
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 other 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**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, the licensed securities dealer 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)

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

A notice convening the extraordinary general meeting of Besunyen Holdings Company Limited to be held at Studio 1, 7/F., W Hong Kong, 1 Austin Road West, Kowloon, Hong Kong on 23 May 2023 at 11:00 a.m. is set out on pages 22 to 23 of this circular.

Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, 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 but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting or any adjourned meeting if you so wish.

8 May 2023

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DEFINITIONS

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

“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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
“Latest Practicable Date”	5 May 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“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 circular 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



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)*
Mr. Yu Hongjiang
*(Executive Vice President,
Chief Operating Officer and
Chief Financial Officer)*

Non-executive Director:

Mr. Zhuo Fumin

Independent Non-executive Directors:

Mr. He Yuanping
Mr. Fu Shula
Mr. Mou Wenjun

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

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

8 May 2023

To the Shareholders

Dear Sir or Madam,

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

LETTER FROM THE BOARD

I. INTRODUCTION

Reference is made to the announcement dated 5 May 2023 in relation to the Disposal. The purpose of this circular is to provide you with (i) further information on the Disposal; and (ii) notice of the EGM to enable you to make an informed decision as to vote for or against the resolution to be proposed at the EGM.

II. DISPOSAL OF 51% EQUITY INTEREST IN EACH OF THE TARGET COMPANIES

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 Latest Practicable Date, 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 shares 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.

Major terms of the Equity Transfer Agreement are as follows:

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

LETTER FROM THE BOARD

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; and (iv) the non-controlling interests related to the Target Companies of approximately RMB198.5 million, it is estimated that the consideration for the Disposal will be less than the net book value of the assets for RMB121.7 million.

The consideration 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 circular.

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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 Latest Practicable Date:

Shareholders of Zhongshan Wanhan	As at the Latest Practicable Date
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>100.00%</u>

Shareholders of Zhongshan Wanyuan	As at the Latest Practicable Date
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>100.00%</u>

LETTER FROM THE BOARD

Shareholders of Zhongshan Wanhan Pharmaceutical	As at the Latest Practicable Date
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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

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. It is expected that the Disposal will cause the Group's assets to decrease by approximately RMB716.5 million, the liabilities to decrease by approximately RMB258.6 million, and the non-controlling interests to decrease by approximately RMB198.5 million.

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

- (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 the Latest Practicable Date, 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.

III. 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

LETTER FROM THE BOARD

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.

IV. EGM

A notice convening the EGM is set out in page 22 to 23 in this circular, at which an ordinary resolution will be proposed to seek for the approval of the Equity Transfer Agreement and the transaction contemplated thereunder by Shareholders. 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 Latest Practicable Date, shall abstain from voting at the EGM. As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, apart from those disclosed in this circular, no other Shareholders shall abstain from voting at the EGM.

Pursuant to the existing articles of association of the Company, any vote of the Shareholders at a general meeting of the Company must be taken by way of poll except that the chairman of the meeting may, in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolutions to be considered and, if thought fit, approved at the EGM will be voted by way of poll by the Shareholders.

V. RECOMMENDATION

After taking into account of the reasons as set out in this letter, the Directors (including the independent non-executive Directors) are of the view that, the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

VI. ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Zhao Yihong
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial reports of the Group for three financial years ended 31 December 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 audited financial information of the Group for the year ended 31 December 2022 is disclosed in the annual report of the Company for the year ended 31 December 2022 published on 26 April 2023, from pages 106 to 203;

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; and

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.

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2023, 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 31 March 2023 RMB'000 (Unaudited)
Borrowings	(a)	158,884
Lease liabilities	(b)	15,150

(a) Borrowings

- *Bank borrowings*

As at 31 March 2023, the Group had an aggregate outstanding bank borrowings of approximately RMB156,763,000 comprising:

- (i) Outstanding bank borrowings of approximately RMB10,000,000 which are unsecured.
- (ii) Outstanding bank borrowings of approximately RMB146,763,000 which are secured by a third-party company and individuals, and pledged by properties and land use rights.

- *Other borrowings*

As at 31 March 2023, the Group had secured borrowings of approximately RMB2,121,000 in respect of lease for an equipment.

(b) Lease liabilities

As at 31 March 2023, the Group had lease liabilities of approximately RMB15,150,000 in respect of lease for various offices, warehouses and retail stores.

(c) Contingent liabilities

As at 31 March 2023, 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 31 March 2023, 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

After taking into account the business prospects of the Group upon completion of the Disposal and available financial resources, including sustainable financing, the Directors are of the opinion that the Group has sufficient working capital for at least 12 months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

The Directors confirm there had been no material adverse change in the financial or trading position of the Group from 31 December 2022 (being the date to which the latest published audited financial statements of the Group were made up) to the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS

The Group is a leading provider of therapeutic teas in the PRC, mainly engaging in the research and development, production, sale and promotion of therapeutic teas and medicines. The Group continues to operate its products through offline OTC pharmacies, shopping malls and supermarkets and online channels, and benefits from the marketing efforts of the Besunyen brand, enabling the sales of the Group's products to maintain a leading position in China's big health sector.

Since the acquisition of Zhongshan Wanhan in 2017, the Group has expanded its business from the slimming therapeutic tea market to the weight-loss medicine market in anticipation of accomplishing its overall layout in the pharmaceutical manufacturing, health products and big health industry with its advantages in research and development as well as strategic reserves. With nearly five years of effort of the sales team of the Group, Besunyen Orlistat has won a place in the e-commerce weight-loss medicine sector.

Zhongshan Wanhan focuses on centralized procurement medicines and active pharmaceutical ingredients, which is in conflict with the Group's focus on OTC medicines in terms of development direction. Therefore, Group's business integration of and investment in the Target Companies do not meet expectation. The Board believes that the Disposal will allow higher flexibility for the Group in its future development, and will be beneficial to the replenishment of the Group's working capital. Upon the completion of the transaction, the Group will no longer own any interest in the Target Companies. The Group will seek for suppliers of Orlistat weight-loss medicines with price advantage in a more extensive market, and will still invest resources in the continuous development of weight-loss medicine business.

The Group will continue to take consumers' health needs as the driving force of innovation, adhere to the concept of "herbal, healthy, and quality functional tea", deepen the fields of "weight loss and weight management" and "laxative and gastrointestinal health", continue to steadily foster the establishment of Besunyen's brands with focus on the sales of the four teas (Besunyen Detox Tea (碧生源牌常潤茶), Besunyen Slimming Tea (碧生源牌常菁茶), Besunyen Fit Tea (碧生源牌纖纖茶) and Besunyen Relief Tea (碧生源牌清源茶)) as well as other relevant products, while expanding commercial and chain channels and consolidating the advantages of traditional physical pharmacy offline business. At the same time, the Group will continue to build a parallel development pattern of multiple categories of "OTC medicines + health food + general food + medical devices", thereby seizing more future development opportunities.

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 this circular or any statement herein misleading.

2. 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:

Name of Director/ Chief Executive	Nature of interest	Number of Shares	Approximate percentage of total issued Shares (%) ⁽⁵⁾
Mr. Zhao Yihong	Beneficial owner, interest of his spouse, founder of a discretionary trust and interest of corporation controlled by the Director ⁽¹⁾⁽³⁾	62,775,657 ^{(1)(L)}	51.34%
Ms. Gao Yan	Beneficial owner and interest of her spouse ⁽²⁾⁽³⁾	62,775,657 ^{(2)(L)}	51.34%
Mr. Yu Hongjiang	Beneficial owner	58,025 ^(L)	0.05%
Mr. Zhuo Fumin	Interest of his spouse	3,400 ^{(4)(L)}	0.00%
Mr. He Yuanping	—	—	—
Mr. Fu Shula	Beneficial owner	15,000 ^(L)	0.01%
Mr. Mou Wenjun	Beneficial owner	108,675 ^(L)	0.09%

Notes:

- (1) Mr. Zhao Yihong, executive Director, beneficially owns 313,017 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 for the purposes of the SFO:
 - (i) 61,219,437 Shares which are beneficially owned by Foreshore Holding Group Limited, a company which is controlled by Mr. Zhao;
 - (ii) 1,069,128 Shares which are beneficially owned by Better Day Holdings Limited, a company which is controlled by Mr. Zhao; and
 - (iii) 174,075 Shares beneficially owned by Ms. Gao Yan, Mr. Zhao's spouse.
- (2) Ms. Gao Yan, executive Director, beneficially owns 174,075 Shares. Ms. Gao is also deemed or taken to be interested in the following Shares for the purposes of the SFO:
 - (i) 313,017 Shares beneficially owned by Mr. Zhao Yihong, Ms. Gao's spouse;
 - (ii) 61,219,437 Shares which are deemed to be beneficially owned by Mr. Zhao as controlling shareholder of Foreshore Holding Group Limited; and
 - (iii) 1,069,128 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, is deemed or taken to be interested in the 3,400 Shares beneficially owned by his wife for the purposes of the SFO.
- (5) This is calculated based on 122,265,585 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, so far as 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.

3. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as known to the Directors and chief executive of the Company, the following persons 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⁾	61,219,437 ^(L)	50.07%
Sea Network Holdings Limited ⁽¹⁾	61,219,437 ^(L)	50.07%
TMF Trust (HK) Limited ⁽¹⁾	61,219,437 ^(L)	50.07%
Ms. PENG Wei ⁽²⁾	10,279,150 ^(L)	8.41%
Everyoung Investment Holdings Limited ⁽²⁾	9,281,250 ^(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 997,900 Shares.
- (3) This is calculated based on 122,265,585 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 known to the Directors, 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.

4. 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.

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' INTERESTS IN THE GROUP'S ASSETS OR CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors:

- (a) had any interest in any assets which had been, since 31 December 2022 (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, any member of the Group, or were proposed to be acquired or disposed of by or leased to, any member of the Group; or
- (b) was materially interested, directly or indirectly, in any contract or arrangement subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. 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.

8. MATERIAL CONTRACTS

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

- (a) the Equity Transfer Agreement;
- (b) the underwriting agreement dated 12 July 2022 and entered into between the Company and Lego Securities Limited (as the underwriter) in respect of the proposed rights issue, where the underwriter agreed to procure the subscription of any unsubscribed rights shares on a best effort basis. The commission is approximately HK\$150,000;
- (c) the irrevocable undertakings to the Company dated 12 July 2022 made by Mr. Zhao Yihong and Ms. Gao Yan in respect of the subscription of rights shares. Mr. Zhao Yihong and his associates and Ms. Gao Yan have subscribed for 41,734,388 rights shares and 116,050 rights shares at the consideration of approximately HK\$73,035,179 and HK\$203,087.50 respectively; and

- (d) 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.

Save as disclosed above, the Company or any of its other subsidiaries had not entered into any material contracts (not being contracts entered into in the ordinary course of business) within two years immediately preceding the date of this circular.

9. GENERAL

- (a) The address of the Company's registered office is Portcullis (Cayman) Ltd., The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands.
- (b) The share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, and its address is Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The address of the Company's principal place of business in the PRC is No. 1 Qiushi Industrial Park, Doudian Town, Fangshan District, Beijing 102433, PRC.
- (d) The company secretary of the Company is Mr. Au Lap Ming, who is a fellow 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.
- (e) The English text of this circular shall prevail over the respective Chinese text in case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://ir.besunyen.com>) for a period of 14 days (inclusive) from the date of this circular:

- (a) the Equity Transfer Agreement; and
- (b) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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 at Studio 1, 7/F., W Hong Kong, 1 Austin Road West, Kowloon, Hong Kong on 23 May 2023 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

the terms of the equity transfer agreement (the “**Equity Transfer Agreement**”) dated 5 May 2023 in respect of the disposal of 51% equity interest in each of the target companies, being Zhongshan Wanhan Pharmacy Co., Ltd., Zhongshan Wanyuan New Medicine Research and Development Co., Ltd. and Zhongshan Wanhan Pharmaceutical Co., Ltd. (a copy of the agreement has been produced to the meeting marked “A” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, and any one Director be and is hereby authorised to, for and on behalf of the Company, sign, seal, execute, complete, perform and deliver all such agreements, instruments, documents and deeds, and do all such acts or things as he/she consider necessary, desirable, expedient or appropriate under his/her absolute discretion, and take all relevant steps in connection with the implementation of the Equity Transfer Agreement and all matters incidental to it.”

By order of the Board
Besunyen Holdings Company Limited
Au Lap Ming
Company Secretary

Hong Kong, 8 May 2023

NOTICE OF EXTRAORDINARY GENERAL MEETING

As at the date of this notice, the executive directors of the Company 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 of the Company is Mr. Zhuo Fumin; and the independent non-executive directors of the Company are Mr. He Yuanping, Mr. Fu Shula and Mr. Mou Wenjun.

Notes:

1. A member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or, if he/she 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/her stead. A proxy need not be a member of the Company.
2. 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 Company's branch share registrar in Hong Kong, 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.
3. The register of members of the Company will be closed from 18 May 2023 to 23 May 2023, both days inclusive. During such period, no transfer of shares of the Company will be registered. The record date for determining the eligibility to attend the EGM will be 23 May 2023. In order to be eligible for attending the EGM, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, 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 17 May 2023.
4. 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 23 May 2023, the EGM will be postponed and further announcement for details of alternative meeting arrangements will be made by the Company. 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.