwriting Agreement shall cease and determine and neither party shall have any claim against the other for fees, costs, damages, compensation or otherwise, save for any antecedent breach of any obligation under the Underwriting Agreement.

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Termination of the Underwriting Agreement

If at any time at or prior to the Latest Time for Termination:

- (a) there occurs any new regulation or any change in the existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (b) there occurs any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, or after the date of the Underwriting Agreement, of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (c) any material adverse change in the business or in the financial or trading position of the Group as a whole which, in the reasonable opinion of the Underwriter, makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (d) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities) which, in the reasonable opinion of the Underwriter, makes it inexpedient or inadvisable to proceed with the Rights Issue;

then in any such case the Underwriter may, after consultation with the Company or its advisers as the circumstances shall admit, by notice in writing to the Company on its own behalf (which may be given at any time up to the Latest Time for Termination) rescind the Underwriting Agreement.

If the Underwriter gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement, save in respect of any antecedent breach of any obligations under the Underwriting Agreement. If the Underwriter exercises its rights to terminate the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made by the Company if the Underwriting Agreement is terminated by the Underwriter.

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Closure of Register of Members

The register of members of the Company will be closed from Monday, 19 September 2022 to Friday, 23 September 2022 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue. During this period, no transfer of Shares will be registered.

Reasons for the Rights Issue and use of proceeds

The Group is principally engaged in the research and development, production, sale and promotion of therapeutic teas and medicines.

As disclosed in the 2022 Interim Results Announcement, the Group recorded cash and cash equivalents of approximately RMB261.7 million (equivalent to approximately HK\$306.2 million) as at 30 June 2022. Taking into consideration of (i) the Group's total borrowings of approximately RMB231.7 million (equivalent to approximately HK\$271.1 million) as at 30 June 2022. As at the Latest Practicable Date, the Group's total borrowings of approximately RMB103.8 million (equivalent to approximately HK\$121.4 million) will fall due by 31 March 2023; (ii) the Group's net cash used in operating activities of approximately RMB145.5 million (equivalent to approximately HK\$170.2 million) for the year ended 31 December 2021; and (iii) the net loss of the Group of approximately RMB114.0 million (equivalent to approximately HK\$133.4 million) for the year ended 31 December 2021, the Directors consider that it is essential for the Group to reserve sufficient available cash to fulfill the repayment obligations and improve the gearing ratio while maintaining the size of the Group's operation.

Moreover, competitions in the pharmaceutical industry became progressively fierce due to the changes in policies, the market and communication environment and the upgrade of sales models and people's concept of health consumptions. Hence, the Group continued to develop a multi-channel sales model based on e-commerce platform, and actively adjusted its marketing strategy and pinpointed precise functional and marketing positions for its products so as to lay a solid foundation for the Group's future development. In 2021, the Group set up the new retail business division (the "**New Retail Business Division**") to carry out systematic management on short video and live-streaming marketing, and to provide quality and professional services to customers through the social customer management system platform and artificial intelligence customer services tools newly introduced, and thus increasing the repurchase rate of products. Further, the pandemic of novel coronavirus pneumonia (COVID-19) has brought additional uncertainties in the Group's operating environment and such unfavourable and uncertain market conditions shall persist for a period of time. In view of the challenging operating environment, the Company considers it appropriate to maintain a healthy cash level to meet the Group's operating requirements and any unforeseen capital requirements from time to time. The Board considers it necessary to conduct fund raising activities to strengthen the financial position of the Group amid challenging market condition.

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Assuming all Rights Shares are taken up, the net proceeds from the Rights Issue after deducting the incidental expenses are estimated to be (i) approximately HK\$138.8 million (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) approximately HK\$140.2 million (assuming no change in the number of Shares in issue other than the full exercise of outstanding Share Options on or before the Record Date).

The Company intends to apply the net proceeds from the Rights Issue in the following manner:

- (i) approximately 48.8% (being approximately HK\$67.9 million (or HK\$68.5 million (assuming no change in the number of Shares in issue on or before the Record Date other than the full exercise of outstanding Share Options))) for settlement of the outstanding indebtedness of the Group;
- (ii) approximately 23.6% (being approximately HK\$32.7 million (or HK\$33.0 million (assuming no change in the number of Shares in issue on or before the Record Date other than the full exercise of outstanding Share Options))) for advertising and marketing expenses to deepen the development on young consumer groups by leveraging the brand communication way in multi-channels;
- (iii) approximately 16.1% (being approximately HK\$22.3 million (or HK\$22.6 million (assuming no change in the number of Shares in issue on or before the Record Date other than the full exercise of outstanding Share Options))) for developing the New Retail Business Division, including but not limited to implement digital transformation to formulate a fully digitalized operation system, and to capture the diversified demands from users precisely through the digitalized operation; and
- (iv) approximately 11.5% (being approximately HK\$15.9 million (or HK\$16.1 million (assuming no change in the number of Shares in issue on or before the Record Date other than the full exercise of outstanding Share Options))) as general working capital of the Group, including but not limited to its daily operational expenses for rent and its staff, and for research and development expenses of the Group.

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The Rights Issue will proceed irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event the Rights Issue is undersubscribed, any Rights Shares (excluding those Undertaking Rights Shares) that are not taken up under the PALs and EAFs will be subscribed by subscribers procured by the Underwriter, on a best effort basis, pursuant to the Underwriting Agreement. Any Rights Shares that are not taken up under the PALs and EAFs and also not subscribed by the subscribers procured by the Underwriter will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There are no statutory requirements regarding minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue. Assuming the Rights Issue is undersubscribed, except for those Rights Shares to be provisionally allotted to Mr. Zhao and Ms. Gao, the amount of net proceeds will be (i) approximately HK\$69.4 million (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) approximately HK\$69.9 million (assuming no change in the number of Shares in issue other than the full exercise of outstanding Share Options on or before the Record Date). In such event, the Group intends to apply the net proceeds from the Rights Issue as to approximately HK\$67.9 million (or HK\$68.5 million (assuming no change in the number of Shares in issue on or before the Record Date other than the full exercise of outstanding Share Options)) for settlement of the outstanding indebtedness of the Group, and the remaining net proceeds will be applied to the other usages as set out above on a pro-rata basis.

The Board has considered various fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing and equity fund raising.

Debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner as it may be subject to lengthy due diligence and negotiations with financial institutions, it may as well require pledge of assets and/or other kind of securities which may reduce the Group's flexibility in managing its portfolio.

As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it will lead to an immediate dilution in shareholding interest of the existing Shareholders without offering them opportunities to participate in the enlargement of the capital base of the Company, which is not the intention of the Company.

In comparison, the Board considers that the Rights Issue provides a good opportunity for the Group to enhance its financial position, while at the same time the Rights Issue will enable all Qualifying Shareholders to participate in the future development of the Company on equal terms and avoid dilution. The Rights Issue will allow the Qualifying Shareholders to maintain, increase or decrease their respective pro rata shareholdings in the Company by taking up only their respective rights entitlement, acquiring additional rights entitlement or disposing of their rights entitlements in the open market (subject to availability), therefore the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

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As at the Latest Practicable Date, save for the Rights Issue, the Board has no intention or plan to conduct other equity fund raising activities in the next 12 months. However, if there shall arise any change of the Group's current circumstances and existing business plans and that the net proceeds from the Rights Issue may not satisfy such upcoming financing needs, the Board does not rule out the possibility that the Company may conduct further equity fund raising exercises to support such future developments of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

POSSIBLE ADJUSTMENT TO THE SHARE OPTIONS UNDER THE SHARE OPTION SCHEME

As at the Latest Practicable Date, there are 383,000 outstanding Share Options granted by the Company, which are exercisable into 383,000 Shares. Pursuant to the terms of the Share Option Scheme, the Rights Issue may lead to adjustments to, among others, the exercise price and/or the number of Shares to be issued upon exercise of the outstanding Share Options under the Share Option Scheme. The Company will notify the holders of such Share Options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme and such adjustment will be certified by an independent financial adviser or auditors of the Company (as the case may be).

Save for the foregoing, as at the Latest Practicable Date, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares prior to the Record Date. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

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EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, the table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue, assuming full acceptance by all Shareholders; (iii) immediately after completion of the Rights Issue, assuming nil acceptance by the Shareholders (except the Undertaking Rights Shares); and (iv) immediately after completion of the Rights Issue, assuming none of the Qualifying Shareholders have taken up any entitled Rights Shares (except the Undertaking Rights Shares) and all the unsubscribed Rights Shares under the PALs and EAFs were subscribed for through the Underwriter:

- (a) assuming no outstanding Share Options being exercised and there is no other change in the shareholding structure of the Company before completion of the Rights Issue:

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Rights Issue, assuming full acceptance by all Shareholders		Immediately after completion of the Rights Issue, assuming nil acceptance by the Shareholders (except the Undertaking Rights Shares) ^{Note 4}		Immediately after completion of the Rights Issue, assuming none of the Qualifying Shareholders have taken up any entitled Rights Shares (except the Undertaking Rights Shares) and all the unsubscribed Rights Shares under the PALs and EAFs were subscribed for through the Underwriter	
	No. of whole Shares	% (approx.) ^{Note 3}	No. of whole Shares	% (approx.) ^{Note 3}	No. of whole Shares	% (approx.) ^{Note 3}	No. of whole Shares	% (approx.) ^{Note 3}
Controlling shareholders								
— Mr. Zhao ^{Note 1}	20,867,194	51.20	62,601,582	51.20	62,601,582	75.78	62,601,582	51.20
— Ms. Gao	58,025	0.14	174,075	0.14	174,075	0.21	174,075	0.14
	20,925,219	51.34	62,775,657	51.34	62,775,657	75.99	62,775,657	51.34
Underwriter ^{Note 2}	—	—	—	—	—	—	39,659,952	32.44
Other public Shareholders	19,829,976	48.66	59,489,928	48.66	19,829,976	24.01	19,829,976	16.22
Total	40,755,195	100	122,265,585	100	82,605,633	100	122,265,585	100

Notes:

- Mr. Zhao beneficially owns 20,867,194 Shares, of which (i) 104,339 Shares are held directly by him; (ii) 20,406,479 Shares are directly held by Foreshore Holding Group Limited, which is wholly owned by Sea Network Holdings Limited, which is in turn wholly owned by TMF Trust (HK) Limited, in its capacity as the trustee of a family trust established by Mr. Zhao as the settlor for the benefit of himself and his family members; and (iii) 356,376 Shares are held directly by Better Day Holdings, a company which is controlled by Mr. Zhao.

LETTER FROM THE BOARD

2. Pursuant to the Underwriting Agreement, the Underwriter undertakes to the Company that the Underwriter shall ensure (i) that each of the subscribers or purchasers of the Rights Shares procured by it are independent of and not connected or acting in concert with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates; (ii) that no such relevant subscriber shall be procured if allotment and issue of any Rights Shares to it would result in it and its associates or persons acting in concert with any of them, when aggregated with the total number of Shares (if any) already held by them, holding more than 30% of the enlarged issued share capital of the Company immediately after completion of the Rights Issue; and (iii) that none of the relevant subscriber shall own 10% or more of the total number of Shares in issue immediately upon completion of the Rights Issue.
3. The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.
4. This scenario is for illustrative purpose only. In the event that the Rights Issue is undersubscribed which would result in the public float of the Shares not being maintained, the Company will take all appropriate steps to ensure that sufficient public float be maintained upon completion of the Rights Issue, including but not limited to the entering into of a placing agreement with the Underwriter to place down the Shares held by Mr. Zhao and/or Ms. Gao such that sufficient public float could be maintained in compliance with Rule 8.08(1) of the Listing Rules. The Company will closely monitor the level of acceptance from time to time during the period from the despatch of the Prospectus Documents to the latest time for acceptance and payment for the Rights Issue, and will commence necessary preparation of the above steps earlier if required to ensure compliance with Rule 8.08(1) of the Listing Rules at all times.

LETTER FROM THE BOARD

- (b) assuming all the outstanding Share Options being exercised on or before the Record Date and there is no other change in the shareholding structure of the Company before completion of the Rights Issue:

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Rights Issue, assuming full acceptance by all Shareholders		Immediately after completion of the Rights Issue, assuming nil acceptance by the Shareholders (except the Undertaking Rights Shares) ^{Note 5}		Immediately after completion of the Rights Issue, assuming none of the Qualifying Shareholders have taken up any entitled Rights Shares (except the Undertaking Rights Shares) and all the unsubscribed Rights Shares under the PALs and EAFs were subscribed for through the Underwriter	
	No. of whole Shares	(approx.) % ^{Note 4}	No. of whole Shares	(approx.) % ^{Note 4}	No. of whole Shares	(approx.) % ^{Note 4}	No. of whole Shares	(approx.) % ^{Note 4}
Controlling shareholders								
— Mr. Zhao ^{Note 1}	20,967,194	50.97	62,901,582	50.97	62,901,582	75.57	62,901,582	50.97
— Ms. Gao ^{Note 2}	83,025	0.20	249,075	0.20	249,075	0.30	249,075	0.20
	<u>21,050,219</u>	<u>51.17</u>	<u>63,150,657</u>	<u>51.17</u>	<u>63,150,657</u>	<u>75.87</u>	<u>63,150,657</u>	<u>51.17</u>
Underwriter ^{Note 3}	—	—	—	—	—	—	40,175,952	32.55
Other public Shareholders	<u>20,087,976</u>	<u>48.83</u>	<u>60,263,928</u>	<u>48.83</u>	<u>20,087,976</u>	<u>24.13</u>	<u>20,087,976</u>	<u>16.28</u>
Total	<u>41,138,195</u>	<u>100</u>	<u>123,414,585</u>	<u>100</u>	<u>83,318,633</u>	<u>100</u>	<u>123,414,585</u>	<u>100</u>

Notes:

- Mr. Zhao beneficially owns 20,967,194 Shares, of which (i) 104,339 Shares are held directly by him; (ii) 20,406,479 Shares are directly held by Foreshore Holding Group Limited, which is wholly owned by Sea Network Holdings Limited, which is in turn wholly owned by TMF Trust (HK) Limited, in its capacity as the trustee of a family trust established by Mr. Zhao as the settlor for the benefit of himself and his family members; (iii) 356,376 Shares are held directly by Better Day Holdings, a company which is controlled by Mr. Zhao; and (iv) 100,000 Share Options granted under the Share Option Scheme.
- Ms. Gao beneficially owns 83,025 Shares, of which (i) 58,025 Shares are held directly by her; and (ii) 25,000 Share Options granted under the Share Option Scheme.
- Pursuant to the Underwriting Agreement, the Underwriter undertakes to the Company that the Underwriter shall use all reasonable endeavours to ensure (i) that each of the subscribers or purchasers of the Rights Shares procured by it are independent of and not connected or acting in concert with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates; (ii) that no such relevant subscriber shall be procured if allotment and issue of any Rights Shares to it would result in it and its associates or persons acting in concert with any of them, when aggregated with the total number of Shares (if any) already held by them, holding more than 30% of the

LETTER FROM THE BOARD

enlarged issued share capital of the Company immediately after completion of the Rights Issue; and (iii) that none of the relevant subscriber shall own 10% or more of the total number of Shares in issue immediately upon completion of the Rights Issue.

4. The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.
5. This scenario is for illustrative purpose only. In the event that the Rights Issue is undersubscribed which would result in the public float of the Shares not being maintained, the Company will take all appropriate steps to ensure that sufficient public float be maintained upon completion of the Rights Issue, including but not limited to the entering into of a placing agreement with the Underwriter to place down the Shares held by Mr. Zhao and/or Ms. Gao such that sufficient public float could be maintained in compliance with Rule 8.08(1) of the Listing Rules. The Company will closely monitor the level of acceptance from time to time during the period from the despatch of the Prospectus Documents to the latest time for acceptance and payment for the Rights Issue, and will commence necessary preparation of the above steps earlier if required to ensure compliance with Rule 8.08(1) of the Listing Rules at all times.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

Previous fund-raising exercise involving issue of securities in the prior 12-month period

The Company had not conducted any equity fund raising activities in the 12 months immediately preceding the Latest Practicable Date.

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to the approval of the minority Shareholders at the EGM by way of poll. Pursuant to Rule 7.27A(1) of the Listing Rules, where minority Shareholders' approval is required for a rights issue under Rule 7.19A(1), the rights issue must be made conditional on approval by shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, (i) Mr. Zhao, being an executive Director, the chairman and chief executive officer of the Company; and (ii) and Ms. Gao, being an executive Director and the spouse of Mr. Zhao hold 20,867,194 Shares and 58,025 Shares, representing approximately 51.20% and 0.14% of the issued Shares, respectively. Accordingly, Mr. Zhao, Ms. Gao and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue at the EGM in accordance with Rule 7.27A (1) of the Listing Rules. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

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As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Mr. Zhao and Ms. Gao, no other Shareholder is required or indicated his/her intention to abstain from voting on the relevant resolution(s) at the EGM.

GENERAL

The EGM will be convened and held to consider, and if thought fit, to approve, among other things, the Rights Issue and the transactions contemplated thereunder (including the Underwriting Agreement and the issue of the Rights Shares).

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ren Guangming, Mr. He Yuanping and Mr. Fu Shula, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the independent financial adviser appointed by the Company. Emperor Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 36 to 37 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from Independent Financial Advisor set out on pages 38 to 64 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

A notice convening the EGM to be held by way of electronic means on Tuesday, 13 September 2022 at 10:30 a.m. is enclosed with this circular.

The register of members of the Company will be closed from Wednesday, 7 September 2022 to Tuesday, 13 September 2022 (both days inclusive) for determining the eligibility of the Shareholders to attend and vote at the EGM. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote at the EGM.

A form of proxy for use at the EGM is also enclosed. Whether or not you are able to attend the EGM by way of electronic means, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of a form of proxy will not preclude you from attending and voting by way of electronic means at the EGM or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing, among other things, details of the Rights Issue is expected to be despatched by the Company to the Qualifying Shareholders on Monday, 26 September 2022.

In light of the recent social distancing and anti-pandemic measures implemented by the government of Hong Kong to contain the COVID-19 pandemic and on concerns about the health and safety of the Shareholders, the EGM will be conducted by way of electronic means.

Shareholders will be able to attend, participate and vote at the EGM through online access by visiting the website — http://meetings.computershare.com/Besunyen_EGM202209 (the “**Online Platform**”). Shareholders participating in the EGM using the Online Platform will also be counted towards the quorum and they will be able to cast their vote and submit questions through the Online Platform.

The Online Platform permits a “split vote” on a resolution, in other words, a Shareholder casting his/her/its votes through the Online Platform does not have to vote all of his/her/its shares in the same way (“**For**” or “**Against**”). In the case of a proxy, he/she can vote such number of shares in respect of which he/she has been appointed as a proxy. Votes cast through the Online Platform are irrevocable once the voting session at the EGM ends.

The Online Platform will be open for registered Shareholders and non-registered Shareholders (see below for login details and arrangements) to log in approximately 30 minutes prior to the commencement of the EGM and can be accessed from any location with internet connection by a smart phone, tablet device or computer. Shareholders should allow ample time to check into the Online Platform to complete the related procedures. Please refer to the Online User Guide for the EGM dated 23 August 2022 for more information.

Login details for registered Shareholders

Details regarding the EGM arrangements including login details to access the Online Platform are included in the Company’s notification letter to registered Shareholders sent together with this circular.

Login details for non-registered Shareholders

Non-registered Shareholders who wish to attend, participate and vote at the EGM using the Online Platform should:

- (1) contact and instruct their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their Shares are held (together, the “**Intermediary**”) to appoint themselves as proxy or corporate representative to attend the EGM; and
- (2) provide their email address to their Intermediary before the time limit required by the relevant Intermediary.

LETTER FROM THE BOARD

Details regarding the EGM arrangements including login details to access the Online Platform will be sent by the Registrar, Computershare Hong Kong Investor Services Limited, to the email address of the non-registered Shareholders provided by the Intermediary. Any non-registered Shareholder who has provided an email address through the relevant Intermediary for this purpose but has not received the login details by email by 9:30 a.m. on Tuesday, 13 September 2022 should reach out to the Registrar for assistance. Without the login details, non-registered Shareholders will not be able to participate and vote using the Online Platform. Non-registered Shareholders should therefore give clear and specific instructions to their Intermediary in respect of both (1) and (2) above.

Login details for proxies or corporate representatives

Details regarding the EGM arrangements including login details to access the Online Platform will be sent by the Registrar, Computershare Hong Kong Investor Services Limited, to the email address of the proxies provided to it in the relevant proxy forms.

Registered and non-registered Shareholders should note that only one device is allowed in respect of each set of login details. Please also keep the login details in safe custody for use at the EGM and do not disclose them to anyone else. Neither the Company nor its agents assume any obligation or liability whatsoever in connection with the transmission of the login details or any use of the login details for voting or otherwise.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with its terms. It should also be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate its obligations on the occurrence of certain events including force majeure. Please refer to the paragraph headed “Underwriting arrangement — Termination of the Underwriting Agreement” in this circular for further details. Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Thursday, 15 September 2022. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 28 September 2022 to Thursday, 6 October 2022 (both dates inclusive).

Any dealings in the Shares from the Latest Practicable Date up to the date on all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors) considers that the terms of the Rights Issue are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole, therefore, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the proposed resolution(s) approving the Rights Issue and the transactions contemplated thereunder at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue.



碧生源控股有限公司

BESUNYEN HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 926)

23 August 2022

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE
ON THE BASIS OF TWO (2) RIGHTS SHARES FOR
EVERY ONE (1) SHARES HELD ON THE RECORD DATE**

We refer to the circular dated 23 August 2022 (the “**Circular**”) of the Company of which this letter forms part. Unless the context requires otherwise, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of Rights Issue and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

Emperor Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of the advice from the Independent Financial Adviser, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 38 to 64 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 9 to 35 of the Circular and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Rights Issue and the letter from the Independent Financial Adviser, we consider that the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed to approve the Rights Issue and the transactions contemplated thereunder at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Ren Guangming

Mr. He Yuanping

Mr. Fu Shula

Independent Non-executive Directors

The following is the full text of the letter from Emperor Capital setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



英皇融資有限公司
Emperor Capital Limited

23 August 2022

To the Independent Board Committee and the Independent Shareholders of Besunyen Holdings Company Limited

Dear Sirs,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) SHARE HELD
ON THE RECORD DATE**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 23 August 2022 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

The Company proposes to implement the Rights Issue on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date at the Subscription Price of HK\$1.75 per Rights Share, to raise up to (i) approximately HK\$142.6 million before deducting the costs and expenses by way of issuing up to 81,510,390 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) approximately HK\$144.0 million before deducting the costs and expenses by way of issuing up to 82,276,390 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the full exercise of the outstanding Share Options), to the Qualifying Shareholders. The Rights Issue will only be available to the Qualifying Shareholders and will not be available to the Non-Qualifying Shareholders.

On 12 July 2022 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the proposed Rights Issue, pursuant to which the Underwriter has agreed to procure, on a best effort basis, the subscription (but will not itself subscribe) for any unsubscribed Rights Shares (other than the Undertaking Rights Shares to be taken up by Mr. Zhao and Ms. Gao pursuant to the Irrevocable Undertakings)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

up to (i) 39,659,952 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) 40,175,952 Rights Shares (assuming no change in the number of Shares in issue other than the full exercise of the outstanding Share Options on or before the Record Date) subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions contained therein.

In accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to the approval of the minority Shareholders at the EGM by way of poll. Pursuant to Rule 7.27A(1) of the Listing Rules, where minority Shareholders' approval is required for a rights issue under Rule 7.19A(1), the rights issue must be made conditional on approval by shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, (i) Mr. Zhao, being an executive Director, the chairman and chief executive officer of the Company; and (ii) and Ms. Gao, being an executive Director and the spouse of Mr. Zhao hold 20,867,194 Shares and 58,025 Shares, representing approximately 51.20% and 0.14% of the issued Shares, respectively. Accordingly, Mr. Zhao, Ms. Gao and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue at the EGM in accordance with Rule 7.27A (1) of the Listing Rules.

The Board currently comprises two executive Directors, one non-executive Director and three independent non-executive Directors. The Independent Board Committee, comprising Mr. Ren Guangming, Mr. He Yuanping and Mr. Fu Shula, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the terms of the Rights Issue. We, Emperor Capital Limited ("**Emperor Capital**"), have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect and such appointment has been approved by the Independent Board Committee.

Emperor Capital is not connected with the Directors, chief executive or substantial shareholders of the Company or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. As at the Latest Practicable Date, we were not aware of any relationships or interests between Emperor Capital and the Company nor any other parties that could be reasonably be regarded as a hindrance to Emperor Capital's independence to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue. In the last two years, there was no engagement and/or relationship between the Company and Emperor Capital. Apart from normal professional fees payable to us in connection with this appointment of us as the independent financial adviser, no arrangement exists whereby Emperor Capital will receive any fees or benefits from the Company or the Directors, chief executive or substantial shareholders of the Company or any of their respective associates, and we are not aware of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Rights Issue.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the terms of the Rights Issue are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Rights Issue is in the interests of the Company and the Shareholders as a whole; and (iii) how to vote in respect of the resolution to be proposed at the EGM in relation to the Rights Issue.

BASIS OF OUR OPINION

We have performed relevant procedures and steps which we deemed necessary in forming our opinions to the Independent Board Committee and the Independent Shareholders. These procedures and steps include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, with the relevant public information, statistics and market data, industry guidelines and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Underwriting Agreement, the announcement of the Company dated 12 July 2022 in relation to the Rights Issue, the annual report of the Company for the financial year ended 31 December 2021 (the “**2021 Annual Report**”), the interim results announcement of the Company for the six months ended 30 June 2022 (the “**2022 Interim Results Announcement**”) and the Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement of the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group, nor have we conducted any form of an in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, its respective substantial shareholders, subsidiaries or associates (if applicable). In addition, we have not considered the tax and regulatory implications on the Independent Shareholders in respect of whether or not they

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participate in the Rights Issue, as these are particular to their individual circumstances. Independent Shareholders should consult their own professional advisers if in any doubt in respect of their own tax and regulatory position.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Rights Issue, we have considered the following principal factors and reasons.

1. Information of the Group

The Company was incorporated in the Cayman Islands with limited liability, with its shares listed on the Main Board of the Stock Exchange. The Group is principally engaged in the research and development, production, sale and promotion of therapeutic teas and medicines.

Set out below is a summary of the audited financial information of the Group for the two years ended 31 December 2020 and 2021, and the unaudited financial information of the Group for the six months ended 30 June 2021 and 2022, as extracted from the 2021 Annual Report and the 2022 Interim Results Announcement, respectively.

	For the year ended 31 December		For the six months ended 30 June	
	2021	2020	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue				
— Tea products segment	573,771	630,336	246,309	305,293
— Weight-loss and other medicines segment	527,379	662,375	213,790	365,402
Total revenue	1,101,150	1,292,711	460,099	670,695
Total comprehensive (loss)/income for the year/period	(113,991)	130,859	(9,110)	56,256

According to the 2021 Annual Report, the revenue of the Group for the year ended 31 December 2021 was approximately RMB1,101.2 million as compared to approximately RMB1,292.7 million recorded for the year ended 31 December 2020, representing a year-on-year decrease of approximately 14.8%. The decrease in revenue was mainly due to the fact that (i) the change in inventory management measures of a major distributor of the Group has led to a reduction in the Group's supply of good to that distributor; (ii) the market price competition of Orlistat resulted in a decrease in the transaction amount of the overall market, thus affecting the sales amount of the Group's weight-loss medicines; (iii) the sales performance of the Group in "11.11" and "12.12" shopping festivals in 2021 failed to achieve the expected sales amount; and (iv) the re-layout in sales and marketing forces had a greater impact on the Group's temporary revenue than expected.

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The total comprehensive loss for the year ended 31 December 2021 of the Group was approximately RMB114.0 million, compared with a total comprehensive income of approximately RMB130.9 million recorded for the year ended 31 December 2020, which was mainly attributable to (i) the decrease in revenue as mentioned above; (ii) the decrease in the Group's gross profit margin mainly due to the decrease in the percentages of revenue of the Three Teas and weight-loss medicines with higher gross profit in 2021; (iii) the decrease in other income due to the reduction in the government grants provided by the PRC government to support the Group's operation of business in 2021; and (iv) the increase in administrative expenses resulted from the increase in number of management staff in 2021 and the partial reduction of social insurance in 2020 due to the pandemic.

Meanwhile, according to the 2022 Interim Results Announcement, the revenue of the Group was approximately RMB460.1 million for the six months ended 30 June 2022 as compared to approximately RMB670.7 million for the corresponding period in the previous year, representing a decrease of approximately 31.4%. The decrease in the revenue was principally attributable to (i) affected by the new wave of the COVID-19 pandemic, some cities have adopted strict pandemic prevention and control measures, which have a certain impact on the Group's marketing business and logistics distribution; and (ii) affected by market changes and price competition, the shipment volume of weight-loss medicines, the major products of the Group, in the first half of the year decreased by over 50% compared with the same period last year, while the average settlement unit price also decreased.

The total comprehensive loss for the six months ended 30 June 2022 of the Group was approximately RMB9.1 million, compared with a total comprehensive income of approximately RMB56.3 million recorded for the corresponding period in 2021, which was mainly attributable to (i) the decrease in revenue as mentioned above; (ii) the decrease in gross profit margin mainly due to the decrease in the percentage of revenue of the products with higher gross profit margin, resulting from the product diversification; (iii) the increase in administrative expenses mainly due to that the fixed overhead cost was converted to administrative expenses during the suspension of operation of the Group's main production bases as affected by the pandemic; (iv) the change in fair value of shares held by the Group's joint venture which resulted in the Group's share of losses of investments accounted for using the equity method for the six months ended 30 June 2022; and (v) the impacts of the abovementioned reasons were partially alleviated by the decrease in selling and marketing expenses and research and development costs.

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Set out below is a summary of the consolidated assets and liabilities of the Group as at 30 June 2022 as extracted from the 2022 Interim Results Announcement:

	As at 30 June 2022 <i>RMB'000</i> (unaudited)
Total assets	
— Non-current assets	925,443
— Current assets	615,201
Total Liabilities	
— Non-current liabilities	154,140
— Current liabilities	364,724
Net current assets	250,477
Net assets	1,021,780
Equity attributable to owners of the Company	820,896

As at 30 June 2022, the non-current assets of the Group of approximately RMB925.4 million mainly comprised of (i) property, plant and equipment of approximately RMB395.8 million; (ii) right-of-use assets of approximately RMB80.2 million; (iii) intangible assets of approximately RMB164.6 million; (iv) other non-current assets of approximately RMB18.2 million; (v) investments accounted for using the equity method of approximately RMB35.9 million; (vi) financial assets measured at fair value through profit or loss of approximately RMB47.1 million; (vii) long-term bank deposits of approximately RMB120.0 million; and (viii) deferred income tax assets of approximately RMB63.6 million. Meanwhile, the Group's current assets of approximately RMB615.2 million mainly comprised of (i) inventories of approximately RMB133.7 million; (ii) trade receivables of approximately RMB119.5 million; (iii) bills receivables of approximately RMB11.4 million; (iv) deposits, prepayments and other receivables of approximately RMB88.3 million; (v) short-term bank deposits of approximately RMB0.6 million; and (vi) cash and cash equivalents of approximately RMB261.7 million.

As at 30 June 2022, the Group's non-current liabilities of approximately RMB154.1 million mainly comprised of (i) deferred government grants of approximately RMB41.8 million; (ii) lease liabilities of approximately RMB10.0 million; (iii) deferred income tax liabilities of approximately RMB38.1 million; and (iv) long-term borrowings of approximately RMB64.2 million. Meanwhile, the current liabilities of the Group of approximately RMB364.7 million mainly comprised of (i) trade and bills payables of approximately RMB13.8 million; (ii) other payables and accrued expenses of approximately RMB148.8 million; (iii) contract liabilities of approximately RMB21.0 million; (iv) borrowings of approximately RMB167.5 million; (v) lease liabilities of approximately RMB9.7 million; and (vi) current income tax liabilities of approximately RMB3.9 million.

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As at 30 June 2022, the consolidated net current assets and net assets of the Group were approximately RMB250.5 million and RMB1,021.8 million respectively. The Group's current ratio, which was calculated by dividing its current assets with its current liabilities, was approximately 1.7 as at 30 June 2022.

2. Reasons for and benefits of the Rights Issue and the proposed use of proceeds

As disclosed in the Letter from the Board, assuming all Rights Shares are taken up, the net proceeds from the Rights Issue after deducting the incidental expenses are estimated to be (i) approximately HK\$138.8 million (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) approximately HK\$140.2 million (assuming no change in the number of Shares in issue other than the full exercise of outstanding Share Options on or before the Record Date).

The Company intends to apply the net proceeds from the Rights Issue in the following manner:

- (i) approximately 48.8% (being approximately HK\$67.9 million (or HK\$68.5 million (assuming no change in the number of Shares in issue on or before the Record Date other than the full exercise of the outstanding Share Options))) for settlement of the outstanding indebtedness of the Group;
- (ii) approximately 23.6% (being approximately HK\$32.7 million (or HK\$33.0 million (assuming no change in the number of Shares in issue on or before the Record Date other than the full exercise of the outstanding Share Options))) for advertising and marketing expenses to deepen the development on young consumer groups by leveraging the brand communication way in multi-channels;
- (iii) approximately 16.1% (being approximately HK\$22.3 million (or HK\$22.6 million (assuming no change in the number of Shares in issue on or before the Record Date other than the full exercise of the outstanding Share Options))) for developing the New Retail Business Division, including but not limited to implement digital transformation to formulate a fully digitalized operation system, and to capture the diversified demands from users precisely through the digitalized operation; and
- (iv) approximately 11.5% (being approximately HK\$15.9 million (or HK\$16.1 million (assuming no change in the number of Shares in issue on or before the Record Date other than the full exercise of the outstanding Share Options))) as general working capital of the Group, including but not limited to its daily operational expenses for rent and its staff, and for research and development expenses of the Group.

Assuming the Rights Issue is undersubscribed, except for those Rights Shares to be provisionally allotted to Mr. Zhao and Ms. Gao, the amount of net proceeds will be (i) approximately HK\$69.4 million (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) approximately HK\$69.9 million (assuming no change in the number of Shares in issue other than the full exercise of the outstanding Share Options on

or before the Record Date). In such event, the Group intends to apply the net proceeds from the Rights Issue as to approximately HK\$67.9 million (or HK\$68.5 million (assuming no change in the number of Shares in issue on or before the Record Date other than the full exercise of the outstanding Share Options)) for settlement of the outstanding indebtedness of the Group, and the remaining net proceeds will be applied to the other usages as set out above on a pro-rata basis.

2.1 Settlement of the outstanding indebtedness of the Group

As disclosed in the 2022 Interim Results Announcement, as at 30 June 2022, the Group's total borrowing amounted to approximately RMB231.7 million, while the cash and cash equivalents of the Group amounted to approximately RMB261.7 million. According to the Letter from the Board, as at the Latest Practicable Date, approximately RMB103.8 million of the Group's total borrowings will fall due by 31 March 2023. As disclosed in the Letter from the Board, taking into consideration of, among others, (i) the Group's net cash used in operating activities of approximately RMB145.5 million for the year ended 31 December 2021; and (ii) the net loss of the Group of approximately RMB114.0 million for the year ended 31 December 2021, the Directors consider that it is essential for the Group to reserve sufficient available cash to fulfil the repayment obligations and improve the gearing ratio while maintaining the size of the Group's operation.

In view of the net loss position and the financial position of the Group including the Group's total borrowings, we concur with the Board that the Rights Issue provides a good opportunity for the Group to enhance its financial position. Further, reducing debt level of the Group helps to enhance the Company's healthy financial status and attract investors.

2.2 Deepen the development on young consumer groups by leveraging the brand communication way in multi-channels

As disclosed in the 2021 Annual Report, the Group continued to promote the content marketing by soft placement and customization of short plays to strengthen product usage scenarios, and there were four TV dramas with the Group's product placement in 2021. In addition, the Group leveraged the advantage of media on high-speed railway to create an immersive advertising environment for Besunyen Orlistat, thus promoting the effective communication with consumers within the area of high-speed railway and stimulating the demand and desire of purchase from consumers. On the front of brand rejuvenation, the Group continuously explored on transformation and its layout.

According to the 2021 Annual Report, for the year ended 31 December 2021, the marketing and promotional expenses of the Group amounted to approximately RMB210.8 million, while the advertising costs amounted to approximately RMB85.7 million. In view of above, we concur with the management of the Company that the Rights Issue provides additional resources and flexibility in content marketing in multi-brand channels.

2.3 Developing the New Retail Business Division

Referring to the Letter from the Board, the Group continued to develop a multi-channel sales model based on e-commerce platform, and actively adjusted its marketing strategy and pinpointed precise functional and marketing positions for its products so as to lay a solid foundation for the Group's future development. In 2021, the Group set up the new retail business division (the "**New Retail Business Division**") to carry out systematic management on short video and live-streaming marketing.

As disclosed in the 2021 Annual Report, with the help from the professional operation team, the New Retail Business Division (i) continuously provided help to personalized marketing team in deep exploration of customer value and enhanced the performance; and (ii) provided quality and professional services to customers through the social customer management system platform and AI customer services tools newly introduced, and thus increasing the repurchase rate of products.

In addition, according to the 2021 Annual Report, the Group continued its process on implementing digital transformation in an effort to formulate a fully digitalized operation system, and to capture the diversified demands from users precisely through the digitalized operation, at the same time it continued to promote the digitalization of user services and professional upgrading.

In light of the above, we concur with the management of the Company that the Rights Issue provides financial flexibility for the Company to develop the New Retail Business Division to strengthen the management on the marketing system of the Group including but not limited to implement digital transformation to formulate a fully digitalized operation system.

2.4 Financing alternatives

As disclosed in the Letter from the Board, the Company had not conducted any equity fund raising activities in the 12 months immediately preceding the Latest Practicable Date. In addition, as mentioned in the Letter from the Board, the Board has considered various fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing and equity fund raising.

According to the Letter from the Board, the Board considered, and we concur that, debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner as it may be subject to lengthy due diligence and negotiations with financial institutions, it may as well require pledge of assets and/or other kind of security which may reduce the Group's flexibility in managing its portfolio.

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On the other hand, as for equity fund raising such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it will lead to an immediate dilution in shareholding interest of the existing Shareholders without offering them opportunities to participate in the enlargement of the capital base of the Company.

On the contrary, the Board considers, and we concur, that the Rights Issue provides a good opportunity for the Group to enhance its financial position, while at the same time the Rights Issue will enable all Qualifying Shareholders to participate in the future development of the Company on equal terms and avoid dilution. The Rights Issue will allow the Qualifying Shareholders to maintain, increase or decrease their respective pro rata shareholdings in the Company by taking up only their respective rights entitlement, acquiring additional rights entitlement or disposing of their rights entitlements in the open market (subject to availability). Therefore, we concur with the Board's view that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

Having considered (i) the financial position of the Group as mentioned above; and (ii) the intended use of proceeds from the Rights Issue and the reasons thereof as discussed above, we concur with the management's view that it is of imminent funding needs for the Group to conduct fund raising activity and the Company's decision to pursue the Rights Issue is reasonable.

3. Principal terms of the Rights Issue

As disclosed in the Letter from the Board, set out below are the principal terms of the Rights Issue:

Basis of the Rights Issue	:	two (2) Rights Shares for every one (1) Share held by the Shareholders on the Record Date
Subscription Price	:	HK\$1.75 per Rights Share
Number of whole Shares in issue as at the Latest Practicable Date	:	40,755,195 Shares
Number of Rights Shares	:	a) up to 81,510,390 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date); or b) up to 82,276,390 Rights Shares (assuming no change in the number of Shares in issue other than the full exercise of the outstanding Share Options on or before the Record Date)

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Undertaking Rights Shares	:	41,850,438 Rights Shares (or 42,100,438 Rights Shares, assuming the full exercise of the Share Options owned by Mr. Zhao and Ms. Gao), being the aggregate number of Rights Shares undertaken to be subscribed by Mr. Zhao and Ms. Gao under the Irrevocable Undertakings
Aggregate nominal value of the Rights Shares	:	a) up to US\$27,170.12 (assuming no change in the number of Shares in issue on or before the Record Date); or b) up to US\$27,425.45 (assuming no change in the number of Shares in issue other than the full exercise of the outstanding Share Options on or before the Record Date)
Number of whole Shares in issue as enlarged by the allotment and issue of the Rights Shares	:	a) up to 122,265,585 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue); or b) up to 123,414,585 Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the full exercise of the outstanding Share Options and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment
Total funds to be raised (before expenses)	:	a) up to approximately HK\$142.6 million (assuming no change in the number of Shares in issue on or before the Record Date); or b) up to approximately HK\$144.0 million (assuming no change in the number of Shares in issue other than the full exercise of the outstanding Share Options on or before the Record Date)
Underwriter	:	Lego Securities Limited

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As at the Latest Practicable Date, there are 383,000 outstanding Share Options granted by the Company, which are exercisable into 383,000 Shares. Save for the foregoing, as at the Latest Practicable Date, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares prior to the Record Date.

As at the Latest Practicable Date, Mr. Zhao and Ms. Gao have no intention to exercise the outstanding Share Options prior to the completion of the Rights Issue.

Assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date, the number of 81,510,390 Rights Shares to be issued and allotted pursuant to the Rights Issue represent (i) 200.0% of the existing issued Shares as at the Latest Practicable Date; and (ii) approximately 66.7% of the issued Shares as enlarged by the allotment and issue of the Rights Shares.

Assuming that there is no change in the number of issued Shares on or before the Record Date other than the full exercise of the outstanding Share Options and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the number of 82,276,390 Rights Shares to be issued and allotted pursuant to the Rights Issue represent (i) approximately 201.88% of the existing issued Shares as at the Latest Practicable Date; and (ii) approximately 66.67% of the issued Shares as enlarged by the allotment and issue of the Rights Shares.

3.1 Underwritten on a best effort basis

The Rights Issue is only underwritten on a best effort basis. Pursuant to the Company's constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed irrespective of the level of acceptance of the provisionally allotted Rights Shares. Based on the Irrevocable Undertakings given by Mr. Zhao and Ms. Gao, it is anticipated that 41,850,438 Rights Shares (or 42,100,438 Rights Shares, assuming the full exercise of the Share Options, as the case may be) will be taken up.

In the event the Rights Issue is undersubscribed, any Rights Shares not subscribed by the Qualifying Shareholders or transferees of nil-paid Rights Shares and not subscribed by other subscribers procured by the Underwriter pursuant to the Underwriting Agreement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

3.2 The Subscription Price

The Subscription Price of HK\$1.75 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or, where applicable, applies for excess Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

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The Subscription Price represents:

- (i) a discount of approximately 43.55% to the closing price of HK\$3.10 per Share on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 14.22% to the closing price of HK\$2.04 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 15.87% to the average closing price of approximately HK\$2.08 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 22.57% to the average closing price of approximately HK\$2.26 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 5.91% to the theoretical ex-entitlement price of approximately HK\$1.86 per Share based on the benchmarked price, being the average closing price of HK\$2.08 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 10.58% represented by the theoretical diluted price of approximately HK\$1.86 per Share to the benchmarked price, being the average closing price of HK\$2.08 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (vii) a discount of approximately 92.63% to the consolidated net asset value per Share attributable to the Shareholders as at 31 December 2021 of approximately HK\$23.76 calculated based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately RMB827,517,000 (equivalent to approximately HK\$968,194,890) as at 31 December 2021 as set out in the 2021 Annual Report and 40,755,195 Shares in issue as at the Latest Practicable Date; and
- (viii) a discount of approximately 92.58% to the consolidated net asset value per Share attributable to the Shareholders as at 30 June 2022 of approximately HK\$23.57 calculated based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately RMB820,896,000 (equivalent to approximately HK\$960,448,320) as at 30 June 2022 as set out in the 2022 Interim Results Announcement and 40,755,195 Shares in issue as at the Latest Practicable Date.

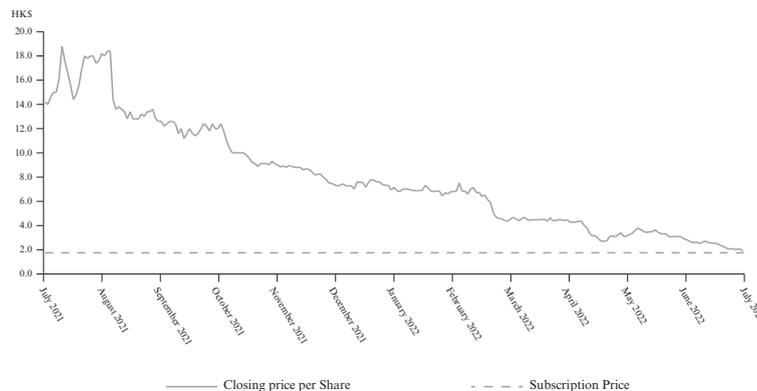
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As stated in the Letter from the Board, the Subscription Price was determined by the Company with reference to, among other things, the amount of fund raising targeted by the Company under the Rights Issue (details of which are set out in the section headed “**Reasons for the Rights Issue and use of proceeds**” in the Letter from the Board) and the market price of the Shares under the prevailing market conditions.

3.3 *Historical Share price performance*

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily closing prices of the Shares on the Stock Exchange for the period from 13 July 2021 (being the 12-month period immediately prior to the date of the Underwriting Agreement), up to and including the Last Trading Day (the “**Review Period**”). We consider that a period of 12 months prior to the date of Underwriting Agreement is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison between the historical closing prices of the Shares and the Subscription Price as (i) a one-year period represents a reasonable period to reflect the performance of the closing price of the Shares in response to the prevailing market condition and operating condition; (ii) a shorter review period can only demonstrate the price performance of the Shares in a limited and specific time which may be distorted by specific events; and (iii) it is commonly used for analysis purpose. The comparison of daily closing prices of the Shares during the Review Period and the Subscription Price is shown in the chart below:

Daily closing price of the Shares during the Review Period



Source: the website of the Stock Exchange (<https://www.hkex.com.hk/>)

We noted that the closing price of the Shares in general showed a downward trend during the Review Period. The closing prices of the Shares dropped gradually from the highest of HK\$18.80 per Share on 21 July 2021 to HK\$2.03 per Share on 8 July 2022, with an average closing price of approximately HK\$7.92 per Share.

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We noted from the above that, during the Review Period, the Shares have been traded above the Subscription Price and that the Subscription Price of HK\$1.75 per Rights Share represents a discount of approximately 13.8% to the lowest closing price of the Shares and a discount of approximately 90.7% to the highest closing price of the Shares during the Review Period.

Notwithstanding that the Subscription Price represents a discount of approximately 92.6% to the consolidated net asset value per Share attributable to the Shareholders as at 30 June 2022 (the “**2022 Net Asset Value Per Share**”) and a discount to the closing prices of the Shares during the Review Period, after considering (i) the Shares had been consistently traded at a deep discount to the consolidated net asset value per Share attributable to the Shareholders as at 31 December 2021 (the “**2021 Net Asset Value Per Share**”) since the publication of the 2021 annual results announcement for the year ended 31 December 2021 (“**2021 Annual Results Announcement**”) (i.e. 18 March 2022) up to the Last Trading Day (ranging from a minimum discount of approximately 80.5% to a maximum discount of approximately 91.5%); (ii) the prevailing historical trading prices have already reflected the market valuation of the Company based on its financial results, corporate actions and the prevailing market sentiment; and (iii) it is common market practice to set the Subscription Price at a discount to prevailing market prices, as discussed in the section headed “**3.5 Comparison with other rights issues**” below, to increase the attractiveness for shareholders to participate in a rights issue, we are of the view that it is reasonable for the Company to set the Subscription Price with reference to its prevailing trading prices.

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3.4 Historical trading volume and liquidity analysis

Apart from the daily closing price of the Shares, we have also reviewed the daily trading volume per month of the Shares for the Review Period as set out in the following table.

	Number of trading days	Average daily trading volume (approx. number of Shares) (Note 1)	Average daily trading volume to total number of Shares in issue (approx. %) (Note 2)	Average daily trading volume to total number of Shares held by public Shareholders (approx. %) (Note 3)
2021				
July (Note 4)	14	162,746	0.4%	0.8%
August	22	76,066	0.2%	0.4%
September	21	39,652	0.1%	0.2%
October	18	58,636	0.1%	0.3%
November	22	28,135	0.1%	0.1%
December	22	19,615	0.0%	0.1%
2022				
January	21	16,327	0.0%	0.1%
February	17	19,732	0.0%	0.1%
March	23	105,566	0.3%	0.5%
April	18	32,903	0.1%	0.2%
May	20	20,694	0.1%	0.1%
June	21	42,446	0.1%	0.2%
July (Note 5)	7	82,929	0.2%	0.4%
Maximum		162,746	0.4%	0.8%
Minimum		16,327	0.0%	0.1%

Source: the website of the Stock Exchange (<https://www.hkex.com.hk>)

Notes:

1. Computed by dividing the total daily trading volume of the Shares by the number of trading days of the respective corresponding months/periods.
2. Computed by dividing the average daily trading volume of the Shares by the total number of issued Shares of 40,755,195 as at the Last Trading Day.

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3. Computed by dividing the average daily trading volume of the Shares by the total number of issued Shares held by the public Shareholders of 19,829,976 as at the Last Trading Day.
4. Represents trading volume for the period from 13 July 2021 to 31 July 2021, both days inclusive.
5. Represents trading volume for the period from 1 July 2022 to 12 July 2022, both days inclusive.

As shown in the table above, the average daily trading volume of the Shares in each month/period were in the range of approximately 0.0% to 0.4% to the total number of issued Shares and approximately 0.1% to 0.8% to the total number of Shares held in the public Shareholders, respectively. In light of the relatively thin trading liquidity of the Shares, we consider that it is reasonable for the Subscription Price to be set at a discount to the prevailing closing prices of the Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue and to maintain their respective shareholding interest in the Company.

3.5 Comparison with other rights issues

To assess the fairness and reasonableness of the Rights Issue, we have reviewed all rights issues announced by companies listed on the Stock Exchange since 13 January 2022 (i.e. the six-month period immediately prior to the date of the Underwriting Agreement) and up to the date of the Underwriting Agreement (the “**Comparable Review Period**”). We consider the Comparable Review Period is adequate and appropriate given that (i) such period would provide us with the recent and relevant information to demonstrate the prevailing market practice prior to the date of the Underwriting Agreement under the prevailing market conditions; and (ii) we were able to identify sufficient samples for comparison within the Comparable Review Period. We identified an exhaustive list of 24 rights issues announced by the listed companies during the Comparable Review Period (the “**Comparables**”). Although we note that the business activities of the Comparables are not directly comparable to those carried out by the Group and the terms of the rights issue of the Comparables may vary from companies with different financial standings, business performance and future prospects, we consider our selection to include all rights issues announced by the Comparables during the Comparable Review Period provide a more meaningful

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representation of the recent trend of the rights issue transactions in the prevailing market condition and could provide a general reference for the terms of the Rights Issue, so as to determine whether the Subscription Price is in line with those of recent rights issue transactions in the trading market. The following table sets forth the relevant details of the Comparables:

Date of announcement	Company name	Stock code	Basis of provisional allotment	Premium/ (discount) of the subscription price over/to the closing price per share on the last trading day (approx. %) (Note 1)	Premium/ (discount) of the subscription price over/to the theoretical ex-right price per share based on the benchmark price (approx. %) (Note 1)	Premium/ (discount) of the subscription price over/to the net asset value per share (approx. %) (Note 1)	Theoretical dilution effect (approx. %) (Note 1)	Maximum dilution effect (approx. %) (Note 2)	Excess application	Underwriting (Note 1)	Underwriting commission (approx. %) (Note 1)
14 January 2022	CITIC Securities Company Limited	6030	1.5 for 10	(15.0%)	(13.3%)	N/A	2.0%	13.0%	Y	Best effort basis	N/A
14 January 2022	Beaver Group (Holding) Company Limited*	8275	3 for 2	(24.1%)	(11.3%)	(45.5%)	14.5%	60.0%	N	Non-underwritten	N/A
19 January 2022	RMH Holdings Limited	8437	1 for 2	(29.6%)	(21.9%)	108.3%	21.9%	33.3%	Y	Best effort basis	2.5%
21 January 2022	Cornerstone Financial Holdings Limited*	8112	3 for 1	(11.6%)	(3.2%)	(87.2%)	14.6%	75.0%	Y	Fully underwritten	3.5%
28 January 2022	Affluent Partners Holdings Limited*	1466	1 for 1	(4.4%)	(2.2%)	(4.4%)	3.2%	50.0%	Y	Fully underwritten	2.5%
14 February 2022	Gold Peak Industries (Holdings) Limited	40	1 for 6	(21.5%)	(19.1%)	(81.4%)	3.0%	14.3%	Y	Best effort basis	HK\$2.0 million
28 February 2022	Zioncom Holdings Limited	8287	1 for 2	(16.7%)	(11.8%)	(69.8%)	5.6%	33.3%	N	Non-underwritten	N/A
2 March 2022	Feiyang International Holdings Group Limited	1901	1 for 3	(56.5%)	(49.5%)	751.8%	13.9%	25.0%	Y	Best effort basis	2.5%
3 March 2022	China Eco-Farming Limited	8166	1 for 2	(10.1%)	(7.0%)	(83.5%)	5.3%	33.3%	Y	Best effort basis	2.0%
15 March 2022	Success Dragon International Holdings Limited*	1182	3 for 2	(2.9%)	(1.2%)	(8.6%)	2.8%	60.0%	N	N/A	N/A
23 March 2022	Kiu Hung International Holdings Limited*	381	3 for 1	(18.0%)	(5.1%)	(65.1%)	13.4%	75.0%	N	Non-underwritten	N/A
12 April 2022	CA Cultural Technology Group Limited	1566	1 for 2	(42.1%)	(32.5%)	(88.0%)	14.0%	33.3%	Y	Fully underwritten	7.1%
18 April 2022	DFZQ	3958	2.8 for 10	113.6%	24.9%	N/A	N/A	21.9%	Y	Non-underwritten	N/A
21 April 2022	Vixtel Technologies Holdings Limited	1782	1 for 2	(34.5%)	(26.0%)	25.4%	13.6%	33.3%	Y	Best effort basis	1.5%
28 April 2022	Life Concepts Holdings Limited*	8056	3 for 2	(7.0%)	(2.9%)	net liabilities	9.3%	60.0%	Y	Best effort basis	1.0%
28 April 2022	Palinda Group Holdings Limited	8179	1 for 2	(39.8%)	(13.6%)	(80.4%)	13.3%	33.3%	Y	Fully underwritten	7.1%
29 April 2022	China CITIC Bank Corporation Limited	998	3 for 10	N/A	N/A	N/A	N/A	23.1%	Y	N/A	N/A
12 May 2022	KOALA Financial Group Limited*	8226	2 for 1	(4.8%)	(1.6%)	(88.5%)	4.7%	66.7%	Y	Best effort basis	3.0%
18 May 2022	K Group Holdings Limited*	8475	2 for 1	(28.8%)	(12.3%)	net liabilities	20.4%	66.7%	Y	Best effort basis	3.0%
24 May 2022	Progressive Path Group Holdings Limited*	1581	1 for 1	(42.2%)	(26.8%)	(72.7%)	21.1%	50.0%	N	Non-underwritten	N/A
25 May 2022	F8 Enterprises (Holdings) Group Limited	8347	1 for 2	(5.6%)	(3.7%)	(71.7%)	1.9%	33.3%	Y	Best effort basis	5.0%
10 June 2022	Gameone Holdings Limited	8282	1 for 2	(40.4%)	(31.2%)	29.3%	13.5%	33.3%	Y	Best effort basis	1.5%
13 June 2022	China Water Industry Group Limited	1129	1 for 2	(31.4%)	(23.3%)	(75.5%)	10.5%	33.3%	Y	Non-underwritten	N/A
17 June 2022	Ocean Star Technology Group Limited	8297	1 for 2	(41.2%)	(32.0%)	900.0%	13.9%	33.3%	Y	Best effort basis	1.0%
			Maximum	113.6%	24.9%	900.0%	21.9%	75.0%			7.1%
			Minimum	(56.5%)	(49.5%)	(88.5%)	1.9%	13.0%			1.0%
			Average	(18.0%)	(14.2%)	47.0%	10.7%	41.4%			3.1%
			Median	(21.5%)	(12.3%)	(69.8%)	13.3%	33.3%			2.5%
			The Company	(14.2%)	(5.9%)	(92.6%)	10.6%	66.7%			higher of HK\$150,000 or 1.0%

Source: the website of the Stock Exchange (<http://www.hkexnews.hk>)

Notes:

- (1) Extracted from the respective initial announcement, circular and/or prospectus of the Comparables.

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- (2) Maximum dilution is calculated according to the basis of entitlement of each rights issue with formula: $(\text{number of new shares to be issued under the basis of entitlement}) / (\text{number of existing shares held for the entitlement for the new shares under the basis of entitlement} + \text{number of new shares to be issued under the basis of entitlement}) \times 100\%$

* The asterisk mark denotes the Comparables with maximum dilution effect above the average of approximately 41.4%.

As illustrated from the above table, it is a common market practice that the pricing of a rights issue represents a discount to both the closing share prices on the last trading day and the theoretical ex-entitlement prices of the shares. The subscription prices of the Comparables:

- (i) ranged from a discount of approximately 56.5% to a premium of approximately 113.6% (the “**Comparable LTD Range**”), with an average discount of approximately 18.0% and a median of a discount of approximately 21.5% as compared to their respective closing prices per share on the last trading day prior to/on the dates of the relevant announcements of the Comparables. The discount of approximately 14.2% to the closing price per Share on the Last Trading Day as represented by the Subscription Price (the “**LTD Discount**”) is within the Comparable LTD Range;
- (ii) ranged from a discount of approximately 49.5% to a premium of approximately 24.9% (the “**Comparable TERP Range**”), with an average discount of approximately 14.2% and a median of a discount of approximately 12.3% as compared to their respective theoretical ex-rights prices per share based on the benchmarked price of the Comparables. The discount of the Subscription Price to the theoretical ex-rights price per Share (the “**TERP Discount**”) is approximately 5.9%, which is within the Comparable TERP Range; and
- (iii) ranged from a discount of approximately 88.5% to a premium of approximately 900.0% (the “**Comparable NAV Range**”), with an average premium of approximately 47.0% and a median of a discount of approximately 69.8% as compared to their respective net asset value per share as disclosed in the relevant announcements, circular and/or prospectus of the Comparables. The discount of the Subscription Price to the net asset value per Share attributable to the Shareholders (the “**NAV Discount**”) is approximately 92.6%, which is slightly higher than the Comparable NAV Range.

We note that the NAV Discount of approximately 92.6% is slightly higher than the highest discount of the Comparables. As disclosed in the section headed “**3.3 Historical Share price performance**” above, we made comparison between the closing price of the Share since the publication of the 2021 Annual Results Announcement and the 2021 Net Asset Value Per Share. The highest and the lowest closing prices of the Shares of HK\$4.64 and HK\$2.03 represent a discount of approximately 80.5% and

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91.5% to the 2021 Net Asset Value Per Share, whereas the average closing price of the Share of approximately HK\$3.35 represents a discount of approximately 85.9% to the 2021 Net Asset Value Per Share.

Although the discount of the Subscription Price to the 2022 Net Asset Value Per Share is slightly higher than the highest discount of the Comparables, taking into account (i) the significant discount of each of the highest, lowest and average closing prices of the Shares to the 2021 Net Asset Value Per Share since the publication of the 2021 Annual Results Announcement; (ii) the LTD Discount and the TERP Discount are within the Comparable LTD Range and the Comparable TERP Range and lower than the average discount of the Comparables; (iii) the reasons and benefits of the Rights Issue; and (iv) the Rights Issue (including utilising part of the net proceeds from the Rights Issue for the settlement of the Group's outstanding indebtedness) will reduce the Group's indebtedness and hence improve the Group's gearing ratio as disclosed in the section "**5. Financial effect of the Rights Issue**", setting the Subscription Price close to the 2021 Net Asset Value per Share and 2022 Net Asset Value per Share would discourage the underwriters to underwrite or Independent Shareholders to participate in the Rights Issue.

In addition, excluding DFZQ with no theoretical dilution effect and China CITIC Bank Corporation Limited which has not yet finalised the issue statistics as at the date of the Underwriting Agreement, it is noted that the theoretical dilution effect of the Comparables ranged from approximately 1.9% to approximately 21.9% (the "**Comparable TDE Range**"), with an average of approximately 10.7% and a median of approximately 13.3%. The theoretical dilution effect of the Rights Issue of approximately 10.6% falls within the Comparable TDE Range and does not result in a theoretical dilution effect of 25% or more, which is in compliance with Rule 7.27B of the Listing Rules. As such, the management considers and we, having considered the above comparable analysis together with other factors discussed in this letter, concur that the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Furthermore, it is noted that the maximum dilution effect of the Comparables ranged from approximately 13.0% to approximately 75.0% (the "**Comparable MDE Range**"), with an average of approximately 41.4% and a median of approximately 33.3%. The maximum dilution effect of the Rights Issue of approximately 66.7% falls within the Comparable MDE Range.

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We note that the maximum dilution effect of the Rights Issue is higher than the average of the Comparables. In this regard, we have reviewed 9 of the Comparables with maximum dilution effect above the average of approximately 41.4% (the “**MDE Comparables**”) and we noted that the subscription prices of the Comparables:

- (i) ranged from a discount of approximately 42.2% to a discount of approximately 2.9% (the “**MDE Comparable LTD Range**”), with an average discount of approximately 16.0% and a median of a discount of approximately 11.6% as compared to their respective closing prices per share on the last trading day prior to/on the dates of the relevant announcements of the Comparables. The LTD Discount of approximately 14.2% is within the MDE Comparable LTD Range; and
- (ii) ranged from a discount of approximately 26.8% to a discount of approximately 1.2% (the “**MDE Comparable TERP Range**”), with an average discount of approximately 7.4% and a median of a discount of approximately 3.2% as compared to their respective theoretical ex-rights prices per share based on the benchmarked price of the Comparables. The TERP Discount of approximately 5.9% is within the MDE Comparable TERP Range.

Excess application

As mentioned in the Letter from the Board, Qualifying Shareholders will be entitled to apply for (i) the Rights Shares representing the entitlement of the Excluded Shareholders which cannot be sold at a net premium; and (ii) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or transferees of nil-paid Rights Shares.

Among the Comparables, we noted that 19 out of 24 of the Comparables allow for application of excess rights shares. As such, we consider that it is a market practice for providing application for excess rights shares, and the possibility of applying for excess Rights Share under the proposed Rights Issue is in normal commercial terms.

The Underwriting Agreement

As disclosed in the Letter from the Board, the Rights Shares will be underwritten on a best effort basis by the Underwriter in accordance with the terms of the Underwriting Agreement as described below.

Date : 12 July 2022 (after trading hours)

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Underwriter : Lego Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO and its ordinary course of business includes underwriting of securities.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties. The Underwriter confirmed that it has complied with Rule 7.19(1)(a) of the Listing Rules.

Number of Rights Shares to be underwritten : Subject to the terms and conditions of the Underwriting Agreement, the Underwriter agreed to procure, on a best effort basis, the subscription (but will not itself subscribe) for, excluding the Undertaking Rights Shares to be taken up by Mr. Zhao and Ms. Gao pursuant to the Irrevocable Undertakings,

(i) up to 39,659,952 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date); or

(ii) up to 40,175,952 Rights Shares (assuming no change in the number of Shares in issue other than the full exercise of the outstanding Share Options on or before the Record Date).

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Commission : the higher of

- (i) a commission of 1.0% of the sum resulting from multiplying the Subscription Price by the number of Underwritten Shares actually procured by the Underwriter or its sub-underwriters for subscription (such commission shall include sub-underwriting commission and expenses relating to sub-underwriting (if any) which shall be borne by the Underwriter); and
- (ii) a fixed amount of HK\$150,000.

As disclosed in the Letter from the Board, the terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiations between the Company and the Underwriter by reference to the size of the Rights Issue, the market price of the Shares and the prevailing market rate of similar transactions.

Among the Comparables, we note that 16 out of 24 of the Comparables were also conducted on an underwritten basis, and the commission rate of 1.0% fall within the range of 1.0% to approximately 7.1% of the Comparables and the commission of HK\$150,000 is below the fixed commission of HK\$2.0 million of one of the Comparables. As such, we consider that it is not uncommon for rights issue to be proceeded on an underwritten basis and we concur with the management's view that the terms of the Underwriting Agreement including the commission are fair and reasonable so far as the Company and the Shareholders are concerned.

Based on the above analysis and the facts that (i) the prevailing historical trading prices of the Company have already reflected the market valuation of the Company; (ii) it is common for the listed companies on the Stock Exchange to set the subscription price of rights issue at a discount to the market price of the listed shares in order to enhance the attractiveness of the rights issue transactions, which would encourage the shareholders to participate in the rights issue and accordingly maintain their shareholding interests in the company and participate in the future growth of the company; (iii) the LTD Discount and the TERP Discount under the Rights Issue falls within the Comparable LTD Range and the Comparable TERP Range, respectively; and (iv) other terms of the Rights Issue and the Underwriting Agreement were not uncommon in the market, we consider that the Subscription Price and the terms of the Rights Issue and Underwriting Agreement are on normal commercial term and fair and reasonable so far as the Independent Shareholders are concerned.

4. Potential dilution effect on the interests of the Independent Shareholders

All the Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. Where all Qualifying Shareholders do not accept the Rights Issue and the Underwriter has procured subscribers to take up the maximum number of the Underwritten Shares, the maximum dilution effect on the Qualifying Shareholders' shareholding interests will be approximately 66.7% (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and approximately 66.7% (assuming full exercise of the outstanding Share Options and no other issue or repurchase of Shares on or before the Record Date), respectively. Details of such dilution effect are presented in the section headed "**Effects on the shareholding structure of the Company**" in the Letter from the Board.

Meanwhile, those Qualifying Shareholders who wish to increase their proportional shareholding interests in the Company through the Rights Issue may (i) subject to availability, acquire additional nil-paid rights in the market; and (ii) apply for the excess Rights Shares since the Rights Issue also allows for excess application of the Rights Shares.

As set out in the subsection headed "**3.5 Comparison with other rights issues**", the potential maximum dilution of the shareholdings for the Comparables ranged from approximately 13.0% to 75.0% (the "**Dilution Market Range**"). The approximately 66.7% potential maximum dilution of the Rights Issue hence falls within the Dilution Market Range. Nonetheless, we consider that the foregoing should be balanced against by the following factors:

- (a) Independent Shareholders are offered a chance to express their views on the terms of the Rights Issue and the Underwriting Agreement through their votes at the EGM;
- (b) Qualifying Shareholders have their choice whether to accept the Rights Issue or not;
- (c) Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market;
- (d) although there is no guarantee that Qualifying Shareholders can realise their nil-paid rights to subscribe for the Rights Shares in the market but the proposed Rights Issue rather than debt financing is a more appropriate fund raising method to the Company for the time being. All the Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares, which is a fair method to allow the Qualifying Shareholders to reinvest in the Company, if they so wish to, in priority to other potential investor;

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- (e) the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interest in the Company at a relative low price as compared to the historical and prevailing market price of the Shares;
- (f) the theoretical dilution effect of the Rights Issue is below 25%, the benchmark as set out in Rule 7.27B of the Listing Rules;
- (g) those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue;
- (h) given the net loss position and the financial position of the Group, along with the challenging operating environment associated with the pandemic of novel coronavirus pneumonia (COVID-19), the Board considered it necessary to conduct fund raising activities to strengthen the financial position of the Group to maintain a healthy cash level to meet the Group's operating requirements and any unforeseen capital requirement from time to time; and
- (i) part of the net proceeds of the Rights Issue will be applied for the operation and expansion of the existing business of the Group.

Having considered the above, we consider that basis of entitlement of two Rights Shares for every one Share held on the Record Date and the potential dilution effect on the shareholding interests of the Qualifying Shareholders, the latter may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, to be acceptable.

5. Financial effect of the Rights Issue

It should be noted that the information below is for illustrative purpose only and do not purport to represent how the financial position of the Company will be upon completion of the proposed Rights Issue.

Liquidity

According to the 2022 Interim Results Announcement, the cash and cash equivalents of the Group amounted to approximately RMB261.7 million as at 30 June 2022. As part of the net proceeds from the Rights Issue, after applying the net proceeds of approximately HK\$67.9 million (or HK\$68.5 million (assuming no change in the number of Shares in issue on or before the Record Date other than the full exercise of the outstanding Share Options)) for settlement of the outstanding indebtedness of the Group, will be applied as additional working capital of the Group. Hence, the Group's liquidity position would be improved upon completion of Rights Issue.

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Gearing ratio

According to the 2022 Interim Results Announcement, the Group's gearing ratio, which is computed as the total liabilities divided by the total assets, was approximately 33.7% as at 30 June 2022. Since part of the net proceeds is intended to be utilised for the repayment of outstanding indebtedness of the Group, the borrowings level of the Group, and hence the total indebtedness of the Group, is expected to decrease. The capital base of the Group would also be enlarged by the Rights Shares upon completion of the Rights Issue. Accordingly, the gearing ratio of the Group will be improved as a result of the Rights Issue.

For illustrative purpose only, assuming all the Rights Shares are taken up and no change in the number of Shares in issue on or before the Record Date, taking into account (i) the total assets and total liabilities of approximately RMB1,540.6 million and RMB518.9 million respectively as at 30 June 2022; (ii) immediately after the Rights Issue, the total assets of the Group will be increased by the amount of the net proceeds of approximately RMB118.7 million; and (iii) the total assets and total liabilities of the Group, after applying part of the net proceeds for settlement of the Group's outstanding indebtedness, will be reduced by approximately HK\$67.9 million (equivalent to approximately RMB58.0 million), the gearing ratio is expected to be approximately 28.8%.

Considering the possible benefits of the proposed Rights Issue as discussed above, we are of the view that the proposed Rights Issue is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Taking into consideration of the principal factors and reasons as set out in this letter, we are of the view that the terms of the Rights Issue is on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue and the Underwriting Agreement.

Yours faithfully,
For and on behalf of
Emperor Capital Limited

Louisa Choi
Executive Director

Mark Chan
Managing Director

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Ms. Louisa Choi is a licensed person and has been a responsible officer of Emperor Capital Limited registered with the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO since 2004 and has over 20 years of experience in corporate finance.

Mr. Mark Chan is a licensed person and has been a responsible officer of Emperor Capital Limited registered with the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO since 2018 and 2016 respectively and has over 10 years of experience in corporate finance.

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the financial years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://ir.besunyen.com/>):

- The unaudited financial information of the Group for the six months ended 30 June 2022 is disclosed in the interim results announcement of the Company for the six months ended 30 June 2022 published on 17 August 2022, from pages 3 to 15:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0817/2022081700930.pdf>

- The audited financial information of the Group for the year ended 31 December 2021 is disclosed in the annual report of the Company for the year ended 31 December 2021 published on 12 April 2022, from pages 89 to 179:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0412/2022041200561.pdf>

- The audited financial information of the Group for the year ended 31 December 2020 is disclosed in the annual report of the Company for the year ended 31 December 2020 published on 15 April 2021, from pages 92 to 187:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0415/2021041500586.pdf>

- The audited financial information of the Group for the year ended 31 December 2019 is disclosed in the annual report of the Company for the year ended 31 December 2019 published on 20 April 2019, from pages 92 to 191:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0420/2020042001272.pdf>

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following indebtedness:

		As at 30 June 2022
		<i>RMB'000</i>
		(Unaudited)
Borrowings	(a)	231,666
Lease liabilities	(b)	19,782

(a) Borrowings**• Bank borrowings**

As at 30 June 2022, the Group had an aggregate outstanding bank borrowings of approximately RMB227,800,000 comprising:

- (i) Outstanding bank borrowings of approximately RMB12,000,000 which are unsecured.
- (ii) Outstanding bank borrowings of approximately RMB215,800,000 which are secured by a third-party company, a group company and individuals, and pledged by equipment, land use rights and buildings.

• Other borrowings

As at 30 June 2022, the Group had secured borrowings of approximately RMB3,866,000 in respect of lease for an equipment.

(b) Lease liabilities

As at 30 June 2022, the Group had lease liabilities of approximately RMB19,782,000 in respect of lease for various offices, warehouses, and retail stores.

(c) Contingent liabilities

As at 30 June 2022, the Group did not have any significant contingent liabilities.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 30 June 2022, the Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present financial resources and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for at least 12 months from the date of this circular in the absence of unforeseen circumstances. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

As disclosed in the 2022 Interim Results Announcement, the Group recorded a loss attributable to the Shareholders of approximately RMB6.6 million for the six months ended 30 June 2022 as compared to a profit attributable to the Shareholders of approximately

RMB26.4 million for the six months ended 30 June 2021. The decrease in results performance of the Group for the first half of 2022 as compared to the same period last year was mainly attributable to: (i) affected by the new wave of the COVID-19 pandemic, some cities have adopted strict pandemic prevention and control measures, which have a certain impact on the Group's marketing business and logistics distribution; and (ii) affected by market changes and price competition, the shipment volume of weight-loss medicines, the major products of the Group, in the first half of the year decreased by approximately 50% compared with the same period last year, while the average settlement unit price also decreased.

Save as disclosed above, as at the Latest Practicable Date, the Directors confirm there had been no material adverse change in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up).

5. FINANCIAL AND TRADING PROSPECT

The Group is principally engaged in the research and development, production, sale and promotion of therapeutic teas and medicines. As set out in the 2021 Annual Report, the Group mainly operates two major segments, including tea products segment and weight-loss and other medicines segment. Tea products segment included the sale of detox teas, slimming teas and fit teas, whereas weight-loss and other medicines segment mainly included the sale of weight-loss medicines.

As disclosed in the 2022 Interim Results Announcement, during the first half of 2022, the Group continued to be affected by the COVID-19 pandemic, which have adversely affected the operating performance of the Group. The Group has implemented preventive and control measures to minimise the impact arising therefrom. Looking forward, with easing of the government anti-COVID-19 measures and the rapid roll out of mass vaccination on-going currently, the Directors are cautiously optimistic that the performance of the Group will rebound in the future. The Directors will closely monitor the situation and evaluate the potential impact on the Group's operations and financial position on a continuing basis.

The Group will continue its prudent and flexible approach and be prepared to capture the development opportunities as soon as the economy is on track for a recovery. Going forward, to ensure the Group's business continuity, the Group would continue to (i) contact business platforms with a wider coverage in order to establish a new layout on short video platforms; (ii) work on research and development of products that suit the needs of the current consumer groups, with the aim of generating new performance growth for the Group; (iii) launch innovative and competitive products in terms of technological level, product form and external packaging, so as to meet new consumer demands; and (iv) develop the entire industry chain of medicines, health food, medical devices and general food, thereby achieving the advancement of marketing strategy from focusing on product selling to brand value building.

For illustrative purpose, the financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out here to provide prospective investors with further information about how the financial information of the Group might be affected by completion of the Rights Issue as if the Rights Issue had been completed on 30 June 2022. The statement has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the Group's financial position on the completion of the Rights Issue.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2022 (the “Unaudited Pro Forma Financial Information”) which has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effects of the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2022 as if the Rights Issue had taken place at 30 June 2022.

The Unaudited Pro Forma Financial Information was prepared based on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2022, as extracted from the published interim financial information of the Group for the six months ended 30 June 2022, after incorporating the unaudited pro forma adjustments described in the accompanying notes. The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of the Rights Issue or any future date after completion of the Rights Issue.

	Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2022	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2022	Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2022	Unaudited pro forma adjusted consolidated net tangible assets per Share after the completion of the Rights Issue	
	Note 1 RMB'000	Note 2 RMB'000	Note 3 RMB'000	Note 4 RMB	Note 5 RMB	Note 5 HK\$
Based on 81,510,390 Rights Shares to be issued at a Subscription Price of HK\$1.75 per Rights Share	699,912	118,669	818,581	17.17	6.70	7.84
Based on 82,276,390 Rights Shares to be issued at a Subscription Price of HK\$1.75 per Rights Share	699,912	132,909	832,821	17.17	6.75	7.90

Notes:

- (1) The consolidated net tangible assets attributable to the owners of the Company as at 30 June 2022 is extracted from the published interim financial information of the Group for the six months ended 30 June 2022, which is based on the reviewed consolidated net assets attributable to the owners of the Company as at 30 June 2022 of RMB820,896,000 with an adjustment for the intangible assets attributable to the owners of the Company as at 30 June 2022 of RMB120,984,000.
- (2) The estimated net proceeds from the Rights Issue are based on 81,510,390 Rights Shares or 82,276,390 Rights Shares at the Subscription Price of HK\$1.75 per Rights Share after deduction of the estimated underwriting fees and other related expenses payable by the Company.

The estimated net proceeds from the Rights Issue based on 82,276,390 Rights Shares to be issued has taken into account of the effect of the full exercise of the outstanding Share Options including the cash proceeds arisen from the full exercise of the outstanding Share Options.
- (3) The unaudited consolidated net tangible assets per Share as at 30 June 2022 is calculated on the basis that 40,755,195 Shares were in issue on 30 June 2022.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is determined after the adjustments as described in note (2) above and on the basis that 122,265,585 Shares or 123,414,585 Shares were in issue, assuming the Rights Issue had been completed on 30 June 2022.
- (5) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets per Share, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of RMB1 to HK\$1.17. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2022.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Besunyen Holdings Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Besunyen Holdings Company Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2022, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages II-1 to II-2 of the Company’s circular dated 23 August 2022, in connection with the proposed rights issue of the Company (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue on the Group’s financial position as at 30 June 2022 as if the proposed rights issue had taken place at 30 June 2022. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial information for the six months ended 30 June 2022, on which a review report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed rights issue at 30 June 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- such basis is consistent with the accounting policies of the Group; and
- the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 August 2022

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Rights Issue (assuming full acceptance of the Rights Issue and no further issue or repurchase of Shares from the Latest Practicable Date up to the completion of the Rights Issue) are set out as follows:

(a) As at the Latest Practicable Date

US\$

Authorised share capital:

<u>150,000,000</u>	Shares of US\$0.0003333332 each	<u>49,999.98</u>
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Issued and fully paid:

<u>40,755,195</u>	Whole Shares of US\$0.0003333332 each	<u>13,585.06</u>
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- (b) Immediately following the completion of the Rights Issue (assuming (i) no change in the number of issued Shares on or before the Record Date; and (ii) all Qualifying Shareholders have taken up the Rights Shares to which they are entitled)

HK\$

Authorised share capital:

<u>150,000,000</u>	Shares of US\$0.0003333332 each	<u>49,999.98</u>
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Issued and fully paid:

40,755,195	Whole Shares of US\$0.0003333332 each	13,585.06
<u>81,510,390</u>	Rights Shares to be allotted and issued under the Rights Issue	<u>27,170.12</u>
<u>122,265,585</u>	Whole Shares in issue immediately upon completion of the Rights Issue	<u>40,755.18</u>

- (c) Immediately following the completion of the Rights Issue (assuming (i) no change in the number of Shares in issue other than the full exercise of the outstanding Share Options on or before the Record Date; and (ii) all Qualifying Shareholders have taken up the Rights Shares to which they are entitled)

HK\$

Authorised share capital:

<u>150,000,000</u>	Shares of US\$0.0003333332 each	<u>49,999.98</u>
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Issued and fully paid:

41,138,195	Whole Shares of US\$0.0003333332 each	13,712.73
<u>82,276,390</u>	Rights Shares to be allotted and issued under the Rights Issue	<u>27,425.45</u>
<u>123,414,585</u>	Whole Shares in issue immediately upon completion of the Rights Issue	<u>41,138.18</u>

All Shares in issue are fully-paid and rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid by the Company after the date of allotment and issue of the Rights Shares.

The Company will apply to the Stock Exchange for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

3. SHARE OPTION SCHEMES

As at the Latest Practicable Date, the Company had outstanding Share Options granted under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 383,000 existing Shares, details of which are set out below:

Name of Grantee	Date of grant	Exercise price per Share (HK\$)	Number of underlying Shares
Directors			
Zhao Yihong	27 October 2014	40.00	100,000
Gao Yan	27 October 2014	40.00	25,000
Zhuo Fumin	27 October 2014	40.00	15,000
Ren Guangming	27 October 2014	40.00	15,000
Employees in aggregate	27 October 2014	40.00	<u>228,000</u>
Total			<u><u>383,000</u></u>

Save for the foregoing, as at the Latest Practicable Date, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares prior to the Record Date.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

4. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in Shares, underlying shares and debentures

As at the Latest Practicable Date, so far as known to the Directors, the Directors and chief executive of the Company had the following interests and short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name	Capacity	Number of Shares/options	Number of options granted under the Share Option Scheme	Approximate percentage of total issued Shares ⁽⁷⁾ %
Mr. Zhao Yihong	Beneficial owner, interest of his spouse, founder of a discretionary trust and interest of corporation controlled by the Director ⁽¹⁾⁽³⁾	21,050,219 ^{(1)(L)}	125,000 ^{(1)(L)}	51.65
Ms. Gao Yan	Beneficial owner and interest of her spouse ⁽²⁾⁽³⁾	21,050,219 ^{(2)(L)}	125,000 ^{(2)(L)}	51.65
Mr. Zhuo Fumin	Beneficial owner and interest of his Spouse	18,400 ^{(4)(L)}	15,000 ^{(4)(L)}	0.05
Mr. Ren Guangming	Beneficial owner	24,250 ^{(5)(L)}	15,000 ^{(5)(L)}	0.06
Mr. He Yuanping	—	—	—	—
Mr. Fu Shula	Beneficial owner	5,000 ^{(6)(L)}	—	0.01

Notes:

- (1) Mr. Zhao Yihong, executive Director, beneficially owns 100,000 options granted under the Share Option Scheme and 104,339 Shares. Mr. Zhao is the sole director of Foreshore Holding Group Limited and Better Day Holdings Limited. Mr. Zhao is also deemed or taken to be interested in the following Shares/options for the purposes of the SFO:
 - (i) 20,406,479 Shares which are beneficially owned by Foreshore Holding Group Limited, a company which is controlled by Mr. Zhao;
 - (ii) 356,376 Shares which are beneficially owned by Better Day Holdings Limited, a company which is controlled by Mr. Zhao; and
 - (iii) 25,000 options granted under the Share Option Scheme and 58,025 Shares, which are beneficially owned by Ms. Gao Yan, Mr. Zhao's spouse.
- (2) Ms. Gao Yan, executive Director, beneficially owns 25,000 options granted under the Share Option Scheme and 58,025 Shares. Ms. Gao is also deemed or taken to be interested in the following Shares/options for the purposes of the SFO:
 - (i) 100,000 options granted under the Share Option Scheme and 104,339 Shares, which are beneficially owned by Mr. Zhao Yihong, Ms. Gao's spouse;
 - (ii) 20,406,479 Shares which are deemed to be beneficially owned by Mr. Zhao as controlling shareholder of Foreshore Holding Group Limited; and
 - (iii) 356,376 Shares which are deemed to be beneficially owned by Mr. Zhao as controlling shareholder of Better Day Holdings Limited.
- (3) The entire issued share capital of Foreshore Holding Group Limited is directly owned by Sea Network Holdings Limited. The entire issued share capital of Sea Network Holdings Limited is held by TMF Trust (HK) Limited, in its capacity as the trustee of a family trust established by Mr. Zhao Yihong as the settlor for the benefit of himself and his family members.
- (4) Mr. Zhuo Fumin, non-executive Director, beneficially owns 15,000 options granted under the Share Option Scheme. Mr. Zhuo is also deemed or taken to be interested in the 3,400 Shares beneficially owned by his wife for the purposes of the SFO.
- (5) Mr. Ren Guangming, independent non-executive Director, beneficially owns 15,000 options granted under the Share Option Scheme and 9,250 Shares.
- (6) Mr. Fu Shula, independent non-executive Director, beneficially owns 5,000 Shares.
- (7) This is calculated based on 40,755,195 Shares, being the number of Shares in issue as at Latest Practicable Date. The percentage of interest in the columns includes the options granted under the Share Option Scheme.

* The letter "L" denotes the person's long position in such Shares.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange

pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders' interest in Shares and underlying shares

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following Shareholders other than a Director or chief executive of the Company had an interest or short position in the Shares and underlying shares of the Company, (a) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, (b) who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or had any options in respect of such securities.

Substantial Shareholders	Number of Shares	Approximate percentage of total issued Shares ⁽³⁾ %
Foreshore Holding Group Limited ⁽¹⁾	20,406,479 ^(L)	50.07%
Sea Network Holdings Limited ⁽¹⁾	20,406,479 ^(L)	50.07%
TMF Trust (HK) Limited ⁽¹⁾	20,406,479 ^(L)	50.07%
Ms. PENG Wei ⁽²⁾	3,257,550 ^(L)	7.99%
Everyoung Investment Holdings Limited ⁽²⁾	3,093,750 ^(L)	7.59%

Notes:

- (1) The entire issued share capital of Foreshore Holding Group Limited is directly owned by Sea Network Holdings Limited. The entire issued share capital of Sea Network Holdings Limited is held by TMF Trust (HK) Limited, in its capacity as the trustee of a family trust established by Mr. Zhao Yihong as the settlor for the benefit of himself and his family members.
- (2) The entire issued share capital of Everyoung Investment Holdings Limited is directly owned by Ms. Peng Wei. Ms. Peng Wei beneficially owns 163,800 Shares.
- (3) This is calculated based on 40,755,195 Shares, being the number of Shares in issue as at the Latest Practicable Date.

* The letter "L" denotes the person's long position in such Shares.

Save as disclosed above, as at the Latest Practicable Date, as far as the Directors are aware, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or any of their respective associates had interest in any business that competes or may compete with the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will not expire or is not determinable by the relevant member of the Group within one year without payment of compensation other than statutory compensation.

7. DIRECTORS' INTERESTS IN GROUP'S ASSETS OR CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors had any interest in any assets which had been since 31 December 2021 (being the date to which the latest published audited financial statements of the Company were made up) acquired or disposed of by or leased to, any member of the Group, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was involved in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by members of the Group after the date falling two years immediately preceding the date of the Announcement up to and including the Latest Practicable Date:

- (a) the Underwriting Agreement;
- (b) the Irrevocable Undertakings;
- (c) the agreement of intent on sale and purchase of the real estate dated 29 November 2021 and entered into between (i) Mr. Dong Yiming and Ms. Dong Yilan as purchasers; and (ii) Shanghai Bisheng Property Management Co., Ltd., an indirect wholly-owned subsidiary of the Company as vendor in respect of the disposal of the target properties at the consideration of RMB56 million;
- (d) the subscription agreement dated 26 February 2021 and entered into between (i) Hainan Besunyen Healthcare Investment Limited* (海南碧生源健康投資有限公司) (“**Besunyen Healthcare Investment**”), an indirect wholly-owned subsidiary of the Company as subscriber; and (ii) Vstar Partners Limited as general partner, which is ultimately beneficially owned by Mr. Zhuo, in respect of the subscription of the interests in Vstar Investment Fund Limited Partnership by Besunyen Healthcare Investment at the consideration of US\$2.3505 million;
- (e) the restructuring investment agreement dated 1 February 2021 and entered into between (i) Tibet Qianruiwanfu Venture Investment Co., Ltd.* (西藏千瑞萬福創業投資有限公司), an indirect wholly-owned subsidiary of the Company as investor; (ii) Henan Qianye Lawyers* (河南千業律師事務所) as bankruptcy administrator; and (iii) Henan Xueyinghua Pharmaceutical Co., Ltd.* (河南雪櫻花製藥有限公司) (“**Xueyinghua**”) as liquidated company in respect of the investment in Xueyinghua at the consideration of RMB31.99 million; and
- (f) the equity transfer agreement dated 14 August 2020 and entered into between (i) BASIC VENTURE LIMITED as purchaser; (ii) Beijing Outsell Health Product Development Co., Ltd. (北京澳特舒爾保健品開發有限公司) (“**Beijing Outsell**”), an indirect wholly-owned subsidiary of the Company as vendor; and (iii) the Company and Besunyen (Hong Kong) Co., Limited (碧生源(香港)有限公司), an indirect wholly-owned subsidiary of the Company, as guarantors in respect of the disposal of Beijing Shenhuibiyuan Cloud Computing Technology Company Limited (北京申惠碧源雲計算科技有限公司), a direct wholly-owned subsidiary of Beijing Outsell, at the consideration of RMB463 million.

10. EXPENSES

The expenses in connection with the Rights Issue, including but not limited to the financial advisory fees, printing, registration, translation, legal and accounting fees are estimated to be approximately HK\$3.8 million and are payable by the Company.

11. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinions, letters or advice contained in this circular:

Name	Qualifications
PricewaterhouseCoopers	Certified Public Accountants and Registered Public Interest Entity Auditor
Emperor Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice or report, as the case may be, and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts had any shareholding, directly or indirectly, in any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any direct or indirect interest in any assets which had been, since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up), acquired, or disposed of by or leased to, or were proposed to be acquired, disposed of by or leased to any member of the Group.

12. CORPORATE INFORMATION OF THE COMPANY AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office of the Company	Portcullis (Cayman) Ltd The Grand Pavilion Commercial Centre Oleander Way, 802 West Bay Road P.O. Box 32052 Grand Cayman KY1-1208 Cayman Islands
Principal place of business in PRC of the Company	No. 1 Qiushi Industrial Park Doudian Town Fangshan District Beijing 102433 PRC
Place of business in Hong Kong of the Company	Units 2005C–2006A 20/F., Exchange Tower No. 33 Wang Chiu Road Kowloon Bay Kowloon Hong Kong
Authorised representatives of the Company	Mr. Zhao Yihong Units 2005C-2006A 20/F., Exchange Tower No. 33 Wang Chiu Road Kowloon Bay Kowloon Hong Kong Mr. Au Lap Ming Units 2005C-2006A 20/F., Exchange Tower No. 33 Wang Chiu Road Kowloon Bay Kowloon Hong Kong
Company secretary of the Company	Mr. Au Lap Ming
Auditor and reporting accountant of the Company	PricewaterhouseCoopers <i>Certified Public Accountants and Registered Public Interest Entity Auditor</i> 22/F, Prince's Building Central Hong Kong

Principal bankers of the Company	Bank of Beijing Fangshan Branch 1st Floor, Longjian Building No. 3 Yue Hua Street Liang Xiang Fangshan District, Beijing
	China CITIC Bank Corporation Limited Beijing Gaobeidian Branch East Wing, 1st Floor Chaoqinghui Department Store Xinglong Residential Community Complex No. 2 Xinglong Street Chaoyang District, Beijing
Principal share registrar and transfer office of the Company	MaplesFS Limited P.O. Box 1093, Queensgate House Grand Cayman, KY1-1102 Cayman Islands
Hong Kong branch share registrar and transfer office of the Company	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen’s Road East Wanchai Hong Kong
Underwriter	Lego Securities Limited Room 301, 3/F China Building 29 Queen’s Road Central Hong Kong
Financial adviser to the Company	Lego Corporate Finance Limited Room 1601, 16/F China Building 29 Queen’s Road Central Hong Kong

Legal advisers to the Company*As to Hong Kong Law:***King & Wood Mallesons**
13/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong*As to Macau Law:***DSL Lawyers**
Av. da Praia Grande 409
China Law Building 16/F
Macau**Independent Financial Adviser to the
Independent Board Committee and
the Independent Shareholders****Emperor Capital Limited**
23/F, Emperor Group Centre
288 Hennessy Road
Wanchai
Hong Kong**13. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT****Executive Directors**

Mr. Zhao Yihong, aged 55, is the co-founder, chairman and chief executive officer of the Company and was appointed as an executive Director in August 2009. Mr. Zhao is also a member of the remuneration committee, the nomination committee and the strategic investment committee of the Company and a director of several subsidiaries of the Group. Mr. Zhao is primarily responsible for the Group's overall strategic planning and the management of the Group's business. Mr. Zhao established Beijing Outsell in 2000 and embarked on the business of production and sale of therapeutic tea products, and has played a vital role in the development of the Group. Mr. Zhao has 32 years of experience in food and beverage industry in the PRC. Between 1988 and 1991, Mr. Zhao has served as an officer at the Jinan Municipal Bureau of Grain of the Shandong Province. Between 1991 and 2000, Mr. Zhao served in various positions, including a sales and a vice manager, responsible for the beverage business in the Northern China region, at Ting Hsin International Group, a food conglomerate in the PRC. Mr. Zhao graduated from China Coal Economic College, now known as Shandong Technology and Business University, in 1988 with a bachelor's degree in economics. He completed the China New Entrepreneur Development Program, a joint program sponsored by the Enterprise Research Institution, DRC-ERI and the Stanford Center for Professional Development, in 2006 and obtained an executive master of business administration degree from The Hong Kong University of Science and Technology in 2012. Mr. Zhao is currently a council member and an adjunct professor of Shandong University of Science and Technology. Mr. Zhao is the spouse of Ms. Gao Yan.

Ms. Gao Yan, aged 54, is co-founder, vice chairman and vice president of the Company and was appointed as an executive Director in October 2009. Ms. Gao is also a director of several subsidiaries of the Group. Ms. Gao has served as the vice chairman of Beijing Outsell since 2000. Between 1997 and 2000, Ms. Gao worked as a director at Beijing Ruipule Commerce and Trade Co., Ltd., a private trading company. Ms. Gao is the spouse of Mr. Zhao Yihong.

Non-executive Director

Mr. Zhuo Fumin, aged 70, was appointed as a non-executive Director in October 2009. Mr. Zhuo is also the chairman of the strategic investment committee of the Company and a director of several subsidiaries of the Group. Mr. Zhuo has more than 46 years of experience in the field of enterprise management and capital markets. Mr. Zhuo is the chairman and a managing partner of Vstar Capital. Mr. Zhuo has served senior positions including an office head and an officer assistant of the Shanghai Economic System Reform Committee. Mr. Zhuo has also held in turn various senior positions at Shanghai Industrial Investment (Holdings) Co., Ltd., including the chief executive officer of Shanghai Industrial Holdings Limited (a company listed on the Stock Exchange, stock code: 363) and the chairman and an executive director of SIIC Medical Science and Technology (Group) Limited. Since 2002, Mr. Zhuo fully devotes to venture capital business and has in turn served as the chairman and the chief executive officer of Vertex China Investment Co., Ltd. (a wholly owned subsidiary of Vertex Management Group, a global venture capital management company), the founder and the chairman of Shanghai Kexing Venture Capital Fund and a management partner of GGV Capital. Mr. Zhuo is an independent director of Daqo New Energy Corp. (a company listed on the New York Stock Exchange, stock code: DQ), Shanghai Shine-Link International Logistics Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603648) and Dazhong Transportation (Group) Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600611) and an independent non-executive director of Sinopharm Group Co. Ltd. (a company listed on the Stock Exchange, stock code: 1099) and SRE Group Limited (a company listed on the Stock Exchange, stock code: 1207). He has served as an independent director of Arcplus Group Plc (a company listed on the Shanghai Stock Exchange, stock code: 600629) and Focus Media Information Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002027). Mr. Zhuo graduated from Shanghai Jiaotong University of Engineering Science (now known as Shanghai University of Engineering Science) in 1983. He subsequently obtained a master's degree in economics from Fudan University in 1997.

Independent non-executive Directors

Mr. Ren Guangming, aged 58, was appointed as an independent non-executive Director in April 2014. He is the chairman of the nomination committee and a member of the audit committee and the remuneration committee of the Company. Mr. Ren has over 33 years of experience in regulatory authorities and enterprise management. Since May 2012, Mr. Ren is the chairman of 北京星軌科技有限公司 (Beijing Xinggui Technology Co. Ltd.*). From August 2001 to April 2012, Mr. Ren worked for Hong

Kong Exchanges and Clearing Limited Beijing Representative Office and served as the chief representative for a long time. From February 2000 to July 2001, he served as a manager of PCCW Beijing. From 1987 to January 2000, Mr. Ren served in Hong Kong and Macao Affairs Office of the State Council of the PRC, including working in the research institute, the economy department and Sino-British Joint Liaison Group Chinese Representative Office. He has served as an independent director of NavInfo Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002405). Mr. Ren graduated from Nankai University with a bachelor's double-degree in world history and economics in 1987. He obtained a master's degree in business administration from China Center for Economic Research of the Peking University in 2001.

Mr. He Yuanping, aged 55, was appointed as an independent non-executive Director in October 2016. He is the chairman of the audit committee and a member of the remuneration committee, the nomination committee and the strategic investment committee of the Company. Mr. He has years of experience in senior operation and management, with rich theoretical knowledge and practical experience in investment and financing, business management, industrial operations, finance and other fields. Since August 2018, Mr. He is the chairman of 碧興物聯科技(深圳)股份有限公司 (Bescient Technologies (Shenzhen) Co. Ltd.*). Mr. He served as a director, deputy general manager, chief financial officer and board secretary of Beijing OriginWater Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300070) (“**Beijing OriginWater**”) from June 2007 to March 2018. He worked as a director, deputy general manager and chief financial officer of Beijing OriginWater Science and Technology Development Co., Ltd. (predecessor of Beijing OriginWater) from September 2005 to June 2007. Mr. He worked as a deputy general manager and the chief investment officer of Beijing Allianz Investment Co. Ltd. from April 2003 to August 2005. Currently, he is a director of Wuhan Sanzhen Industry Holding Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600168). Mr. He has served as a non-executive director of Yunnan Water Investment Co., Limited (a company listed on the Stock Exchange, stock code: 6839). Mr. He assumes several social positions, including a member of the Fixed Income Committee of the Securities Association of China, an expert in the Public-Private Partnership (PPP) Expert Database of the National Development and Reform Commission, a vice president of Western Returned Scholars Association ANZ branch and a guest teacher of the School of Accountancy of Central University of Finance and Economics. He has won several prizes and social recognitions, including China CFO of the Year 2015 by New Fortune Magazine, The Most Popular CFO among Investors of the Year 2012 by the Chartered Institute of Management Accountants and Golden Shield Award for Excellent Board Secretary of China's Listed Companies of the Year 2014. Mr. He received a bachelor's degree in engineering from Nanjing University of Science and Technology in July 1987, a master's degree in engineering from University of Science and Technology Beijing in March 1992 and a master's degree in financial mathematics from Victoria University of Wellington in New Zealand in June 2000.

Mr. Fu Shula, aged 66, was appointed as an independent non-executive Director in April 2019. He is the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company. From 1984 to 2015, he held various senior positions in Aviation Industry Corporation of China, Ltd. (“AVIC”), including President of China National Aero-Technology Import and Export Corporation, Deputy Chief Economist of AVIC, Chairman and President of AVIC International Holding Corporation, Chairman of AVIC Aero-Engine Holding Corporation and Chairman of AVIC Economics & Technology Research Establishment. Currently, he is an independent non-executive director of BOC Aviation Limited (a company listed on the Stock Exchange, stock code: 2588). Mr. Fu graduated from Northwestern Polytechnical University with a master’s degree in aero engine design in 1984.

Business address of the Directors

The business address of the Directors and chief executive officer is the same as the Company’s head office and principal place of business in the PRC at No. 1 Qiushi Industrial Park, Doudian Town, Fangshan District, Beijing 102433, PRC.

Senior Management

Mr. Zhao Yihong is the Chief Executive Officer of the Group. His profile is shown in the Directors’ profile above.

Ms. Gao Yan is the Vice President of the Group. Her profile is shown in the Directors’ profile above.

Ms. Peng Wei, aged 59, is the Vice President of the Group principally in charge of the research and development, production and operation of medicines. Ms. Peng is also a director and the legal representative of several subsidiaries of the Group. Ms. Peng joined the Group in October 2017 and has more than 33 years of experience in the pharmaceutical industry. Between 1995 and October 2012, she held various senior positions in The United Laboratories International Holdings Limited (a company listed on the Stock Exchange, stock code: 3933), including vice chairman, executive director and general manager. Ms. Peng founded Zhongshan Wanhan and Wanyuan, which were acquired by the Group in October 2017. She graduated from the Department of Medicine of Xi’an Medical University in 1983 and obtained an Executive MBA degree from Lingnan College of Sun Yat-Sen University in 2006.

Ms. Wang Di, aged 51, is the Chief Financial Officer of the Group. Ms. Wang joined the Group in September 2021 and has many years of experience in capital operation, investment and finance management and financial management, etc. in large state-owned and private enterprises. Ms. Wang has served as the financial officer of Harbin Drawnwork Company of China Drawnwork Import and Export (Group) Co., the financial controller of Harbin KingSung Industry & Commerce Co., Ltd., the deputy director in the financial assets division of China National Chemical Engineering Co, Ltd., the financial controller and director of Sichuan Shengda Chemical New Materials Co., Ltd. and the director of China National Chemical

Engineering Group Corporation-Finance Co., Ltd. Ms. Wang graduated from Harbin Normal University in 1998 with a bachelor's degree in financial management and auditing. Ms. Wang is a certified tax agent and a senior accountant in China.

Mr. Yu Hongjiang, aged 57, is the Vice President of the Group principally in charge of the internal audit. Mr. Yu is also a director and the legal representative of several subsidiaries of the Group. Mr. Yu joined the Group in July 2000 and has more than 31 years of experience in the field of finance. Between 1987 and 1989, Mr. Yu served as a manager of the finance department at Tianjin Binhai Company Limited (now known as Tianjing Zhongxin Pharm. Binhai Corp., Ltd.). Between 1997 and 2000, Mr. Yu worked at Beijing Green World Nutrition Health Products Co., Ltd., a health food manufacturer, as the chief financial officer. Mr. Yu graduated from Shanxi University of Finance and Economics in 1987 and obtained a bachelor's degree in economics with a major focus in accounting. He obtained an Executive MBA degree from the National School of Development at Peking University in 2013.

Mr. Lin Ruhai, aged 53, is the Vice President of the Group principally in charge of the public relationships. Mr. Lin joined the Group in September 2012 and has over 32 years of experience in the media and health industry. He has served as a manager of China Optoelectro Industries Co., Ltd., China North Industries Group Corporation and a TV program producer in Hunan TV & Broadcast Intermediary since 1998. Between 2002 and 2005, Mr. Lin served as the Deputy Managing Director of Beijing Orient Power Advertising Co., Ltd. Between 2006 and 2012, he served as a vice secretary-general of the Healthcare Consultancy Services Working Committee under the China Health Care Association. Mr. Lin has been serving as a part-time vice secretary-general of the China Health Care Association after joining the Group. Since December 2018, Mr. Lin was appointed as the Vice Chairman of the Big Health Committee under the Pharmaceutical Division of All-China Federation of Industry and Commerce.

Mr. Zhao Yiyin, aged 38, is the Vice President of the Group principally in charge of the sales and marketing. Mr. Zhao joined the Group in July 2007 till September 2013, re-joined the Group in June 2015 and has more than 14 years of experience in the field of sales and marketing. Between October 2013 and May 2015, Mr. Zhao served as the national OTC director at Zhejiang Senyu Holding Group. Mr. Zhao graduated from the Department of Information Engineering of Beijing Institute of Graphic Communication in 2007 and obtained a bachelor's degree in engineering with a major focus in automation.

Mr. Qin Pu, aged 41, is the Chief Strategy Officer and Chief Investment Officer of the Group. Mr. Qin joined the Group in December 2019 and has more than 19 years of experience in the healthcare industry in China and overseas, including both sides for government authorities and corporate, investment and financing, demand side and supply side, etc. Between July 2016 and December 2019, Mr. Qin served as a senior vice president of 深圳碳雲智能科技有限公司 (Shenzhen iCarbonX Limited*). Between November 2009 and June 2016, Mr. Qin served as the industry principal for healthcare

* For identification purpose only

and life sciences of SAP Greater China and the industry partner of the SAP private equity team in Asia Pacific. Before that, Mr. Qin has worked in turn for National Institute of Hospital Administration of Ministry of Health in China, Health Group in Australia, etc. Mr. Qin graduated from the School of Mathematical Sciences of Peking University with a bachelor's degree in information and computational sciences in 2003.

14. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Au Lap Ming, who is a member of the Hong Kong Institute of Certified Public Accountants, The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (b) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (c) The Board confirms that to the best of their knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, there was no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder and there was no obligation or entitlement of any Shareholder whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis.
- (d) The English text of this circular and the accompanying form of proxy shall prevail over the respective Chinese text in case of inconsistency.

15. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://ir.besunyen.com/>) from the date of this circular up to and including the date of EGM:

- (a) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 38 to 64 of this circular;
- (b) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Group as set out in appendix II to this circular;
- (c) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and
- (d) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix.



碧生源控股有限公司

BESUNYEN HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 926)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**EGM**”) of Besunyen Holdings Company Limited (the “**Company**”) will be held by way of electronic means on Tuesday, 13 September 2022 at 10:30 a.m. for considering and if thought fit, to approve the following resolutions of the Company. Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated 23 August 2022 (the “**Circular**”):

ORDINARY RESOLUTION

“**THAT** subject to and conditional upon the satisfaction of all conditions as set out in the letter from the board under the heading “Conditions of the Rights Issue and the Underwriting Agreement” in the Circular:

- (a) the allotment and issue by way of rights issue (the “**Rights Issue**”) of (i) up to 81,510,390 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) up to 82,276,390 Rights Shares (assuming no change in the number of Shares in issue other than the full exercise of the outstanding Share Options on or before the Record Date) at a subscription price of HK\$1.75 per Rights Share to the Qualifying Shareholders on Friday, 23 September 2022, being the Record Date (excluding the Non-Qualifying Shareholders), in the proportion of two (2) Rights Shares for every (1) existing Share held on the Record Date be and is hereby approved;
- (b) the underwriting agreement (the “**Underwriting Agreement**”) dated 12 July 2022 and entered into among the Company and Lego Securities Limited (a copy of the Underwriting Agreement has been produced to the meeting marked “A” and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) the Directors be and are hereby authorised to allot and issue the Rights Shares (in both nil-paid form and fully-paid form) pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to Non-Qualifying Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company; and
- (d) any Director be and is hereby authorised to sign and execute such documents or deeds and do all such acts and things or as his consider necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the issue and allotment of Rights Shares and to agree with such variation, amendment or waiver as, in his opinion, appropriate and in the interests of the Company and its shareholders as a whole.”

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

Hong Kong, 23 August 2022

As at the date of this notice, 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.

Notes:

- (1) All resolutions at the meeting will be taken by poll pursuant to the Listing Rules. The results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
- (2) The EGM will be held by way of electronic means. Registered Shareholders will be able to attend, participate and vote at the EGM through online access by visiting the website — http://meetings.computershare.com/Besunyen_EGM202209 (the “**Online Platform**”). Details regarding the EGM arrangements including login details to access the Online Platform are included in the Company’s notification letter to registered Shareholders sent together with the Circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Non-registered Shareholders who wish to attend, participate and vote at the EGM using the Online Platform should: (1) contact and instruct their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their Shares are held (together, the “**Intermediary**”) to appoint themselves as proxy or corporate representative to attend the EGM; and (2) provide their email address to their Intermediary before the time limit required by the relevant Intermediary. Details regarding the EGM arrangements including login details to access the Online Platform will be sent by the Registrar, Computershare Hong Kong Investor Services Limited, to the email address of the non-registered Shareholders provided by the Intermediary.

- (3) The Online Platform will be open for registered Shareholders and non-registered Shareholders to log in approximately 30 minutes prior to the commencement of the EGM and can be accessed from any location with internet connection by a smart phone, tablet device or computer. Shareholders should allow ample time to check into the Online Platform to complete the related procedures. Please refer to the Online User Guide for the EGM dated 23 August 2022 for more information.
- (4) A member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company. Registered Shareholders are requested to provide a valid email address of his/her/its proxy (except for the appointment of the chairman of the EGM) for the proxy to receive the login details to access the Online Platform.
- (5) In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting at the EGM or any adjournment thereof via electronic means and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (6) The register of members of the Company will be closed from Wednesday, 7 September 2022 to Tuesday, 13 September 2022, both days inclusive. During such period, no transfer of Shares will be registered. The record date for determining the eligibility to attend the EGM will be on Tuesday, 13 September 2022. In order to be eligible for attending the EGM, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 6 September 2022.
- (7) If tropical cyclone warning signal no. 8 or above is hoisted or “extreme conditions” caused by super typhoons or a black rainstorm warning signal is in force at 9:00 a.m. on Tuesday, 13 September 2022, the EGM will be postponed and further announcement for details of alternative meeting arrangements will be made. The EGM will be held as scheduled even when tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force. You should make your own decision as to whether you would attend the EGM under bad weather conditions and if you should choose to do so, you are advised to exercise care and caution.