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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)

DISCLOSEABLE TRANSACTION
ACQUISITION OF 51% EQUITY INTEREST IN
EACH OF ZHONGSHAN WANHAN AND ZHONGSHAN WANYUAN

On 10 March 2017 (after trading hours), Beijing Outsell (an indirect wholly-owned subsidiary of the Company), the Sellers of Zhongshan Wanhan, the Sellers of Zhongshan Wanyuan, Zhongshan Wanhan and Zhongshan Wanyuan entered into the Investment Agreement pursuant to which: (1) Beijing Outsell conditionally agreed to purchase and the Sellers of Zhongshan Wanhan conditionally agreed to sell 39.66% equity interest in Zhongshan Wanhan for a total consideration of RMB77,100,000; and (2) Beijing Outsell conditionally agreed to make capital contribution in cash to each of Zhongshan Wanhan and Zhongshan Wanyuan in the total sum of RMB60,600,000. Upon completion of the Investment, Beijing Outsell will own 51% equity interest in each of Zhongshan Wanhan and Zhongshan Wanyuan.

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transaction contemplated under the Investment Agreement exceed 5% but are less than 25%, therefore the transaction contemplated thereunder constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

INTRODUCTION

On 10 March 2017 (after trading hours), Beijing Outsell (an indirect wholly-owned subsidiary of the Company), the Sellers of Zhongshan Wanhan, the Sellers of Zhongshan Wanyuan, Zhongshan Wanhan and Zhongshan Wanyuan entered into the Investment Agreement pursuant to which: (1) Beijing Outsell conditionally agreed to purchase and the Sellers of Zhongshan Wanhan conditionally agreed to sell 39.66% equity interest in Zhongshan Wanhan for a total consideration of RMB77,100,000; and (2) Beijing Outsell conditionally agreed to make capital contribution in cash to each of Zhongshan Wanhan and Zhongshan Wanyuan in the total sum of RMB60,600,000. Upon completion of the Investment, Beijing Outsell will own 51% equity interest in each of Zhongshan Wanhan and Zhongshan Wanyuan.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Sellers of Zhongshan Wanhan, the Sellers of Zhongshan Wanyuan and their respective ultimate beneficial owner(s) are Independent Third Parties.

THE INVESTMENT AGREEMENT

The major terms of the Investment Agreement are as follows:

Date: 10 March 2017

Parties: (i) Beijing Outsell (as the purchaser);

(ii) the Sellers of Zhongshan Wanhan and the Seller of Zhongshan Wanyuan (as the sellers, collectively the "Sellers"); and

(iii) Zhongshan Wanhan and Zhongshan Wanyuan (as the target companies).

Equity Transfer

Pursuant to the Investment Agreement, the Sellers of Zhongshan Wanhan agreed to transfer a total of 39.66% equity interest in Zhongshan Wanhan to Beijing Outsell in accordance with the terms and conditions of the Investment Agreement. Details of the shareholding structure of Zhongshan Wanhan before and after the equity transfer are as follows:

Shareholders of Zhongshan Wanhan	Before the equity transfer (%)	After the equity transfer (%)
Jiatai Chengzhang	75%	45.255%
Yinchen Investment Consulting	10%	6.034%
Ms. LUO	10%	6.034%
Mr. ZHAO	5%	3.017%
Beijing Outsell	<u>—</u>	<u>39.66%</u>
Total	<u>100%</u>	<u>100%</u>

Consideration of Equity Transfer and payment arrangement

The total consideration of the Equity Transfer is RMB77,100,000 which shall be paid by Beijing Outsell by way of internal resources in two instalments as follows:

- (i) The First Instalment: RMB50,000,000 shall be paid by Beijing Outsell to the Sellers of Zhongshan Wanhan within three (3) business days from the date the Investment Agreement becomes effective.
- (ii) The Second Instalment: RMB27,100,000 shall be paid by Beijing Outsell to the Sellers of Zhongshan Wanhan within thirty (30) business days from the date the Investment Agreement becomes effective or from such other date as the parties may agree.

Capital Contribution

1. Zhongshan Wanhan

After the Equity Transfer, Beijing Outsell will make a capital contribution of RMB44,990,000 to Zhongshan Wanhan in which RMB3,471,429 will be used to increase the registered capital while RMB41,518,571 will be used to increase the capital reserve. Upon completion of the capital contribution, the registered capital of Zhongshan Wanhan will be increased to RMB18,471,429. Details of the shareholding structure of Zhongshan Wanhan before and after the capital contribution are as follows:

Shareholders of Zhongshan Wanhan	Before the capital contribution (%)	After the capital contribution (%)
Jiatai Chengzhang	45.255%	36.75%
Yinchen Investment Consulting	6.034%	4.9%
Ms. LUO	6.034%	4.9%
Mr. ZHAO	3.017%	2.45%
Beijing Outsell	39.66%	51%
Total	100%	100%

2. Zhongshan Wanyuan

After the Equity Transfer, Beijing Outsell will make a capital contribution of RMB15,610,000 to Zhongshan Wanyuan in which RMB5,204,082 will be used to increase the registered capital while RMB10,405,918 will be used to increase the capital reserve. Upon completion of the capital contribution, the registered capital of Zhongshan Wanyuan will be increased to RMB10,204,082. Details of the shareholding structure of Zhongshan Wanyuan before and after the capital contribution are as follows:

Shareholders of Zhongshan Wanyuan	Before the capital contribution (%)	After the capital contribution (%)
Ms. PENG	55%	26.95%
Mr. ZOU	20%	9.8%
Ms. LUO	10%	4.9%
Mr. ZHAO	5%	2.45%
Yinchen Investment Consulting	10%	4.9%
Beijing Outsell	—	51%
Total	100%	100%

The Capital Contribution shall be made by Beijing Outsell to Zhongshan Wanhan and Zhongshan Wanyuan within thirty(30) business days upon all the consideration of Equity Transfer having been paid.

Basis of Consideration under the Investment Agreement

The consideration under the Investment Agreement was determined after arm's length negotiations between Beijing Outsell and the Sellers with reference to, among others, the current operations and business prospects of Zhongshan Wanhan and Zhongshan Wanyuan and the initial indicative valuations of the entire equity interest of Zhongshan Wanhan and Zhongshan Wanyuan as at 31 December 2016.

The Independent Valuer adopted asset-based approach in valuing Zhongshan Wanyuan, and adopted income approach in valuing Zhongshan Wanhan. Therefore, the valuation of Zhongshan Wanyuan is regarded as a profit forecast under Rule 14.61 of the Listing Rules. The Company will make further announcement(s) in respect of the profit forecast within fifteen (15) business days after the publication of this announcement pursuant to Rule 14.60A of the Listing Rules, once the valuation is finalized.

Conditions Precedent

1. The completion of the closing by the Sellers, Zhongshan Wanhan and Zhongshan Wanyuan is subject to the satisfaction or waiver in writing of, on or prior to the closing, the following conditions:
 - (i) All declarations and warranties made by Beijing Outsell in the Investment Agreement shall have been true and accurate as of the date of the Investment Agreement, and shall be true and accurate as of the closing date as if made on the closing date. And the undertakings and covenants that are required to perform at or prior to the closing by Beijing Outsell shall have been performed; and
 - (ii) Beijing Outsell shall have executed all the necessary documents to which Beijing Outsell is a party and have delivered such documents to the Sellers and/or Zhongshan Wanhan and Zhongshan Wanyuan.
2. The completion of the closing by Beijing Outsell is subject to the satisfaction or waiver in writing of, on or prior to the closing, the conditions as set out in the Investment Agreement, including:
 - (i) Zhongshan Wanhan and Zhongshan Wanyuan and their respective subsidiaries shall have obtained all the approvals, licenses and similar authorizations necessary for the operation of business at the closing or proposed to be conducted after closing, and shall have completed the necessary registration and filing, include Drug Approval Numbers, Pharmaceutical Production Licenses, Drug GMP Certifications etc. and have delivered the relevant evidence to Beijing Outsell in a mutually acceptable form;
 - (ii) Certain key employees have entered into employment agreements, intellectual property assignment (if necessary), confidentiality and non-competition agreements with Zhongshan Wanhan or Zhongshan Wanyuan in the form and substance to the satisfaction of the parties;
 - (iii) From the signing date of the Investment Agreement to the closing, Zhongshan Wanhan and Zhongshan Wanyuan shall carry on their operations in all aspects as they are currently being conducted, including that the relevant qualifications, certificates, lands, real estates, patents, registration approvals, product approvals and products under development of Zhongshan Wanhan/Zhongshan Wanyuan remain complete and effective; there has not been any material adverse change in the

condition (financial or other), results of operations, assets, regulatory status, business or prospects of Zhongshan Wanhan and Zhongshan Wanyuan and their respective subsidiaries, as well as the Sellers;

- (iv) All the necessary internal and external approvals with respect to the transaction contemplated under the Investment Agreement, including but not limited to, the shareholders' approval and the boards' approval have been obtained by the relevant party, and the amended articles of association have accurately reflected the stipulations in the Investment Agreement; and
- (v) Beijing Outsell have completed all the commercial, financial, legal and technical due diligence of Zhongshan Wanhan and Zhongshan Wanyuan and is satisfied with the due diligence result.

Closing

1. Execution of Documents

- (i) Within thirty (30) days after the signing of the Investment Agreement, Ms. PENG shall procure the Sellers to sign the amended articles of association of both Zhongshan Wanhan and Zhongshan Wanyuan that amended in accordance with the stipulations of the Investment Agreement.
- (ii) Zhongshan Wanhan and Zhongshan Wanyuan shall issue capital contribution certificates to Beijing Outsell and amend their registers of shareholders accordingly.

2. AIC Registration

- (i) Within thirty (30) days after the signing of the Investment Agreement, (1) Zhongshan Wanhan and Zhongshan Wanyuan shall hold shareholders' meetings respectively to set up their respective boards of directors, and shall, by resolutions, appoint 3 persons designated by Beijing Outsell and 2 persons designated by the Sellers as directors; and (2) Zhongshan Wanhan and Zhongshan Wanyuan shall hold board meetings respectively to elect one director designated by Beijing Outsell as the chairman of the boards of directors.
- (ii) Zhongshan Wanhan and Zhongshan Wanyuan shall complete the change of registration (filing) with the AIC with respect to the Equity Transfer and the amendment to the articles of association within sixty (60) days upon the receipt of the First Instalment.
- (iii) Zhongshan Wanhan and Zhongshan Wanyuan shall complete the change of registration (filing) with the AIC with respect to the Capital Contribution and the amendment to the articles of association within thirty (30) days upon the receipt of the Capital Contribution amount.

Payment of Debt

Beijing Outsell agreed that, within seven (7) business days upon completion of the change of registration with AIC with respect to the Capital Contribution, Zhongshan Wanhan shall pay the debt of RMB30,600,000 to the Sellers of Zhongshan Wanhan.

Corporate Governance

1. Each of Zhongshan Wanhan and Zhongshan Wanyuan shall have a board of directors consisting of five (5) directors. Beijing Outsell shall have the right to appoint three (3) directors and the other two (2) directors shall be appointed by the Sellers. The chairman of the board of both Zhongshan Wanhan and Zhongshan Wanyuan shall be elected from the directors appointed by Beijing Outsell.
2. The senior management of Zhongshan Wanhan and Zhongshan Wanyuan include the general manager, the vice general manager and the chief financial officer. It is agreed that upon completion of the Investment, the general manager of both Zhongshan Wanhan and Zhongshan Wanyuan will be Ms. PENG, and the chief financial officer of both Zhongshan Wanhan and Zhongshan Wanyuan will be designated by Beijing Outsell.
3. Pursuant to the Investment Agreement, any resolution of the shareholders' meeting of Zhongshan Wanhan/Zhongshan Wanyuan shall be passed by shareholders representing more than two-thirds of the voting shares.

The Investment Agreement shall become effective upon being signed and chopped (applicable to companies) by the parties or their legal representatives or authorized representatives.

INFORMATION ON ZHONGSHAN WANHAN AND ZHONGSHAN WANYUAN

Zhongshan Wanhan is a limited liability company incorporated in the PRC and is principally engaged in (i) the manufacture, operation and R&D of the oral solid preparations — hard capsules; (ii) R&D, production preparation, and marketing planning of external-use medicines and sterile preparation; (iii) R&D and relevant technology consulting services of medical equipment; (iv) R&D of health food; and (v) R&D of cosmetics, chemical raw materials, household chemical products and specialty chemicals.

The unaudited consolidated total assets and net assets of Zhongshan Wanhan as at 31 December 2016 were RMB62,502,700 and RMB8,101,200, respectively. The unaudited net (loss)/profit (both before and after taxation) of Zhongshan Wanhan for the two financial years ended 31 December 2015 and 31 December 2016 are as follows:

	For the year ended 31 December 2015 <i>(RMB)</i>	For the year ended 31 December 2016 <i>(RMB)</i>
Net (loss)/profit before taxation	(9,623,200)	3,161,200
Net (loss)/profit after taxation	(9,623,200)	3,161,200

Zhongshan Wanyuan is a limited liability company incorporated in the PRC and is principally engaged in (i) biological fermentation; (ii) API Synthesis and R&D, quality research, registration application of preparation technology; and (iii) research, collection and sharing of information, intelligence and patent, etc. Zhongshan Wanyuan also has the ability to carry out

innovative research and complete application development projects in study and development of medicine, and establishes a R&D platform to provide a full set of technical services for pharmaceuticals manufacture enterprises.

The unaudited consolidated total assets and net assets of Zhongshan Wanyuan as at 31 December 2016 were RMB25,176,300 and RMB11,164,000, respectively. The unaudited net (loss)/profit (both before and after taxation) of Zhongshan Wanyuan for the two financial years ended 31 December 2015 and 31 December 2016 are as follows:

	For the year ended 31 December 2015 <i>(RMB)</i>	For the year ended 31 December 2016 <i>(RMB)</i>
Net (loss)/profit before taxation	(2,040,800)	1,522,600
Net (loss)/profit after taxation	(2,041,000)	1,522,600

REASONS FOR AND BENEFITS OF ENTERING INTO THE INVESTMENT AGREEMENT

Through all these years operation of OTC channel, the Group has enriched its experiences and accumulated abundant customer resources. By leveraging the R&D advantage and the product reserve of Zhongshan Wanhan and Zhongshan Wanyuan, this Investment will enable the Group to continuously provide more products for sale, meet the consumers' demands, consolidate and enhance the Group's marketing capabilities and position.

Through this Investment, the Group can gradually accomplish its overall layout in the pharmaceutical, healthcare products, and big-health industry. This Investment will facilitate the Group to obtain more comprehensive qualifications in pharmaceutical research and development, manufacture and medical e-commerce, and also lay a good foundation for the Group's comprehensive layout and development in pharmaceutical industry.

After the Investment, the production work of Zhongshan Wanhan and Zhongshan Wanyuan can be integrated with the Group, while Zhongshan Wanhan and Zhongshan Wanyuan can focus more on their R&D work to exploit its R&D advantages, create synergy, and make bigger and stronger businesses.

As such, the Directors are of the view that the terms and conditions of the Investment Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transaction contemplated under the Investment Agreement exceed 5% but are less than 25%, therefore the transaction contemplated thereunder constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

None of the Directors are deemed to have material interest in the transaction contemplated under the Investment Agreement, and thus have been required to abstain from voting on the relevant resolution at the Board meeting.

GENERAL INFORMATION OF THE GROUP AND THE PARTIES

The Group

The Group is a leading provider of therapeutic tea products in the PRC focusing on the development, manufacture and sales of therapeutic tea and other health food products.

Beijing Outsell

Beijing Outsell is a limited liability company incorporated in the PRC and is an indirect wholly-owned subsidiary and the primary operating entity of the Company. Beijing Outsell is principally engaged in the business of development, production, sales and promotion of therapeutic teas.

Zhongshan Wanhan

Zhongshan Wanhan is a limited liability company incorporated in the PRC and is principally engaged in (i) the manufacture, operation and R&D of the oral solid preparations — hard capsules; (ii) R&D, production preparation, and marketing planning of external-use medicines and sterile preparation; (iii) R&D and relevant technology consulting services of medical equipment; (iv) R&D of health food; and (v) R&D of cosmetics, chemical raw materials, household chemical products and specialty chemicals.

Zhongshan Wanyuan

Zhongshan Wanyuan is a limited liability company incorporated in the PRC and is principally engaged in (i) biological fermentation; (ii) R&D, quality research, registration and declaration of active pharmaceutical ingredients and pharmaceutical technology; and (iii) research, collection and sharing of information, intelligence and patent, etc. Zhongshan Wanyuan also has the ability to carry out innovative research and complete application development projects in study and development of medicine, and establish a R&D platform to provide a full set of technical services for pharmaceuticals manufacture enterprises.

Jiatai Chengzhang

Jiatai Chengzhang is a limited liability company incorporated in the PRC and is principally engaged in project investment, investment consulting, commercial wholesale and retails, etc.

Yinchen Investment Consulting

Yinchen Investment Consulting is a limited liability company incorporated in the PRC and is principally engaged in investment consulting, planning, legal consulting, commercial wholesale/retail and etc.

Ms. PENG

Ms. PENG, a Hong Kong citizen. She has more than 30 years of experience in pharmaceutical industry and has rich experiences in production, R&D, marketing, capital operations and company operations, etc.

Mr. ZHAO

Mr. ZHAO, a PRC citizen. He has abundant experiences in corporate financial management, capital operations and IPO nurturing.

Mr. ZOU

Mr. Zou, a PRC citizen. He has abundant experiences in the R&D, application and development of innovative medicine.

Ms. LUO

Ms. LUO, a PRC citizen.

DEFINITIONS

In this announcement, unless the content otherwise requires, the following words and expression shall have the meanings ascribed to them below:

“AIC”	applicable administration for industry and commerce
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Outsell”	Beijing Outsell Health Product Development Co., Ltd. (北京澳特舒爾保健品開發有限公司), a company incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Capital Contribution”	the capital contributions of RMB44,990,000 and RMB15,610,000 made by Beijing Outsell to Zhongshan Wanhan and Zhongshan Wanyuan respectively
“Company”	Besunyen Holdings Company Limited (碧生源控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity transfer”	the transfer of 39.66% equity interest in Zhongshan Wanhan from the Sellers of Zhongshan Wanhan to Beijing Outsell
“First Instalment”	RMB50,000,000 to be paid by Beijing Outsell to the Sellers of Zhongshan Wanhan within three (3) business days upon the Investment Agreement becoming effective
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) who/which is(are) independent of the Company and its connected persons;

“Independent Valuer”	DTZ Cushman & Wakefield Limited
“Investment”	the transaction contemplated under the Investment Agreement, being the Equity Transfer and the Capital Contribution
“Investment Agreement”	the investment agreement entered into on 10 March 2017 among Beijing Outsell, Zhongshan Wanhan, Zhongshan Wanyuan and the Sellers
“Jiatai Chengzhang”	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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. ZHAO”	Mr. ZHAO Rui, a PRC citizen
“Mr. ZOU”	Mr. ZOU Yong, a PRC citizen
“Ms. LUO”	Ms. LUO Dongfang, a PRC citizen
“Ms. PENG”	Ms. PENG Wei, a Hong Kong citizen
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	means Renminbi, the lawful currency of the PRC
“Second Instalment”	RMB27,100,000 to be paid by Beijing Outsell to the Sellers of Zhongshan Wanhan within 30 business days from the date the Investment Agreement becomes effective or from such other date as agreed by the parties
“Sellers”	the Sellers of Zhongshan Wanhan and the Sellers of Zhongshan Wanyuan
“Sellers of Zhongshan Wanhan”	the shareholders of Zhongshan Wanhan as at the date of this announcement, being Jiatai Chengzhang, Yinchen Investment Consulting, Ms. LUO and Mr. ZHAO
“Sellers of Zhongshan Wanyuan”	the shareholders of Zhongshan Wanyuan as at the date of this announcement, being Ms. PENG, Mr. ZOU, Ms. LUO, Mr. ZHAO and Yinchen Investment Consulting
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yinchen Investment Consulting”	Zhuhai Yinchen Investment Consulting Co., Ltd. (珠海市銀辰投資顧問有限責任公司), a company incorporated under the laws of the PRC with limited liability

“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
“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

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

Hong Kong, 10 March 2017

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