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Touyun Biotech Group Limited
透雲生物科技集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1332)

**FRAMEWORK AGREEMENT
IN RELATION TO
POSSIBLE CONNECTED TRANSACTION**

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board would like to announce that on 23 November 2021 (after trading hours), the Purchaser entered into a Framework Agreement with the Vendors in relation to the Possible Acquisition, pursuant to which the Vendors intend to sell and procure other shareholders of the Target Company to sell and the Purchaser intends to acquire the entire issued share capital and outstanding options of the Target Company and that the Vendor's Guarantor and the Company shall use their best efforts to meet the obligations of the Vendors and Purchaser under the Framework Agreement and Formal Agreement. All parties are required to negotiate and enter into the Formal Agreement subject to (i) satisfaction of the due diligence on the Target Company; and (ii) valuation of the Target Company, being no later than five calendar months from the date of the Framework Agreement. Specific terms and details of the transaction are subject to the Formal Agreement to be entered into by the parties.

LISTING RULES IMPLICATIONS

As at the date of this announcement, (i) Vendor A holds certain issued share capital of the Target Company and is beneficially wholly-owned by Ms. Qiao Yanfeng, who is a substantial shareholder and a connected person of the Company; and (ii) Vendor B holds certain issued share capital of the Target Company and is beneficially wholly-owned by Mr. Wang Weiping, who is a connected person of the Company.

As the Possible Acquisition is subject to, among others, further agreement on the terms and conditions (including the Consideration) of the Formal Agreement and the execution of such agreement by the parties, the parties have not yet reached agreement on the terms and conditions of the Possible Acquisition and the Formal Agreement as at the date of this announcement. The Company will, upon the finalization of the Formal Agreement, comply with all applicable requirements under Chapters 14 and 14A of the Listing Rules in due course, and classify the relevant transactions of the Possible Acquisition and is subject to the applicable disclosure, announcement, circular and Shareholders' approval requirements.

Further announcement in respect of the Possible Acquisition will be made by the Company in the event that any Formal Agreement has been signed. Shareholders and potential investors of the Company are urged to exercise caution when dealing in the Shares.

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Major terms of the Framework Agreement

Date : 23 November 2021

Parties

Vendors : 1. Vendor A
2. Vendor B
3. Vendor C

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Vendor C and its ultimate beneficial owners are independent third parties of the Company, and Vendor A and Vendor B are connected persons of the Company.

- Purchaser : Clever Spot International Limited
- Target assets : The entire issued share capital and outstanding options of the Target Company.
- Guarantee : The Vendor's Guarantor guarantee to the Purchaser:
- (a) the due and punctual performance of all present and future obligations of each and every Vendor, if and when they become performable in accordance with the terms of the Framework Agreement; and
 - (b) to procure the other shareholders of the Target Company to sell their entire interests in the Target Company and enter into a deed of adherence to the Formal Agreement to be executed between all parties.

In consideration of the Vendors entering in to the Framework Agreement, the Company guarantees to each of the Vendors the due and punctual performance of all present and future obligations of the Purchaser in the Formal Agreement, if and when they become performable, in accordance with the terms of the Formal Agreement.

- Consideration and valuation : The Consideration (yet to be determined) shall consist of Equity Consideration and Option Consideration.

Equity Consideration for acquiring all the issued shares of the Target Company will be settled by the issue and allotment of the new Shares at the price of HK\$0.8 per Share and/or convertible bonds.

Option Consideration for the outstanding options of the Target Company is expected to be settled by the issue and allotment of share options of the Company.

The Consideration will be determined after arm's length negotiation between the Company and the Vendors, which shall also be subject to, among others, (i) the expertise and proprietary assets of the Target Company; (ii) the future prospect of the businesses of the Target Company; (iii) the valuation of the Target Company; (iv) the result of the due diligence on the Target Company; and (v) the approval by the Board.

- Exclusivity : Each of the Vendors confirm that, it shall not without the prior written consent of the Purchaser directly or indirectly, negotiate or enter into any discussion or sign, with any party, any memorandum of understanding, letter of intent, agreement or permit to continue any such negotiation or arrangements with any person relating to any transaction similar to the Possible Acquisition, for a period of five calendar months from the date of the Framework Agreement.
- Non-legally Binding : Save for the provisions of the Framework Agreement in relation to confidential information, cost and expenses incurred relating to the Framework Agreement, notices, governing law, binding effect and jurisdiction, counterparts and termination, the Framework Agreement is not legally binding.

Further information regarding the terms and conditions of the Possible Acquisition will be set out in a further announcement upon entering into the Formal Agreement regarding the Possible Acquisition.

Information of the Target Company

The Target Company is an exempted company with limited liability incorporated in the Cayman Islands and qualified to transact intrastate business in the State of California, the United States of America as a foreign corporation. The Target Company innovates new and better-for-you food ingredients through non-GMO micro-algae technologies for producing Chlamydomonas. Chlamydomonas is a safe to eat meat alternative. The Target Company developed a fermentation production process to make production scalable and has developed different varieties of Chlamydomonas through breeding and selections using non-GMO technologies. The Target Company is engaged to provide a sustainable food ecosystem with solutions that provide better nutrition, better health and better tasting food. The Target Company has partnered with a producer of plant-based meats in the United States of America to bring new algae-based meat innovations products entailing their non-GMO micro-algae to the market.

On 1 January 2020, the Purchaser has entered into a scale-up program and license agreement with the Target Company in respect of granting the Purchaser and the Group a non-exclusive license to manufacture the Target Company's chlamydomonas reinhardtii, micro-algae and related products and for the Group to conduct a pilot and scale-up manufacturing program.

Reasons for the Possible Acquisition

Since 2020, the Group has been exploring the business opportunities in the health food industry and continuously diversified its business segments in the health food industry including the business of the manufacturing and sale of *Chlamydomonas reinhardtii* and micro-algae products. Given the fast growing trend of health food in recent years, the Group is optimistic about the business prospects of the *Chlamydomonas reinhardtii* and micro-algae products and intends to focus and allocate more resources to this segment. During 2020, the Group launched the construction of manufacturing facilities for *Chlamydomonas reinhardtii*, micro-algae and related products in Lucheng District, Changzhi City, Shanxi Province, the PRC. In May 2020, the Company announced the change of the Company's name which is in alignment with the Group's long-term strategy and is considered to be beneficial to the coordination and development of the Group's business and to be able to strengthen the overall branding and create value to the shareholders and customers of the Group. In August 2021, the Group has completed its construction for the first phase production of the fermentation and manufacturing facilities with a production capacity of 4,000 tons/year of *Chlamydomonas reinhardtii*, micro-algae and related products, for which the Target Company granted a non-exclusive license to the Group in January 2020 to manufacture such products. During 2021, the Group launched *Chlamydomonas reinhardtii* products, for instance, noodles and capsules to the market via the online sales channel and retail shop in Hong Kong. The Company believes that the Possible Acquisition is (i) a good opportunity for the Group to upstream integration of research and development on health food products within its business; (ii) able to generate a synergy effect by combining a supply chain technology of research and development of creating new types of protein such as non-GMO micro-algae and the manufacturing of new algae based products for the plant-based market; (iii) able to possess its own license for the manufacture of *Chlamydomonas reinhardtii*, micro-algae and related products; (iv) able to strengthen its market position in the health food industry; and (v) beneficial to the stable growth of the performance of the Company's *Chlamydomonas reinhardtii* product business segment, which is in line with the Company's long-term strategic interests.

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As the Possible Acquisition is subject to, among others, further agreement on the terms and conditions (including the Consideration) of the Formal Agreement and the execution of such agreement by the parties, the parties have not yet reached agreement on the terms and conditions of the Possible Acquisition and the Formal Agreement as of the date of this announcement. The Company will, upon the finalization of the Formal Agreement, comply with all applicable requirements under Chapters 14 and 14A of the Listing Rules in due course, and classify the relevant transactions of the Possible Acquisition and is subject to the applicable disclosure, announcement, circular and Shareholders' approval requirements.

Further announcement in respect of the Possible Acquisition will be made by the Company in the event that any Formal Agreement has been signed. Shareholders and potential investors of the Company are urged to exercise caution when dealing in the Shares.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Board”	the board of Directors
“Company”	Touyun Biotech Group Limited (Stock Code: 1332), a company incorporated in Bermuda with limited liability, 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
“Consideration”	Equity Consideration and Option Consideration
“Director(s)”	director(s) of the Company
“Equity Consideration”	the consideration for the sale and purchase of the issued share capital and/or convertible bonds of the Target Company
“Formal Agreement”	legally binding agreement(s) to be entered into between the Vendors and the Purchaser in relation to inter alia, the Possible Acquisition and incorporating the terms of the Framework Agreement
“Framework Agreement”	a Non-legally Binding framework agreement dated 23 November 2021 entered into amongst the Vendors and the Purchaser in relation to the Possible Acquisition
“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
“Listing Rules”	the Rules Governing the Listing of Securities on main board of the Stock Exchange
“Option Consideration”	the consideration for the sale and purchase of the outstanding options of the Target Company

“Possible Acquisition”	on 23 November 2021, the Purchaser entered into the Framework Agreement with the Vendors in respect of the acquisition of the share capital and outstanding options of the Target Company held by the Vendors
“PRC”	the mainland of the People’s Republic of China
“Purchaser”	Clever Spot International Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly owned subsidiary of the Company
“Share(s)”	the ordinary share(s) with a nominal value of HK\$0.04 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules
“Target Company”	a Cayman Islands exempted company with limited liability, which engages in the research and development of health food products deploying the biotechnology of <i>Chlamydomonas reinhardtii</i> and micro-algae
“Vendor A”	Moral Linkage Holdings Limited, a company incorporated in the British Virgin Islands with limited liability which wholly-owned by Ms. Qiao Yanfeng, a substantial shareholder and a connected person of the Company
“Vendor B”	Leadguide International Limited, a company incorporated in the British Virgin Islands with limited liability which wholly-owned by Mr. Wang Weiping, a connected person of the Company
“Vendor C” or “Vendor’s Guarantor”	Mr. Xun Wang
“Vendors”	Vendor A, Vendor B and Vendor C

By Order of the Board
Touyun Biotech Group Limited
Wang Liang
Chairman

Hong Kong, 23 November 2021

At the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Mr. Wang Liang (*Chairman*)

Mr. Du Dong

Mr. Lo Yuen Wa Peter

Non-executive Directors:

Mr. Chen Hui

Ms. Tian Yuze

Mr. Zhang Lele

Mr. Jia Wenjie

Independent Non-executive Directors:

Mr. Cheung Wing Ping

Mr. Ha Kee Choy Eugene

Mr. To Shing Chuen

Mr. Hu Guohua