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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)

**MAJOR TRANSACTION AND CONNECTED TRANSACTION
DISPOSAL OF 51% EQUITY INTEREST IN
EACH OF THE TARGET COMPANIES**

THE DISPOSAL

The Board hereby announces that on 5 May 2023, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser and each of the Target Companies, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire 51% equity interest in each of the Target Companies at the total consideration of RMB137.7 million, which will be fully settled by the Purchaser in cash.

As at the date of this announcement, the Vendor holds 51% equity interest in each of the Target Companies, which are indirect subsidiaries of the Company. Upon completion of the Disposal, the Company will cease to hold any share in the Target Companies and the Target Companies will cease to be subsidiaries of the Company, and thus the financial results of the Target Companies will no longer be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 25% but are less than 75%, the Disposal constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Ms. Peng is a substantial shareholder and/or a director of subsidiaries of the Company. The Purchaser is an associate (as defined under the Listing Rules) of Ms. Peng. Accordingly, the Purchaser is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. As (i) the Board has approved the Disposal; and (ii) the independent non-executive Directors have confirmed that the terms of the Disposal are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

EGM

The EGM will be convened and held to seek the Shareholders' approval for the Disposal. Given that Ms. Peng has material interests in the Disposal, Ms. Peng and her close associates, who are interested in 10,279,150 Shares, representing approximately 8.41% of the total issued Shares as at the date of this announcement, shall abstain from voting at the EGM.

A circular containing, among other things, detailed information regarding the Disposal and a notice convening the EGM is expected to be despatched to the Shareholders on or before 8 May 2023.

As the completion of the Disposal is subject to the terms and conditions of the Equity Transfer Agreement and the approval of the Shareholders at the EGM, the Disposal may or may not proceed at all or in a timely manner. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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THE EQUITY TRANSFER AGREEMENT

- Date: 5 May 2023
- Parties:
- (1) Vendor: Tibet Qianruiwanfu Venture Investment Co., Ltd.
 - (2) Purchaser: Zhuhai Jiatai Chengzhang Investment Co., Ltd., or entity(ies) controlled by Ms. Peng as designated by her from time to time (not being connected person(s) of the Company at the issuer level)
 - (3) Target Companies: Zhongshan Wanhan, Zhongshan Wanyuan and Zhongshan Wanhan Pharmaceutical
- Subject matter: 51% equity interest in each of the Target Companies
- Consideration: The consideration for the Disposal shall be RMB137.7 million, which was determined after arm's length negotiations between the Purchaser and the Vendor taking into account of: (i) the net assets of the Target Companies; (ii) the previous financial performance and future prospects of the Target Companies; (iii) the market conditions for the core products and businesses of the Target Companies; and (iv) factors as set out in the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL" in this announcement.
- Payment arrangement: The Purchaser shall pay RMB13.77 million (the "**Deposit**") to the Escrow Account within 3 working days from the date of the execution of the Equity Transfer Agreement.
- The Purchaser shall pay RMB27.54 million (the "**Second Payment**") and RMB27.54 million (the "**Third Payment**") to the Escrow Account within 3 working days and 6 months, respectively, from the day following the approval of the Disposal at the EGM, Within 3 working days from the day following the receipt of the Second Payment and the Third Payment in the Escrow Account, the Vendor shall proceed with the procedures in relation to the change of business registration for 15.3% and 10.2% equity interest in each of the Target Companies, respectively. On the respective date of completion of the change of business registration for the equity interest, the Purchaser and the Vendor shall transfer the funds in the Escrow Account (including the Deposit, the Second Payment and the Third Payment, together with interest (if any)) to the account(s) designated by the Vendor.

The Purchaser shall pay the remaining consideration of RMB68.85 million (the “**Fourth Payment**”) to the Escrow Account within one year from the date of approval of the Disposal at the EGM. Within 3 working days from the day following the receipt of the Fourth Payment in the Escrow Account, the Vendor shall proceed with the procedures in relation to the change of business registration for 25.5% equity interest in each of the Target Companies. On the date of completion of the change of business registration for the equity interest, the Purchaser and the Vendor shall transfer the funds together with interest (if any) in the Escrow Account to the account(s) designated by the Vendor.

Closing:

On the date of completion of the change of business registration for the entire equity interest in the Target Equity with the Administration for Market Regulation, and the completion of payment of the entire consideration by the Purchaser, the Vendor and the Target Companies shall deliver to the Purchaser: the official seals, financial seals, contract seals, legal representative seals, etc. (if any) of the Target Companies; all documents of the Target Companies held and all assets and documents attributable to the Target Companies, including various assets, licenses, books, operating documents and information (if any); and any other documents as may be requested by the Purchaser.

Prior to the completion, the rules of procedure of the shareholders’ meeting, the rules of procedure of the board of directors and the board composition of the Target Companies shall remain unchanged, and the Vendor shall have one veto vote in the proceedings of any shareholders’ meeting and any board meeting of the Target Companies.

Other terms:

The Equity Transfer Agreement shall become effective on the date when all parties execute the agreement and the Disposal is approved at the EGM.

INFORMATION ON THE TARGET COMPANIES

Zhongshan Wanhan is a company established under the laws of the PRC with limited liability and an indirect subsidiary of the Company. It is principally engaged in (i) the production, operation and research and development of oral solid preparations — hard capsules; (ii) the research and development, production preparation and marketing planning of external-use medicines and sterile preparations; (iii) the research and development of medical devices and relevant technical consulting services; (iv) the

research and development of health foods; and (v) the research and development of cosmetics, chemical raw materials, household chemical products and specialty chemical products.

The unaudited consolidated total assets and net assets of Zhongshan Wanhan as at 31 December 2022 were RMB598,908,000 and RMB381,157,000, respectively. The unaudited net (loss)/profit (before and after taxation) of Zhongshan Wanhan for the financial years ended 31 December 2021 and 2022 are set out below:

	For the financial year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net (loss)/profit before taxation	(20,730)	70,354
Net (loss)/profit after taxation	(6,360)	72,276

Zhongshan Wanyuan is a company established under the laws of the PRC with limited liability and an indirect subsidiary of the Company. It is principally engaged in (i) the biological fermentation; (ii) the research and development, quality research, registration and filing of active pharmaceutical ingredients and preparation process; and (iii) the research, collection and sharing of information, intelligence and patent rights. Zhongshan Wanyuan also has the ability to conduct innovative research and complete application development projects in the research and development of medicines, and has established a research and development platform to provide comprehensive technical services to pharmaceutical manufacturers.

The unaudited consolidated total assets and net assets of Zhongshan Wanyuan as at 31 December 2022 were RMB63,023,000 and RMB24,090,000, respectively. The unaudited net loss (before and after taxation) of Zhongshan Wanyuan for the financial years ended 31 December 2021 and 2022 are set out below:

	For the financial year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net loss before taxation	(3,442)	(6,762)
Net loss after taxation	(3,441)	(7,537)

Zhongshan Wanhan Pharmaceutical is a company established under the laws of the PRC with limited liability and an indirect subsidiary of the Company. It is principally engaged in the retailing of pharmaceuticals, medical equipment, health foods, hygiene products, medical supplies, cosmetics, etc.

The unaudited consolidated total assets and net liabilities of Zhongshan Wanhan Pharmaceutical as at 31 December 2022 were RMB1,759,000 and RMB82,000, respectively. The unaudited net loss (before and after taxation) of Zhongshan Wanhan Pharmaceutical for the financial years ended 31 December 2021 and 2022 are set out below:

	For the financial year ended	
	31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net loss before taxation	(1,016)	(66)
Net loss after taxation	(1,016)	(66)

Set out below are the shareholding structures of the Target Companies as at the date of this announcement:

Shareholders of Zhongshan Wanhan	As at the date of this announcement
Tibet Qianruiwanfu Venture Investment Co., Ltd.	51.00%
Zhuhai Jiatai Chengzhang Investment Co., Ltd.	34.30%
Luo Dongfang	4.90%
Zhuhai Yinchen New Technology Development Co., Ltd.	4.90%
Zhang Ying	2.45%
Zhao Rui	2.45%
Total	<u><u>100.00%</u></u>

Shareholders of Zhongshan Wanyuan	As at the date of this announcement
Tibet Qianruiwanfu Venture Investment Co., Ltd.	51.00%
Zou Yong	20.00%
Ms. Peng	14.30%
Luo Dongfang	4.90%
Zhuhai Yinchen New Technology Development Co., Ltd.	4.90%
Zhao Rui	2.45%
Zhang Ying	2.45%
Total	<u><u>100.00%</u></u>

Shareholders of Zhongshan Wanhan Pharmaceutical	As at the date of this announcement
Tibet Qianruiwanfu Venture Investment Co., Ltd.	51.00%
Zhuhai Jiatai Chengzhang Investment Co., Ltd.	<u>49.00%</u>
Total	<u>100.00%</u>

The ultimate beneficial owner of Zhuhai Jiatai Chengzhang Investment Co., Ltd. is Ms. Peng and the ultimate beneficial owner of Zhuhai Yinchen New Technology Development Co., Ltd. is Wang Jining.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, except for Ms. Peng and Zhuhai Jiatai Chengzhang Investment Co., Ltd., which is controlled by Ms. Peng, the other shareholders of the Target Companies and their respective ultimate beneficial owner(s) are Independent Third Parties.

GENERAL INFORMATION ON THE PARTIES

Vendor

Tibet Qianruiwanfu Venture Investment Co., Ltd. is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment management. The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange. The Group is a leading provider of therapeutic tea products in the PRC, mainly engaging in the research and development, production, sale and promotion of therapeutic teas and medicines.

Purchaser

Zhuhai Jiatai Chengzhang Investment Co., Ltd., a company incorporated under the laws of the PRC with limited liability principally engaging in project investment, investment consulting, commercial wholesale and retail, etc., or entity(ies) controlled by Ms. Peng as designated by her from time to time (not being connected person(s) of the Company at the issuer level). Ms. Peng is the ultimate beneficial owner of the Purchaser and has over 30 years of experience in the pharmaceutical industry and extensive experience in production, research and development, marketing, capital operation and corporate operation. Ms. Peng is a connected person of the Company at the subsidiary level.

FINANCIAL IMPACTS OF THE DISPOSAL

Based on (i) the consideration of RMB137.7 million; (ii) the consolidated carrying amount of the net assets of the Target Companies of approximately RMB405.6 million; (iii) the goodwill arisen from the acquisition of Zhongshan Wanhan and Zhongshan Wanyuan in 2017 of approximately RMB52.3 million; (iv) the non-controlling interests related to the Target Companies of approximately RMB198.5 million; and (v) transaction costs of approximately RMB0.8 million, it is estimated that the Group would record a net loss after taxation of approximately RMB122.5 million in the consolidated financial statements of the Company.

Upon completion of the Disposal, the Company will cease to hold any share in the Target Companies and the Target Companies will cease to be subsidiaries of the Company, and thus the financial results of the Target Companies will no longer be consolidated into the financial statements of the Group.

The above financial impacts are for illustrative purpose only, and the actual gain or loss to be recorded by the Group is subject to audit by the auditor of the Company.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group acquired Zhongshan Wanhan and Zhongshan Wanyuan in 2017 in anticipation of accomplishing its overall layout in the pharmaceutical manufacturing, health products and big health industry with their advantages in research and development as well as strategic reserves. Given the prevailing market conditions, in consideration of the fact that (i) the Target Companies focus on centralized procurement medicines and active pharmaceutical ingredients, which is in conflict with the Group's focus on over-the-counter (OTC) medicines in terms of development direction; (ii) the market demand for and retail prices of Orlistat have shown a downward trend, representing that the Target Companies no longer possess competitive advantages and their market competitiveness is gradually weakening; and (iii) the results of the Group's business consolidation of and investment in the Target Companies fail to meet expectation, the Board believes that the Disposal will enable the Group to have greater flexibility in its future development, and is beneficial to replenishment of the Group's working capital. Besides, the Group has also considered the disposal of the Target Companies to Independent Third Parties, but only a few purchasers expressed their interest under the influence of the market and industry environment. Meanwhile, the disposal of the Target Companies to the Purchaser could also lower the Group's cost on due diligence as well as the impact of the Disposal on customers, suppliers and employees. Given the above, the Disposal represents a suitable arrangement for the Group's strategic adjustment.

In addition, the Company has also taken into account the following factors for the purpose of determining the consideration for the Disposal:

- (1) The recent policy environment and market conditions have exerted pressure on the profitability and development prospects of the Target Companies. With the promotion of the centralized procurement policy on medicines, the implementation of consistency evaluation of generic medicines and the intensified competition in the market of weight-loss products, the market size and the unit sale price of Orlistat, the major product of the Target Companies, have been decreasing in the recent three years, and the sale price and market share of eye drops and other products included in the centralized procurement list have also dropped year by year, leading to the poor financial performance of the Target Companies. In particular, the revenue and net profit of Zhongshan Wanhan have been continuously declining in the past three years, and both Zhongshan Wanyuan and Zhongshan Wanhan Pharmaceutical recorded net losses in the past two years, and no improvement is expected in the foreseeable future, which will have an adverse impact on the performance of the Group.
- (2) Since the acquisition of Zhongshan Wanhan and Zhongshan Wanyuan in 2017, the business and operational consolidation of the acquisition targets and the Group have not performed as expected and there is divergence in terms of development strategies between the Target Companies and the Group. The Target Companies' research and development focus is generic prescription medicines, which are required by the National Medical Products Administration to undergo consistency evaluation at a cost of tens of millions of RMB on a regular basis, and there are considerable uncertainties as to the obtainment of regulatory approvals and their continuous production and sale. Moreover, the research and development expenses of such medicines are relatively high and it would take a relatively long time for them to realize the return on investment, and they are not expected to bring stable and sustainable growth to the performance of the Group. In addition, the synergistic effect is limited as a result of the mismatch between the prescription medicines and the Group's market advantages in terms of sales channels.
- (3) The Group is also actively seeking potential buyers and making requests for quotations in the market. However, given the performance of the Target Companies in recent years, no other Independent Third Party intends to purchase the Target Companies. In view of the prevailing market environment and the financial performance of the Target Companies, the Group believes that retaining the Target Companies would be detrimental to the Group's overall performance and may affect the development of other businesses. Therefore, the Disposal should be completed as soon as possible to mitigate the adverse impact of the Target Companies on the Group. After several discussions between the Group and the shareholders of the Target Companies, the terms of the transaction agreed upon have been in the best interest of the Group.

- (4) The Group is committed to focusing on investing its resources in the sector of OTC medicines with greater brand attributes and better profit prospects. Through the Disposal, the Group can optimize its industrial structure, focus on its core business areas and improve its operational efficiency, enhance its financial performance, capitalize on the development opportunities of the big health industry and create greater value for its Shareholders.

Total proceeds from the Disposal amount to approximately RMB137.7 million, while net proceeds from the Disposal amount to approximately RMB136.9 million (i.e. proceeds from the Disposal less related transaction costs and surtax). The Group currently intends to utilize the net proceeds from the Disposal for the following purposes:

- (i) 37.9%, being approximately RMB51.9 million, for replenishment of the daily working capital of the Group;
- (ii) 43.8%, being approximately RMB60.0 million, for potential investment in big health industry in line with the Group's strategy, subject to actual situation and the resolution of the Board from time to time. The Group is continuously exploring investment opportunities, and will make appropriate disclosure in accordance with the applicable requirements under the Listing Rules once the Group makes any investment decision. As of the date of this announcement, the Company has not identified any potential investment; and
- (iii) 18.3%, being approximately RMB25.0 million, for repayment of loans to lower the finance cost of the Group.

In the event that there will be remaining balance of proceeds from the Disposal, such amount will be utilized for payment of dividends to Shareholders (if necessary).

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

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 25% but are less than 75%, the Disposal constitutes a major transaction of the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Ms. Peng is a substantial shareholder and/or a director of subsidiaries of the Company. The Purchaser is an associate (as defined under the Listing Rules) of Ms. Peng. Accordingly, the Purchaser is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. As (i) the Board has approved the Disposal; and (ii) the independent non-executive Directors have confirmed that the terms of the Disposal are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

EGM

The EGM will be convened and held to seek the Shareholders' approval for the Disposal. Given that Ms. Peng has material interests in the Disposal, Ms. Peng and her close associates, who are interested in 10,279,150 Shares, representing approximately 8.41% of the total issued Shares as at the date of this announcement, shall abstain from voting at the EGM.

A circular containing, among other things, detailed information regarding the Disposal and a notice convening the EGM is expected to be despatched to the Shareholders on or before 8 May 2023.

As the completion of the Disposal is subject to the terms and conditions of the Equity Transfer Agreement and the approval of the Shareholders at the EGM, the Disposal may or may not proceed at all or in a timely manner. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings below:

“Board”	the board of Directors of the Company
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Besunyen Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 51% equity interest in each of the Target Companies by the Vendor to the Purchaser in accordance with the Equity Transfer Agreement
“EGM”	the extraordinary general meeting or any adjourned meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal
“Equity Transfer Agreement”	the equity transfer agreement entered into among the Purchaser, the Vendor and each of the Target Companies on 5 May 2023 in relation to the Disposal
“Escrow Account”	the bank account jointly opened by the Purchaser and the Vendor in relation to the Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) or company(ies) who/which is(are) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Peng”	Ms. Peng Wei, a Hong Kong citizen, being a connected person of the Company at the subsidiary level
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Zhuhai Jiatai Chengzhang Investment Co., Ltd. (珠海佳泰成長投資有限公司), a company incorporated under the laws of the PRC with limited liability, or entity(ies) controlled by Ms. Peng as designated by her from time to time (not being connected person(s) of the Company at the issuer level)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of US\$0.0003333332 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Zhongshan Wanhan, Zhongshan Wanyuan and Zhongshan Wanhan Pharmaceutical
“Target Equity”	51% equity interest in each of the Target Companies
“Vendor”	Tibet Qianruiwanfu Venture Investment Co., Ltd. (西藏千瑞萬福創業投資有限公司), a company incorporated in the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company
“working day”	a calendar day not being a statutory holiday of the PRC
“Zhongshan Wanhan”	Zhongshan Wanhan Pharmacy Co., Ltd. (中山萬漢製藥有限公司), a company incorporated under the laws of the PRC with limited liability, and an indirect subsidiary of the Company
“Zhongshan Wanhan Pharmaceutical”	Zhongshan Wanhan Pharmaceutical Co., Ltd. (中山萬漢醫藥有限公司), a company incorporated under the laws of the PRC with limited liability, and an indirect subsidiary of the Company
“Zhongshan Wanyuan”	Zhongshan Wanyuan New Medicine Research and Development Co., Ltd. (中山萬遠新藥研發有限公司), a company incorporated under the laws of the PRC with limited liability, and an indirect subsidiary of the Company
“%”	per cent

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

Hong Kong, 5 May 2023

As at the date of this announcement, the executive Directors are Mr. Zhao Yihong (Chairman and Chief Executive Officer), Ms. Gao Yan (Vice Chairman) and Mr. Yu Hongjiang (Executive Vice President, Chief Operating Officer and Chief Financial Officer); the non-executive Director is Mr. Zhuo Fumin; and the independent non-executive Directors are Mr. He Yuanping, Mr. Fu Shula and Mr. Mou Wenjun.