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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, 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, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the 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)

**REVISION OF ANNUAL CAP AMOUNTS FOR
CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



A letter from the Board is set out on pages 6 to 16 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 17 of this circular. A letter from Somerley, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 32 of this circular.

A notice convening the EGM to be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 20 August 2012 at 9:30 a.m. is set out on pages 40 and 41 of this circular. A form of proxy for use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM, 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, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

2 August 2012

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DEFINITIONS

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

“Amended Distribution Agreement”	the amended agreement dated 28 March 2011 for the sale and distribution of the Products entered into between Beijing Outsell and Pincha
“Announcements”	the announcements of the Company dated 28 March 2011, 27 September 2011 and 12 July 2012
“associate”	has the meaning ascribed to it in 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
“BSYI”	碧生源投資有限公司 (Besunyen Investment Co., Ltd.*), a company incorporated under the laws of PRC with limited liability and controlled by Mr. Zhao
“BSYI Lease Agreements”	collectively, a commercial premises lease agreement dated 10 January 2010 and a supplemental lease agreement dated 9 August 2010 both entered into between Beijing Outsell and BSYI
“China” or “PRC”	the People’s Republic of China, but for the purpose of this circular and for geographical reference only and except where the context requires, references in this circular to “China” and the “PRC” do not include Taiwan, the Macau Special Administrative Region and Hong Kong
“Company”	Besunyen Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Distribution Agreement”	the agreement dated 30 September 2010 for the sale and distribution of the Products entered into between Beijing Outsell and Pincha
“Distribution Agreements”	the Distribution Agreement and the Amended Distribution Agreement
“EGM”	the extraordinary general meeting of the Company to be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 20 August 2012 at 9:30 a.m.
“Equity Interests Pledge Agreement”	the agreement dated 28 March 2011 entered into between Beijing Outsell, Pincha and Mr. Zhao pursuant to which the entire registered capital of Pincha has been pledged to Beijing Outsell
“Exclusive Business Cooperation Agreement”	the agreement dated 28 March 2011 entered into between Beijing Outsell and Pincha pursuant to which Beijing Outsell has the exclusive right to provide certain technical consulting and management services to Pincha
“Exclusive Purchase Agreement”	the agreement dated 28 March 2011 entered into between Beijing Outsell, Pincha and Mr. Zhao pursuant to which Beijing Outsell are entitled to, as and when permitted by applicable PRC laws and regulations, acquire all of the equity interest of Pincha
“Existing Annual Caps”	the existing aggregate annual caps for the Previous Transactions
“Fangshan Property”	the premises located at 1st to 4th floors, Office Building, No. 1 Qiushi Industry Park, Doudian Town, Fangshan District, Beijing
“Further Supplemental Lease Agreement”	the further supplemental agreement dated 12 July 2012 for the lease of commercial premises by Beijing Outsell to Pincha
“Further Revised Agreements”	the Supplemental BSYI Lease Agreement, the New Distribution Agreement, the Further Supplemental Lease Agreement and the Supplemental Structure Contract
“Group”	the Company and its subsidiaries from time to time

DEFINITIONS

“Haidian Properties”	the premises located at Rooms 1811, 1813, 1815 and 1817 of No. 9, Si Huan Xi Road North, Haidian District, Beijing, covering a total floor area of 579.69 sq. m.
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Huang Jingsheng, Mr. Wong Lap Tat Arthur and Ms. Xin Katherine Rong
“Independent Shareholders”	Shareholders who are not prohibited from voting at the EGM
“Independent Financial Adviser” or “Somerville”	Somerville Limited, a licensed corporation under the SFO for carrying out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Revised Annual Caps and the Further Revised Agreements
“Latest Practicable Date”	27 July 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lease Agreement”	the agreement dated 30 September 2010 for the lease of commercial premises by Beijing Outsell to Pincha
“Lease Agreements”	the Lease Agreement and the Supplemental Lease Agreement
“Linglong Tiandi Property”	the premises located at 6th to 10th floors, Block D, Linglong Tiandi Centre, No. 32 Wukesong Road, Haidian District, Beijing
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhao”	Mr. Zhao Yihong, Chairman, Chief Executive Officer of the Company and an executive Director

DEFINITIONS

“New Distribution Agreement”	the amended agreement dated 12 July 2012 for the sale and distribution of the Products entered into between Beijing Outsell and Pincha
“Pincha”	北京品茶在綫電子商務有限公司 (Beijing Pincha Online e-Commerce Co., Ltd.*), a company incorporated in the PRC on 18 June 2010 and wholly-owned by Mr. Zhao
“Power of Attorney”	the power of attorney dated 28 March 2011 signed by Mr. Zhao
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on 30 April 2010
“Previous Transactions”	the transactions contemplated under the Distribution Agreements, the Lease Agreements, the BSYI Lease Agreements and the Structure Contracts
“Products”	the products to be sold to Pincha under the New Distribution Agreement, including but not limited to, those products under the “Besunyen” and “VS Series” brands
“Prospectus”	the prospectus of the Company dated 16 September 2010
“Revised Annual Caps”	(A) in the case of the Supplemental BSYI Lease Agreement, the proposed revised annual cap for the year ending 31 December 2012 and the proposed annual caps for the two years ending 31 December 2014 and (B) in the case of the other Further Revised Agreements, the proposed revised annual caps for the two years ending 31 December 2013 and the proposed annual caps for the year ending 31 December 2014
“RMB”	Renminbi yuan, the lawful currency of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.000008333333 each in the capital of the Company
“Shareholders”	the holders of the Shares

DEFINITIONS

“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structure Contracts”	collectively, the Exclusive Business Cooperation Agreement, the Equity Interests Pledge Agreement, the Exclusive Purchase Agreement and the Power of Attorney
“Substitute Properties”	the Linglong Tiandi Property or the Fangshan Property as the case may be
“Supplemental BSYI Lease Agreement”	the supplemental agreement dated 12 July 2012 for the lease of the Haidian Properties by BSYI to Beijing Outsell
“Supplemental Lease Agreement”	the supplemental agreement dated 28 March 2011 for the lease of commercial premises by Beijing Outsell to Pincha
“Supplemental Structure Contract”	the supplemental contract dated 12 July 2012 in respect of the Structure Contracts, entered into between Beijing Outsell, Pincha and Mr. Zhao
“Transactions”	the transactions contemplated under the Distribution Agreements, the Lease Agreements, the BSYI Lease Agreements, the Structure Contracts and the Further Revised Agreements
“%”	per cent

* *For identification purposes only*

LETTER FROM THE BOARD



碧生源控股有限公司
BESUNYEN HOLDINGS COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 926)

Executive Directors:

Mr. ZHAO Yihong (*Chairman and Chief Executive Officer*)
Ms. GAO Yan (*Vice Chairman*)

Non-executive Director:

Mr. ZHUO Fumin

Independent Non-executive Directors:

Mr. HUANG Jingsheng
Mr. WONG Lap Tat Arthur
Ms. XIN Katherine Rong

Registered Office:

Portcullis TrustNet (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 Industry Park
Doudian Town
Fangshan District
Beijing 102433
PRC

Place of Business in Hong Kong:

Suites 1903-5, 19/F
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

2 August 2012

To the Shareholders

Dear Sir or Madam,

**REVISION OF ANNUAL CAP AMOUNTS FOR
CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1 INTRODUCTION

Reference is made to the Prospectus and the Announcements in respect of the transactions contemplated under the BSYI Lease Agreements entered into between BSYI and Beijing Outsell, the Distribution Agreements, the Lease Agreements, and the Structure Contracts, each of which is entered into between Beijing Outsell, Pincha and/or Mr. Zhao.

LETTER FROM THE BOARD

As set out in the Prospectus, the BSYI Lease Agreements constituted connected transactions under the Listing Rules.

As set out in the announcement of the Company dated 28 March 2011, the transactions set out therein constituted connected transactions under the Listing Rules, pursuant to which annual caps in respect of such transactions were approved by the Board.

As set out in the announcement of the Company dated 27 September 2011, the Board approved the increase of the annual caps in respect of the transactions set out therein to the Existing Annual Caps.

Due to reasons as set out in this circular, the Board expects that the Existing Annual Caps for certain of the aforementioned transactions will no longer be sufficient, and therefore the Board has proposed to revise the Existing Annual Caps to the Revised Annual Caps. In addition, in connection with the revision of the Existing Annual Caps to the Revised Annual Caps, the Group entered into the Further Revised Agreements (comprising the Supplemental BSYI Lease Agreement, the New Distribution Agreement, the Further Supplemental Lease Agreement and the Supplemental Structure Contract).

Accordingly, the Company is seeking approval from the Independent Shareholders to revise the Existing Annual Caps to the Revised Annual Caps and to enter into the Further Revised Agreements.

The purposes of this circular are (i) to provide you with information on the Revised Annual Caps and the Further Revised Agreements; (ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders after taking into consideration the advice of the Independent Financial Adviser with regard to the Revised Annual Caps and the Further Revised Agreements; (iii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders with regard to the Revised Annual Caps and the Further Revised Agreements; and (iv) to set out the notice of the EGM.

2 FURTHER REVISED AGREEMENTS

A. THE SUPPLEMENTAL BSYI LEASE AGREEMENT, THE NEW DISTRIBUTION AGREEMENT, THE FURTHER SUPPLEMENTAL LEASE AGREEMENT AND THE SUPPLEMENTAL STRUCTURE CONTRACT

Supplemental BSYI Lease Agreement

Date:

12 July 2012

Parties:

Lessor: BSYI

Lessee: Beijing Outsell

LETTER FROM THE BOARD

Subject Matter:

Under the BSYI Lease Agreements, Beijing Outsell agreed to lease the Haidian Properties from BSYI for use as offices. The term of the BSYI Lease Agreements is from 1 January 2010 to 31 December 2012.

The BSYI Lease Agreements are supplemented by the Supplemental BSYI Lease Agreement. Pursuant to the Supplemental BSYI Lease Agreement, BSYI and Beijing Outsell agreed to extend the BSYI Lease Agreements to 31 December 2014 and to amend the rent thereunder to RMB198 per sq. m. per month, in accordance with prevailing market rates and with reference to the open market rental value of similar properties of comparable size.

New Distribution Agreement

Date:

12 July 2012

Parties:

Vendor: Beijing Outsell
Distributor and purchaser: Pincha

Subject Matter:

The Distribution Agreements are superseded by the New Distribution Agreement.

Pursuant to the New Distribution Agreement, the Group agrees to sell the Products to Pincha for distribution. Pincha shall have the right to distribute the Products globally through its e-commerce platform and telemarketing network. The New Distribution Agreement provides that the prices of the Products sold by the Group to Pincha would be determined with reference to general market practice and the prices of products similar to the Products sold through similar channels. The prices of the Products may be altered pursuant to any discussion between the Group and Pincha. Any return of the Products shall be on terms commensurate with those for third-party distributors. Pincha shall only purchase the Products from the Group or any other such supplier as may be authorized by Beijing Outsell.

The term of the New Distribution Agreement expires on 31 December 2014. Pincha shall have a priority to renew the New Distribution Agreement, provided there has been no breach of the New Distribution Agreement. Save and except for the matters referred to above, the terms of the New Distribution Agreement are in all material respects the same as the Amended Distribution Agreement.

LETTER FROM THE BOARD

Further Supplemental Lease Agreement

Date:

12 July 2012

Parties:

Lessor: Beijing Outsell

Lessee: Pincha

Subject Matter:

Beijing Outsell and Pincha entered into the Supplemental Lease Agreement on 28 March 2011. Pincha agreed to lease the Haidian Properties from Beijing Outsell for use as commercial premises. The Supplemental Lease Agreement is supplemented by the Further Supplemental Lease Agreement. The Further Supplemental Lease Agreement seeks to extend the term of the Supplemental Lease Agreement to 31 December 2014. The monthly rent will be revised to RMB198 per sq. m..

The Further Supplemental Lease Agreement also provides that Beijing Outsell and Pincha will agree to substitute the Haidian Properties in the Supplemental Lease Agreement with the Substitute Properties at a time to be agreed by the parties thereto. The actual floor area of the Substitute Properties to be leased shall not exceed 1,500 sq. m.. The monthly rent of the Substitute Properties shall be either RMB137 per sq. m. in the case of the Linglong Tiandi Property or RMB24.5 per sq. m. in the case of the Fangshan Property, in accordance with prevailing market rates and with reference to the open market rental value of similar properties of comparable size.

Supplemental Structure Contract

Date:

12 July 2012

Parties:

Beijing Outsell

Pincha

Mr. Zhao

Subject Matter:

The Structure Contracts are supplemented by the Supplemental Structure Contract. The Supplemental Structure Contract provides that any equity interest in Pincha acquired by Mr. Zhao, directly or indirectly, shall be subject to the Structure Contracts. The Supplemental Structure Contract also seeks to extend the term of the Structure Contracts to 31 December 2014. Save as aforesaid, the terms of the Structure Contracts remain the same in all material respects.

LETTER FROM THE BOARD

B. HISTORICAL AMOUNTS

For the year ended 31 December 2011 and the six months ended 30 June 2012, the aggregate historical amounts in respect of the BSYI Lease Agreements, Structure Contracts, Distribution Agreements and Lease Agreements are set out below.

	Historical transaction amounts during the period from 1 January 2011 to 31 December 2011 (in RMB) (audited)	Historical transaction amounts during the period from 1 January 2012 to 30 June 2012 (in RMB) (unaudited)
BSYI Lease Agreements	1,200,000	600,000
Structure Contracts	0	82,000
Distribution Agreements	13,561,000	10,654,000
Lease Agreements	473,000	551,000

C. REVISED ANNUAL CAPS

As stated in the Company's 2011 annual report, the Group's revenue for the year ended 31 December 2011 amounted to approximately RMB840 million, a decrease of approximately 4% as compared with that of 2010. In addition, on 4 May 2012, the Company published a profit warning announcement in relation to the results for the six months ended 30 June 2012, in which it stated that a net loss was expected and mainly attributable to the slow recovery in demand for the Group's products from distributors. Nevertheless, as set out in "D. Reasons for revising the annual caps for the Transactions under the Further Revised Agreements" in this circular, the Board expects that the Existing Annual Caps for certain of the aforementioned transactions will no longer be sufficient, and therefore the Board has proposed to revise the Existing Annual Caps to the Revised Annual Caps as set out below.

Supplemental BSYI Lease Agreement	Existing Annual Caps (RMB)	Revised Annual Caps (RMB)
Financial year ending 31 December 2012	1,200,000	1,260,000

LETTER FROM THE BOARD

For the two years ending 31 December 2014, the Company proposes that the annual caps for the lease between BSYI and Beijing Outsell under the Supplemental BSYI Lease Agreement shall be RMB1,378,000 and RMB1,378,000.

New Distribution Agreement	Existing Annual Caps (RMB)	Revised Annual Caps (RMB)
Financial year ending 31 December 2012	27,300,000	48,551,000
Financial year ending 31 December 2013	34,125,000	97,156,000

For the year ending 31 December 2014, the Company proposes that the annual cap for sales of the Products from the Group to Pincha under the New Distribution Agreement shall be RMB165,094,000.

Further Supplemental Lease Agreement	Existing Annual Caps (RMB)	Revised Annual Caps (RMB)
Financial year ending 31 December 2012	1,116,282	1,195,000
Financial year ending 31 December 2013	1,172,096	2,466,000

For the year ending 31 December 2014, the Company proposes that the annual cap for the lease between Beijing Outsell and Pincha under the Further Supplemental Lease Agreement shall be RMB2,466,000.

Supplemental Structure Contract	Existing Annual Caps (RMB)	Revised Annual Caps (RMB)
Financial year ending 31 December 2012	2,047,500	1,373,000
Financial year ending 31 December 2013	6,142,500	3,538,000

For the year ending 31 December 2014, the Company proposes that the annual cap under the Supplemental Structure Contract shall be RMB7,438,000.

LETTER FROM THE BOARD

D. REASONS FOR REVISING THE ANNUAL CAPS FOR THE TRANSACTIONS UNDER THE FURTHER REVISED AGREEMENTS

Due to the better than expected fast growing e-commerce business of Pincha for the period from January 2012 to June 2012, which the Directors consider may be attributable to the rise in the number of users of e-commerce channels in the PRC, and the introduction of the new teabag beverage series in June 2012, the Board expects that the annual transaction amounts under the New Distribution Agreement will be increased significantly for the years ending 31 December 2012 and 2013. Therefore, the Board proposes to further revise the Existing Annual Caps to the Revised Annual Caps. The estimation of the proposed annual caps for the year ending 31 December 2014 is based on the aforesaid factors as well.

Generally, the sales amount for the Group's e-commerce business will be higher in the second half of the year compared to the first six months due to more large-scaled promotional activities being conducted by e-commerce operators to stimulate sales. Sales of the Products to Pincha in the second half of 2011 were three times the sales in the first six months of 2011. In addition, Pincha intends to further develop its business for the coming three years ending 31 December 2012, 2013 and 2014. Accordingly, it is expected that Pincha will purchase more Products from the Group for the coming three years ending 31 December 2012, 2013 and 2014.

The Company regards the new teabag beverage products as a major new product launch of the Group in 2012. As compared to the Group's existing products which are more functional and targeted on particular needs of consumers, the new teabag beverage products offers a large selection of tea which are suitable for the general public's taste. Accordingly, the Group expects that the new teabag beverage series will attract a wider consumer base.

Sales of the Products to Pincha is also expected to increase in 2013 and 2014, albeit with a slightly moderate growth rate compared to that of 2012. Accordingly, the Group estimates that the sales of the Products by the Group to Pincha will increase by approximately 100% in 2013 and will further increase by approximately 70% for the year ending 31 December 2014. The new teabag beverage products are launched to the market during the year of 2012 and full year purchase of new teabag beverage products by Pincha will be made in 2013. This is one of contributing factors for the increase of approximately 100% in 2013.

Given the entering into of the New Distribution Agreement, the revised annual caps thereunder and the aforementioned business development of Pincha, the Directors consider it appropriate to revise the annual caps under the Supplemental Structure Contract.

LETTER FROM THE BOARD

In addition, in view of the prevailing market rates and projected market trends for properties of a comparable size and at a comparable location as the Haidian Properties, the Directors consider it appropriate to revise the annual caps under the Supplemental BSYI Lease Agreement.

Further, the rent under the Further Supplemental Lease Agreement is in line with prevailing market rates and projected market trends for similar properties of a comparable size and at a comparable location. The Further Supplemental Lease Agreement also provides that the parties thereto will agree to substitute the Haidian Properties with the Substitute Properties at a time to be agreed by such parties. In view of this, the Directors consider it appropriate to revise the annual caps under the Further Supplemental Lease Agreement.

The Directors are of the view that:

- (a) it would be in the interests of the Company and the Shareholders to revise the Existing Annual Caps to the Revised Annual Caps as set out in this circular;
- (b) the Revised Annual Caps and the terms of the Further Revised Agreements are fair and reasonable; and
- (c) it would be in the interests of the Group and the Shareholders to enter into the Further Revised Agreements.

E. LISTING RULES IMPLICATIONS

Pincha is wholly-owned by Mr. Zhao, an executive Director. Pincha is therefore an associate of Mr. Zhao and hence a connected person of the Company for the purpose of the Listing Rules. BSYI is controlled by Mr. Zhao. BSYI is therefore an associate of Mr. Zhao and hence a connected person of the Company for the purpose of the Listing Rules. Accordingly, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As certain of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Revised Annual Caps exceeds 5%, the Transactions are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Zhao, being an executive Director and the sole shareholder of Pincha, and Ms. Gao Yan, being an executive Director and the spouse of Mr. Zhao, had abstained from voting on the Board resolutions in respect of approving the Revised Annual Caps and the Further Revised Agreements. Save for Mr. Zhao and Ms. Gao, the Board wishes to confirm that no other Director has any material interest in the Transactions, which would require any Director to abstain from voting on the Board resolution for approving the Revised Annual Caps and the Further Revised Agreements.

LETTER FROM THE BOARD

F. INFORMATION ON THE GROUP, PINCHA AND BSYI

Information on the Group

The Group is a leading provider of therapeutic tea products in China focusing on the development, manufacture and sales of therapeutic tea and other health food products. Beijing Outsell, an indirect wholly-owned subsidiary of the Company, is a limited liability company established in the PRC and the Company's primary operating entity.

Information on Pincha

Pincha is a limited liability company established in the PRC on 18 June 2010 and wholly-owned by Mr. Zhao. It is principally engaged in online sales and marketing of therapeutic tea and other tea products. Following the execution of the Structure Contracts, Pincha became the Company's subsidiary and the Group would obtain financial and operational control of Pincha through Beijing Outsell.

Information on BSYI

To the best knowledge of the Directors, BSYI is an investment holding company incorporated under the laws of the PRC with limited liability and is controlled by Mr. Zhao.

3 EGM

Set out on pages 40 and 41 of this circular is the notice convening the EGM to be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 20 August 2012 at 9:30 a.m. at which an ordinary resolution will be proposed to approve the Revised Annual Caps and the Further Revised Agreements, details of which are set out in the notice of the EGM. In accordance with the requirements of the Listing Rules, all votes to be taken at the EGM will be by way of poll.

To the best of the Directors' knowledge, information and belief, as at the Latest Practicable Date, Mr. Zhao, being an executive Director and the sole shareholder of Pincha, and Ms. Gao Yan, being an executive Director and the spouse of Mr. Zhao, and their respective associates, hold Shares representing approximately 65.64% of the issued share capital of the Company. Save as aforesaid, no Shareholders are required to abstain from voting in respect of the resolution to be proposed at the EGM.

The Independent Board Committee has been formed to consider and advise the Independent Shareholders on the Revised Annual Caps and the Further Revised Agreements, and the Independent Financial Adviser has been appointed by the Company to advise the Independent Board committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

4 ACTION TO BE TAKEN

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, 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, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment hereof should you so wish.

5 RECOMMENDATION

Your attention is drawn to:

- (a) the letter from the Independent Board Committee set out on page 17 of this circular which contains its recommendation to the Independent Shareholders; and
- (b) the letter from the Independent Financial Adviser set out on pages 18 to 32 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

Based on the relevant information disclosed herein, the Directors are of the view that:

- (a) it would be in the interests of the Group and the Shareholders to revise the Existing Annual Caps to the Revised Caps;
- (b) the Revised Annual Caps and the terms of the Further Revised Agreements are fair and reasonable; and
- (c) it would be in the interests of the Group and the Shareholders to enter into the Further Revised Agreements.

As mentioned above, the Independent Financial Adviser has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Caps and the Further Revised Agreements.

LETTER FROM THE BOARD

Having considered the Revised Annual Caps and the Further Revised Agreements, and having considered the advice given by the Independent Financial Adviser in relation thereto and the principal factors and reasons taken into consideration by them in arriving at their advice, the Independent Board Committee considers that the Revised Annual Caps and the terms of the Further Revised Agreements are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Revised Annual Caps and the Further Revised Agreements.

6 ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee with its recommendation to the Independent Shareholders; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iii) the general information set out in the Appendix to this circular.

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



碧生源控股有限公司

BESUNYEN HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 926)

2 August 2012

To the Independent Shareholders

Dear Sir or Madam,

**REVISION OF ANNUAL CAP AMOUNTS FOR
CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated 2 August 2012 (the “Circular”) to the Shareholders, of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether the Revised Annual Caps and the terms of the Further Revised Agreements are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Somerley has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Caps and the terms of the Further Revised Agreements. Particulars of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter set out on pages 18 to 32 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 16 of the Circular and the additional information set out in the appendix to the Circular.

Having considered the Revised Annual Caps and the terms of the Further Revised Agreements and the advice given by the Independent Financial Adviser, we consider that the Revised Annual Caps and the terms of the Further Revised Agreements are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the EGM to approve the Revised Annual Caps and the Further Revised Agreements.

Yours faithfully,

For and on behalf of the
Independent Board Committee
Besunyen Holdings Company Limited

Mr. Huang Jingsheng

Mr. Wong Lap Tat Arthur

Ms. Xin Katherine Rong

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice prepared by Somerley to the Independent Board Committee and the Independent Shareholders for the purpose of inclusion in this circular.



SOMERLEY LIMITED

10th Floor
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

2 August 2012

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

Dear Sirs,

REVISION OF ANNUAL CAP AMOUNTS FOR CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders on the Revised Annual Caps and the continuing connected transactions contemplated under the Further Revised Agreements, each of which is entered into between Beijing Outsell, Pincha and/or Mr. Zhao, in respect of which the Independent Shareholders' approval is being sought. The Transactions are subject to applicable Revised Annual Caps. Details of the Further Revised Agreements and the applicable Revised Annual Caps are set out in the "Letter from the Board" contained in the circular of the Company to the Shareholders dated 2 August 2012 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As at the Latest Practicable Date, based on the records of the Company, Pincha is wholly-owned by Mr. Zhao, an executive Director of the Company. BSYI is a company controlled by Mr. Zhao as at the Latest Practicable Date. Both BSYI and Pincha are therefore associates (as defined under the Listing Rules) of Mr. Zhao and hence connected persons (as defined under the Listing Rules) of the Company for the purpose of the Listing Rules. The Further Revised Agreements constitute continuing connected transactions for the Company and are subject to approval by the Independent Shareholders under the Listing Rules. The Company proposes to seek Independent Shareholders' approval of the Further Revised Agreements and the Revised Annual Caps which will be conducted in the coming three financial years ending 31 December 2012, 2013 and 2014.

The Independent Board Committee, comprising all of the three independent non-executive Directors, namely Mr. Huang Jingsheng, Mr. Wong Lap Tat Arthur and Ms. Xin Katherine Rong, has been established to make a recommendation to the Independent

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Shareholders on whether (1) the Transactions are in the ordinary and usual course of business of the Group; (2) the terms of the Further Revised Agreements are on normal commercial terms which are fair and reasonable; and (3) the Revised Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. We, Somerley Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects and will remain so up to the date of the EGM. We have also sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group and parties to the Further Revised Agreements, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Further Revised Agreements and the Revised Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

1. Background to and reasons for the Further Revised Agreements and the Revised Annual Caps

The Group is one of leading providers of therapeutic tea products in China, engaging in the development, manufacture and sales of therapeutic tea and other health food products. As advised by the executive Directors, the Company is actively extending the sales network and distribution channels to promote sales. Leveraging the trend of shopping online by urban residents and accommodating the demand from customers in remote areas, the Company considered to develop the e-commerce platform. The executive Directors advised us that at the time of considering the development of e-commerce platform, the executive Directors noted that the relevant rules and regulations in the PRC require that the equity interest of a company providing value-added telecommunications services (including e-commerce) held by foreign investors should not exceed 50% and the foreign investors should have operation experiences in the area of value-added telecommunications. Due to such restrictions, the Company or its wholly-owned subsidiaries in the PRC (including Beijing Outsell) could not carry out such e-commerce activities in the PRC directly. Pincha, a domestic enterprise in the PRC and wholly-owned by Mr. Zhao (the Group's Chairman and controlling Shareholder), obtained a Telecom and Information Service Operation License (電信與信息服務業務經營許可證) from Beijing Communications Administration (北京市通信管理局). Accordingly, Beijing Outsell and Pincha entered into the Distribution Agreement in 2010 pursuant to which Beijing Outsell agreed to sell the products to Pincha for distribution through the e-commerce platform.

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It was stated in the announcement of the Company dated 28 March 2011 that due to a continuing increase of the sales volumes by Pincha and the need for Beijing Outsell to establish and formalise the Group's e-commerce platform with Pincha, Beijing Outsell and Pincha entered into the Structure Contracts on 28 March 2011 to ensure that (i) the Group is able to exercise control over Pincha; (ii) the Group would have the right to govern the management of Pincha; (iii) the Group would have the right to acquire the entire equity interest in Pincha (as and when the PRC relevant rules and regulations allow it to do so); (iv) the Company is able to consolidate the financial results of Pincha into the Group's results from the date of the Structure Contracts; and (v) upon entering into the Structure Contracts, Mr. Zhao will not obtain or receive any financial or commercial benefits from his interest in Pincha under the Structure Contracts despite holding direct or indirect interests in Pincha. As a result of the Structure Contracts, Pincha is classified as a wholly-owned subsidiary of the Company according to the accounting policies of the Company. Accordingly, the financial results of Pincha are fully consolidated into the Group's results. Further details are set out in the Company's announcement dated 28 March 2011.

In addition, Beijing Outsell leases the Haidian Properties from BSYI, a company controlled by Mr. Zhao, for use as offices under the BSYI Lease Agreements. As a result of Pincha carrying out the e-commerce business, Beijing Outsell leases the Haidian Properties to Pincha for use as offices.

The executive Directors advise us that the Group has been actively developing its sales network and distribution channels in recent years. Since 2010, the Group has continued to expand the sales network to include all provinces, autonomous regions and centrally administered municipalities in the PRC so as to deepen market penetration. The Group has also adopted measures to streamline the distribution system by selecting large-scale distributors, to clarify channel segmentation and remove under-performing distributors from the list. However, customers in remote areas may not be able to reach the retail outlets covered by the Group's distributors. Also, there is a recent trend of shopping online by urban residents, which provides the customers with a convenient way of shopping. Accordingly, the executive Directors consider that the e-commerce channel would further extend the Group's sales network by covering those customers in remote areas and customers with habit of shopping online. In addition, the executive Directors advise us that the Group is able to carry out different kinds of promotion campaigns through the e-commerce platform, which may include designing special packing for online products and giving out free gifts for shopping online. The executive Directors consider that this is an effective way to attract customers so as to stimulate business growth of the Group. As stated in the Company's 2011 annual report, the Group's revenue for the year ended 31 December 2011 amounted to approximately RMB840 million, a decrease of approximately 4% as compared with that of 2010. Also on 4 May 2012, the Company published a profit warning announcement in relation to the results for the six months ended 30 June 2012, that a net loss was expected mainly attributable to the slow recovery in demand for the Group's products from distributors. Therefore, in view of the slowing down of sales through the Group's traditional sales channels and for the reasons as set out above, the executive Directors consider that the Group should devote its resources to expand its sales network particularly the e-commerce channel for the coming years to boost sales of the Group's products.

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In June 2012, the Group introduced the new teabag beverage series including the Chinese herbal tea series and the floral tea series. These new product series are not taken into account in determining the existing annual cap for the sale of products to Pincha. Together with a better than expected fast growing e-commerce business of Pincha, the executive Directors consider that sales of the Group's products through Pincha will increase significantly and the existing annual caps for the transactions under the Distribution Agreements will be insufficient. In view of the need to revise the annual caps for the distribution of the Group's products through Pincha, the Group entered into the New Distribution Agreement with Pincha to regulate the business relationship for the three financial years ending 31 December 2012, 2013 and 2014. Also, in view of the entering into of the New Distribution Agreement, the revised annual caps thereunder and the business development of Pincha, the executive Directors consider it appropriate to revise the annual caps of the transactions under the Structure Contracts. Accordingly, the Group entered into the Supplemental Structure Contract with Pincha.

In addition, in view of the BSYI Lease Agreements to be expired on 31 December 2012 and the change in prevailing market rates of the Haidian Properties with reference to the open market rental value of similar properties of comparable size, BSYI entered into the Supplemental BSYI Lease Agreement with Beijing Outsell. On the other hand, Beijing Outsell leases the Haidian Properties to Pincha with a rent in line with prevailing market rates. Further, as a result of the business development of Pincha, Pincha will require a larger office area to accommodate its business growth and intends to lease certain portions of the Substitute Properties from the Group in the future. As a result, the Group and Pincha entered into the Further Supplemental Lease Agreement. Given the entering into of the Supplemental BSYI Lease Agreement and the Further Supplemental Lease Agreement, the executive Directors consider it appropriate to revise the annual caps of the transactions under the Supplemental BSYI Lease Agreement and the Further Supplemental Lease Agreement.

On this basis and given that the Transactions will be conducted on normal commercial terms (as more particularly discussed in the sub-section headed "Principal terms of the Further Revised Agreements" below), we consider that it is in the interests of the Company to conduct the Transactions, which are in line with the Group's business strategy to develop its sales network and distribution channels.

2. Principal terms of the Further Revised Agreements

Principal terms of the BSYI Lease Agreements, the Structure Contracts, the Distribution Agreements and the Lease Agreements are set out in the Prospectus and the Announcements. Principal terms of the Further Revised Agreements are summarised as follows:

(i) The New Distribution Agreement

The Distribution Agreements are superseded by the New Distribution Agreement. Pursuant to the New Distribution Agreement, the Group agrees to sell the Products to Pincha which has the right to distribute the Products globally through its e-commerce platform and telemarketing network. The New Distribution Agreement provides that the

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prices of the Products sold by the Group to Pincha would be determined on normal commercial terms and with reference to general market practice and the third party prices of products similar to the Products sold through similar channels. The prices of the Products may be altered pursuant to any discussion between the Group and Pincha. Any return of the Products shall be on terms commensurate with those for third-party distributors. Other terms of the transaction under the New Distribution Agreement shall be determined after arm's length negotiations and on normal commercial terms by reference to general market practice and third party terms of products similar to the Products sold through similar channels.

Pincha shall only purchase the Products from the Group or any other such supplier as may be authorised by Beijing Outsell. The term of the New Distribution Agreement expires on 31 December 2014. Pincha shall have a priority to renew the New Distribution Agreement, provided there has been no breach of the New Distribution Agreement.

(ii) The Supplemental BSYI Lease Agreement

Under the BSYI Lease Agreements, Beijing Outsell agreed to lease the Haidian Properties from BSYI for use as offices. The term of the BSYI Lease Agreements is from 1 January 2010 to 31 December 2012. The BSYI Lease Agreements are supplemented by the Supplemental BSYI Lease Agreement. Pursuant to the Supplemental BSYI Lease Agreement, BSYI and Beijing Outsell agreed to extend the BSYI Lease Agreements to 31 December 2014 and to amend the rent thereunder to RMB198 per sq.m. per month. The executive Directors advise that the new rent is determined in accordance with then prevailing market rates and with reference to the open market rental value of similar properties of comparable size. Upon the approval by the Independent Shareholders, the Supplemental BSYI Lease Agreement shall take effect on 1 September 2012.

(iii) The Further Supplemental Lease Agreement

According to the Supplemental Lease Agreement, Pincha agreed to lease the Haidian Properties from Beijing Outsell for use as commercial premises. The Supplemental Lease Agreement is supplemented by the Further Supplemental Lease Agreement. The Further Supplemental Lease Agreement seeks to extend the term of the Supplemental Lease Agreement to 31 December 2014. The monthly rent will be revised to RMB198 per sq.m.. Upon the approval by the Independent Shareholders, the Further Supplemental Lease Agreement shall take effect on 1 September 2012.

The Further Supplemental Lease Agreement also provides that Beijing Outsell and Pincha will agree to substitute the Haidian Properties in the Supplemental Lease Agreement with the Substitute Properties at a time to be agreed by the parties thereto. The actual floor area of the Substitute Properties to be leased shall not exceed 1,500 sq.m.. The monthly rent of the Substitute Properties shall be either RMB137 per sq.m. in the case of Linglong Tiandi Property or RMB24.5 per sq.m. in the case of Fangshan Property. As advised by the executive Directors, the monthly rent of Haidian Properties, Linglong Tiandi Property and Fangshan Property are determined in accordance with the then prevailing market rates and with reference to the open market rental value of similar properties of comparable size.

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(iv) The Supplemental Structure Contract

The Structure Contracts are supplemented by the Supplemental Structure Contract. The Supplemental Structure Contract provides that any equity interest in Pincha acquired by Mr. Zhao, directly or indirectly, shall be subject to the Structure Contracts. The Supplemental Structure Contract also seeks to extend the term of the Structure Contracts to 31 December 2014. Save as aforesaid, the terms of the Structure Contracts remain the same in all material respects.

Pursuant to the Exclusive Business Cooperation Agreement, one of the agreements of the Structure Contracts, Beijing Outsell has the exclusive right to provide certain technical consulting and management services to Pincha. Such services include but are not limited to technical service, network support, business consulting, intellectual property licensing and other services as the parties may mutually agree from time to time. The Exclusive Business Cooperation Agreement also entitles Beijing Outsell to charge Pincha seasonally for service fees to be determined by Beijing Outsell in accordance with the amount and quality of the services provided.

As stated in the Announcements, the Structure Contracts also include the Equity Interests Pledge Agreement, the Exclusive Purchase Agreement and the Power of Attorney. Pursuant to the Equity Interests Pledge Agreement, Mr. Zhao agreed to pledge the entire registered capital of Pincha to Beijing Outsell as security for the performance of the obligations of Pincha under the Exclusive Business Cooperation Agreement. The Exclusive Purchase Agreement stipulates that Beijing Outsell is irrevocably entitled to, as and when permitted by applicable PRC laws and regulations, acquire all of the equity interests in Pincha held by Mr. Zhao at the lowest price permitted by applicable PRC laws and regulations at that time unless appraisal is required under PRC law.

Pursuant to the Power of Attorney, Mr. Zhao irrevocably authorised Beijing Outsell to (a) attend shareholder meetings of Pincha; (b) exercise all rights of shareholders and voting rights in Pincha, including but not limited to selling, transferring, pledging or otherwise dealing in all or any of the equity interests in Pincha; and (c) appoint the legal representative, directors, supervisors, general manager and other management level personnel of Pincha.

The executive Directors advise us that Pincha is managed as one of the business divisions of the Group. The Group requires Pincha to submit monthly financial reports for its review. In addition, any execution of significant contract will require approval from the Group. Management of Pincha is also required to attend monthly meetings of the Group. The executive Directors through these measures, monitor the operational and financial aspects of Pincha to ensure proper operation of Pincha.

(v) Review of the Transactions by the auditors

The auditors of the Company have performed agreed upon procedures for the Previous Transactions for the year ended 31 December 2011. We noted from the annual report of the Company for the year of 2011 that the auditors have confirmed that the

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Previous Transactions (a) had been approved by the Board; (b) had been entered into in accordance with the relevant agreements governing them; and (c) had not exceeded the relevant caps for the year ended 31 December 2011.

Based on the above analysis, the auditors' review of the Previous Transactions and the obligations of the Directors to comply with the Listing Rules to conduct the Transactions on normal commercial terms, we consider that the Transactions are being conducted on normal commercial terms.

3. Revised Annual Caps

The Transactions are subject to the Revised Annual Caps whereby for each of the three years ending 31 December 2012, 2013 and 2014, the amount of the Transactions will not exceed the applicable annual amounts stated in the "Letter from the Board" contained in the Circular.

In assessing the reasonableness of the Revised Annual Caps for the years ending 31 December 2012, 2013 and 2014, we have discussed with the executive Directors and management of the Company the basis and underlying assumptions for the purpose of setting the Revised Annual Caps.

(i) *The Distribution Agreements and the New Distribution Agreement*

Set out below are the historical amounts of the sales of the Products to Pincha under the Distribution Agreements for the year ended 31 December 2011 and the six months ended 30 June 2012:

	Financial year ended 31 December 2011 <i>RMB</i> <i>thousand</i> (audited)	Six months ended 30 June 2012 <i>RMB</i> <i>thousand</i> (unaudited)
Aggregate amount of the sales of the Products to Pincha	13,561	10,654

Due to the fast growing e-commerce business of Pincha, sales of the Products from Beijing Outsell to Pincha have already reached approximately RMB10.7 million in the first half of 2012, as compared to approximately RMB13.6 million in 2011. As advised by the executive Directors, generally the sales amount for e-commerce business will be higher in the second half of the year compared to the first six months due to more large-scaled promotional activities being conducted by e-commerce operators to stimulate sales. Sales of the Products to Pincha in the second half of 2011 were three times the sales in the first six months of 2011. In determining the revised cap for the coming three years ending 31 December 2012, 2013 and 2014, the executive Directors discussed with

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management of Pincha regarding its business plan during the year so as to estimate the sales of the Group's existing products and the new tea beverage products to be sold to Pincha. The executive Directors understand from the management of Pincha that Pincha intends to further develop its business for the coming three years ending 31 December 2012, 2013 and 2014. This is in line with the business strategy of the Group to extend the sales network and distribution channels to promote sales. Moreover, as discussed in the sub-section headed "Background to and reasons for the Further Revised Agreements and the Revised Annual Caps", the expansion of e-commerce channel is one of the measures to be implemented by the Group to boost sales of the Group's products. Accordingly, it is expected that Pincha will purchase more Products from the Group for the coming three years ending 31 December 2012, 2013 and 2014. As 2012 is the second full year in sales of existing products through the e-commerce platform of Pincha, the growth in sales of existing products in the second half of 2012 will not be expected to be as high as the growth in the second half of 2011 mainly due to the higher base. Therefore, the Group estimated that the sales of existing products to Pincha will be approximately RMB33.2 million (inclusive of actual sales recorded during the first six months ended 30 June 2012 as set out above). The executive Directors regard the new teabag beverage products as a major new product launch of the Group in 2012. As compared to the Group's existing products which are more functional and targeted on particular needs of consumers, the new teabag beverage products offers a large selection of tea which are suitable for the general public's taste. Accordingly, the Group expects that the new teabag beverage series will attract a wider consumer base. In order to test market acceptance regarding the new teabag beverage products such as flavours, package design and pricing etc., the Group conducted marketing survey in three PRC cities in February and March this year. Based on the survey, the executive Directors consider that there is great potential for the new teabag beverage products which were formally launched in June 2012. Based on Pincha's development plan for the new teabag beverage products, the executive Directors estimate that Pincha will purchase approximately RMB13.9 million in respect of the new teabag beverage products in 2012. On this basis, the executive Directors estimate the sales amount to Pincha for the year ending 31 December 2012 will be approximately RMB47.1 million. The executive Directors consider that it is reasonable to include a buffer of 3%, bringing the estimated sales to Pincha to approximately RMB48.5 million. We consider that the buffer of 3% is reasonable because (1) it is extremely difficult to predict accurately the sale of new products; (2) results of Pincha are consolidated into financial statements of the Group; and (3) the annual caps provide the Group with flexibility to capture e-commerce business opportunity. As discussed above, Pincha intends to continue to expand its e-commerce business platform. Pincha has formed alliances with various large e-commerce operators to offer promotion campaigns for its products. In order to strengthen the relationship with these large e-commerce operators, Pincha intends to allocate more resources on online marketing and advertising on the platform operated by these large e-commerce operators. In the coming years, Pincha has plans to form cooperative relationships with other e-commerce operators of small and medium size.

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Pincha will also participate in various promotional activities including monthly, quarterly and seasonal sales campaigns organised by the e-commerce operators to foster the business relationship with e-commerce operators and to promote product sales. Currently Pincha is also working with a number of large online group purchase operators to promote sales of its products and will continue to explore such opportunities. Also, Pincha plans to extend the accessibility of its e-commerce platform where consumers can purchase its products using mobile phones, in order to expand its customer base. In view of the expected growth in its e-commerce business, Pincha expects to increase its staff by approximately 70% in 2013 compared to 2012, with a further increase of approximately 36% in 2014. Furthermore, as advised by the executive Directors, the Group will provide products with packaging which are different from those of its products sold through traditional channels, for exclusive sales by Pincha. Accordingly, in view of the above factors, sales of the Products to Pincha is expected to increase in 2013 and 2014 but with a slightly moderate growth rate compared to that of 2012 mainly due to the higher base. Accordingly, the Group estimates that the sales of the Products by the Group to Pincha will increase by approximately 100% in 2013 and will further increase by approximately 70% for the year ending 31 December 2014. The new teabag beverage products are launched to the market during the year of 2012 and full year purchase of new teabag beverage products by Pincha will be made in 2013. This is one of contributing factors for the increase of approximately 100% in 2013.

We have obtained the indicative order issued by Pincha from the executive Directors and noted that such expected annual sales amount without taking into account the 3% buffer for the coming three years ending 31 December 2012, 2013 and 2014 agrees to the purchase amount set out in the indicative order of Pincha.

Taking into account the aforesaid factors, the Revised Annual Caps for the sales of the Products to Pincha are set as follows:

	Financial year ending 31 December		
	2012	2013	2014
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>thousand</i>	<i>thousand</i>	<i>thousand</i>
Revised Annual Caps for the sales of the Products to Pincha	48,551	97,156	165,094
Approximate increase as compared to the annual cap of previous year (%)		100.1%	69.9%

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(ii) The BSYI Lease Agreements and the Supplemental BSYI Lease Agreement

Set out below are the historical amounts of rental payment by Beijing Outsell to BSYI in respect of the Haidian Properties under the BSYI Lease Agreements for the year ended 31 December 2011 and the six months ended 30 June 2012:

	Financial year ended	Six months ended
	31 December 2011	30 June 2012
	<i>RMB</i>	<i>RMB</i>
	<i>thousand</i>	<i>thousand</i>
	(audited)	(unaudited)
Aggregate amount of the rental payment by Beijing Outsell to BSYI	1,200	600

Under the BSYI Lease Agreements, Beijing Outsell agreed to lease the Haidian Properties from BSYI a total area of 579.69 sq.m. for use as offices for rent amounted to RMB1,200,000 per year. The term of the BSYI Lease Agreements is from 1 January 2010 to 31 December 2012. Pursuant to the Supplemental BSYI Lease Agreement, the rent thereunder is amended to RMB198 per sq.m. per month (that is, a monthly rental of approximately RMB114,779) taking into account then prevailing market rates and with reference to the open market rental value of similar properties of comparable size. The new rental will apply from 1 September 2012. Therefore, taking into account the new rental commencing 1 September 2012 to December 2012 under the Supplemental BSYI Lease Agreement, the revised cap for the year ending 31 December 2012 will be approximately RMB1.26 million (i.e. RMB1,200,000/12 x 8 months under the BSYI Lease Agreements, plus approximately RMB114,779 x 4 months under the Supplemental BSYI Lease Agreement). For the years ending 31 December 2013 and 2014, the proposed annual caps will each be approximately RMB1.38 million (i.e. RMB114,779 x 12 months under the Supplemental BSYI Lease Agreement). The Group has obtained opinion from Ascent Partners Valuation Service Limited, a Hong Kong property valuer that such monthly rent of RMB198 per sq.m. as at the Latest Practicable Date for the property is reasonable in the market and on normal commercial term within the period. We have interviewed the property valuer and understand that the property valuer is an independent and qualified property valuer in Hong Kong. We have also reviewed the terms of engagement of the property valuer and noted that the scope is to issue opinion letter to opine on the fairness and reasonableness of the rent of the Haidian Properties and the Substitute Properties. Based on our discussion with the property valuer, we understand from the property valuer that direct comparison approach has been adopted by making reference to comparable market rentals as available in the subject locality and the direct comparison approach is commonly used for assessment of the fairness and reasonableness of the rent of tenancy of a property.

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Taking into account the aforesaid factors, the Revised Annual Caps for the lease of the Haidian Properties by BSYI to Beijing Outsell are set as follows:

	Financial year ending 31 December		
	2012	2013	2014
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>thousand</i>	<i>thousand</i>	<i>thousand</i>
Revised Annual Caps for the lease of the Haidian Properties by BSYI to Beijing Outsell	1,260	1,378	1,378
Approximate increase as compared to the annual cap of previous year (%)		9.4%	0%

(iii) The Lease Agreements and the Further Supplemental Lease Agreement

Set out below are the historical amounts of rental payment by Pincha to Beijing Outsell for the year ended 31 December 2011 and the six months ended 30 June 2012:

	Financial year ended	Six months ended
	31 December 2011	30 June 2012
	<i>RMB</i>	<i>RMB</i>
	<i>thousand</i>	<i>thousand</i>
	(audited)	(unaudited)
Aggregate amount of rental payment by Pincha to Beijing Outsell	473	551

For the eight months ending 31 August 2012, the total rent payable under the Lease Agreements amounts to RMB735,008. In order to bring rental in line with then prevailing market rates and projected market trends of similar properties of a comparable size and at a comparable location, the Further Supplemental Lease Agreement was entered into to revise the rent to RMB198 per sq.m. per month for the Haidian Properties (that is, a monthly rental of approximately RMB114,779). The new rental will apply from 1 September 2012. The Further Supplemental Lease Agreement also provides that the parties thereto will agree to substitute the Haidian Properties with the Substitute Properties, namely, the Linglong Tiandi Property and Fangshan Property at a time to be agreed by such parties. As advised by the executive Directors, such change to the Substitute Properties will not take place in 2012. Therefore, in determining the revised cap under the Further Supplemental Lease Agreement for the year ending 31 December 2012, the executive Directors have only considered the rental for the Haidian Properties. Accordingly, it is estimated that the revised cap for the year ending 31 December 2012 amounts to approximately RMB1.195 million (approximately RMB735,008 under the Lease Agreements plus RMB114,779 x 4 months under the Further Supplemental Lease Agreements). In determining the revised cap for each of the two years ending 31

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December 2013 and 2014, the rental for Linglong Tiandi has been used as the basis (being the highest rental among the leasing of the Haidian Properties, the Linglong Tiandi Property and the Fangshan Property). Accordingly the revised cap for each of the two years ending 31 December 2013 and 2014 amounts to RMB2,466,000 (1,500 sq.m. x RMB137 per sq.m. x 12 months). The Group has obtained opinion from Ascent Partners Valuation Service Limited, a Hong Kong property valuer that such monthly rental as at the Latest Practicable Date for the property is reasonable in the market and on normal commercial term within the period. We have interviewed the property valuer and understand that the property valuer is an independent and qualified property valuer in Hong Kong. We have also reviewed the terms of engagement of the property valuer and noted that the scope is to issue opinion letter to opine on the fairness and reasonableness of the rent of the Haidian Properties and the Substitute Properties. Based on our discussion with the property valuer, we understand from the property valuer that direct comparison approach has been adopted by making reference to comparable market rentals as available in the subject locality and the direct comparison approach is commonly used for assessment of the fairness and reasonableness of the rent of tenancy of a property.

Taking into account the aforesaid factors, the Revised Annual Caps for the lease of commercial premises by Beijing Outsell to Pincha are set as follows:

	Financial year ending 31 December		
	2012	2013	2014
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>thousand</i>	<i>thousand</i>	<i>thousand</i>
Revised Annual Caps for the lease of commercial premises by Beijing Outsell to Pincha	1,195	2,466	2,466
Approximate increase as compared to the annual cap of previous year (%)		106.4%	0%

(iv) The Structure Contracts and the Supplemental Structure Contract

As advised by the executive Directors, the Group has only been providing information technology support services to Pincha in accordance with the Structure Contracts since 2012. For the six months ended 30 June 2012, the total transaction amount under the Structure Contracts was approximately RMB82,000. For the reasons as set out in the sub-section headed “Background to and reasons for the Further Revised Agreements and the Revised Annual Caps” in this letter, in view of the expected growth of the e-commerce business of Pincha, the executive Directors estimate that the level of technical consulting and management services to be provided by Beijing Outsell to Pincha will also increase. In determining the Revised Annual Caps, the executive Directors have taken into consideration the expected increase of Pincha’s e-commerce business and the level of services, such as information technology and network support, management and consulting and other administrative services to be required from the Group as a result of

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such increase. Moreover, it is expected that the Group will charge a fee for research and development on products which will be sold through Pincha's e-commerce business platform exclusively. As advised by the executive Directors, such research and development fee will be determined based on market rates. In addition, the executive Directors advise us that when determining the revised cap for the year ending 31 December 2012, they have considered the fast-growing business of Pincha and an expected increase in technical support and product design services provided to Pincha in relation to the launch of the new teabag products in 2012. Also, the Group has scheduled several projects in relation to research and development, and system fine-tuning and maintenance for Pincha in the second half of 2012. As advised by the executive Directors, the Group will charge Pincha a fee for sharing part of the promotion costs incurred by the Group when Pincha's business becomes substantial to the Group. The promotion campaigns carried out by the Group on its products will help building up the brand image and hence stimulate sales of the Group's products. This will in turn stimulate the sales of the Products by Pincha. As a result, the executive Directors consider that it is reasonable to charge Pincha a fee for sharing of the promotion costs incurred by the Group. It is expected that the Group will charge Pincha such fee starting from 2013 and a higher fee is expected to be charged to Pincha following its business growth. Accordingly, the executive Directors consider that the transactions contemplated under the Structure Contracts and the Supplemental Structure Contract will increase in 2013 and 2014.

Taking into account the aforesaid factors, the Revised Annual Caps for the provision of technical consulting and management services to Pincha are set as follows:

	Financial year ending 31 December		
	2012	2013	2014
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>thousand</i>	<i>thousand</i>	<i>thousand</i>
Revised Annual Caps for the provision of technical consulting and management services to Pincha	1,373	3,538	7,438
Approximate increase as compared to the annual cap of previous year (%)		157.7%	110.2%

Having considered the basis on which the Revised Annual Caps were determined as described above, we are of the view that the Revised Annual Caps for the Transactions are fair and reasonable.

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4. Conditions of the Transactions

In compliance with the Listing Rules, the conduct of the Transactions is subject to a number of conditions which include, among other things:

- (i) the Revised Annual Caps for each of the three financial years ending 31 December 2012, 2013 and 2014 will not be exceeded;
- (ii) the independent non-executive Directors must, in accordance with the Listing Rules, review annually the Transactions and confirm in the Company's annual report and accounts that the Transactions have been entered into (a) in the ordinary and usual course of business of the Company; (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (c) in accordance with the relevant agreements governing the Transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (iii) the auditors of the Company will, in accordance with the Listing Rules, review annually the Transactions and they will confirm in a letter to the Board (a copy of which letter will be provided to the Stock Exchange at least ten business days prior to the bulk printing of the annual report of the Company) whether the Transactions:
 - (a) have received the approval of the Board;
 - (b) are in accordance with the pricing policies of the Group if the transactions involve provision of goods and services by the Group;
 - (c) have been entered into in accordance with the Structure Contracts, the Lease Agreements, the BSYI Lease Agreements and the Further Revised Agreements governing the Transactions; and
 - (d) have not exceeded the relevant Revised Annual Caps;
- (iv) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or the auditors will not be able to confirm the matters set out in the points (ii) and/or (iii) above respectively;
- (v) the Company will allow, and procure that Pincha will allow, the auditors of the Company sufficient access to the relevant records of the Transactions for the purpose of the auditors' review as referred to in point (iii) above. The Board must state in the annual report whether its auditors have confirmed the matters stated in Rule 14A.38 of the Listing Rules; and

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- (vi) the Company will comply with the applicable provisions of the Listing Rules governing connected transactions in the event that the total amount of the Transactions exceeds the Revised Annual Caps, or that there is any material amendment to the terms of the the Structure Contracts, the Lease Agreements, the BSYI Lease Agreements and the Further Revised Agreements.

In light of the conditions attached to the Transactions, in particular, (1) the restriction of the amount of the Transactions by way of the Revised Annual Caps; (2) the ongoing review by the independent non-executive Directors and auditors of the Company regarding the terms of the Transactions; and (3) the continuing review by the auditors of the Company confirming the Revised Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Transactions and safeguard the interests of the Independent Shareholders.

OPINION

Having taken into account the above principal factors, we consider that the Transactions are in the ordinary and usual course of business of the Group and the terms of the Further Revised Agreements are on normal commercial terms. We also consider that the Revised Annual Caps and the terms of the Further Revised Agreements are fair and reasonable so far as the Independent Shareholders are concerned and that the entering into of the Transactions is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Further Revised Agreements, the transactions contemplated thereunder and the Revised Annual Caps.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
Richard Leung
Director

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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement contained herein or this circular misleading.

2 DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company 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 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 which the Directors and chief executives were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept by the Company or were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company (the "Model Code") were as follows:

Name of Director/Chief Executive	Nature of interest	Number of Shares ⁽⁸⁾	Number of Shares subject to options granted under the Pre-IPO Share Option Scheme	Approximate percentage of interest of total issued Shares (%) ⁽⁸⁾
Mr. ZHAO Yihong	Beneficial owner, interest of his spouse, founder of a discretionary trust and interest of corporation controlled by the Director ⁽¹⁾⁽³⁾	1,075,864,600 ^{(1)(L)}	36,000,000 ^{(1)(L)}	67.91%

Name of Director/Chief Executive	Nature of interest	Number of Shares ⁽⁸⁾	Number of Shares subject to options granted under the Pre-IPO Share Option Scheme	Approximate percentage of interest of total issued Shares (%) ⁽⁸⁾
Ms. GAO Yan	Beneficial owner and interest of her spouse ⁽²⁾⁽³⁾	1,075,864,600 ^{(2)(L)}	36,000,000 ^{(2)(L)}	67.91%
Mr. ZHUO Fumin	Beneficial owner and interest of his spouse	536,000 ^{(4)(L)}	400,000 ^{(4)(L)}	0.03%
Mr. HUANG Jingsheng	Beneficial owner	500,000 ^{(5)(L)}	500,000 ^{(5)(L)}	0.03%
Mr. WONG Lap Tat Arthur	Beneficial owner	700,000 ^{(6)(L)}	500,000 ^{(6)(L)}	0.04%
Ms. XIN Katherine Rong	Beneficial owner	500,000 ^{(7)(L)}	500,000 ^{(7)(L)}	0.03%

(1) Mr. Zhao Yihong, executive Director, beneficially owns 24,000,000 Shares pursuant to the grant of an option for 24,000,000 Shares under the Pre-IPO Share Option Scheme and 1,726,000 Shares directly. Mr. Zhao is also deemed or taken to be interested in the following Shares for the purposes of the SFO:

- (i) 1,031,178,600 Shares which are beneficially owned by Foreshore Holding Group Limited, a company which is controlled by Mr. Zhao;
- (ii) 6,960,000 Shares which are beneficially owned by Better Day Holdings Limited, a company which is controlled by Mr. Zhao; and
- (iii) 12,000,000 Shares which are beneficially owned by Ms. Gao Yan, Mr. Zhao's spouse, pursuant to the grant of an option for 12,000,000 Shares under the Pre-IPO Share Option Scheme.

- (2) Ms. Gao Yan, executive Director, beneficially owns 12,000,000 Shares pursuant to the grant of an option for 12,000,000 Shares under the Pre-IPO Share Option Scheme. Ms. Gao is also deemed or taken to be interested in the following Shares for the purposes of the SFO:
- (i) 1,726,000 Shares beneficially owned by Mr. Zhao Yihong, Ms. Gao's spouse;
 - (ii) 1,031,178,600 Shares which are deemed to be beneficially owned by Mr. Zhao, as controlling shareholder of Foreshore Holding Group Limited;
 - (iii) 6,960,000 Shares which are deemed to be beneficially owned by Mr. Zhao as controlling shareholder of Better Day Holdings Limited; and
 - (iv) 24,000,000 Shares which are beneficially owned by Mr. Zhao, pursuant to the grant of an option for 24,000,000 Shares under the Pre-IPO Share Option Scheme.
- (3) 84.15% of the 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 KCS Trust Limited, in its capacity as the trustee of a family trust established by Mr. Zhao Yihong as the settlor for the benefit of himself and his family members.
- (4) Mr. Zhuo Fumin, non-executive Director, beneficially owns 400,000 Shares pursuant to the grant of an option for 400,000 Shares under the Pre-IPO Share Option Scheme. Mr. Zhuo is also deemed or taken to be interested in the 136,000 Shares beneficially owned by his wife for the purposes of the SFO.
- (5) Mr. Huang Jingsheng, independent non-executive Director, beneficially owns 500,000 Shares pursuant to the grant of an option for 500,000 Shares under the Pre-IPO Share Option Scheme.
- (6) Mr. Wong Lap Tat Arthur, independent non-executive Director, beneficially owns 500,000 Shares pursuant to the grant of an option for 500,000 Shares under the Pre-IPO Share Option Scheme and 200,000 Shares directly.
- (7) Ms. Xin Katherine Rong, independent non-executive Director, beneficially owns 500,000 Shares pursuant to the grant of an option for 500,000 Shares under the Pre-IPO Share Option Scheme.
- (8) This is calculated based on 1,584,245,820 Shares, being the number of Shares in issue as at the Latest Practicable Date. The Shares and the percentage of interest in the columns include the Pre-IPO share options.

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

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in any Shares or underlying Shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required 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 are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3 SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as is known to any Director or 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Substantial Shareholders	Number of Shares*	Approximate percentage of interest of total issued Shares (%) ⁽³⁾
Foreshore Holding Group Limited ⁽¹⁾	1,031,178,600 ^(L)	65.09%
KCS Trust Limited ⁽¹⁾	1,031,178,600 ^(L)	65.09%
Sea Network Holdings Limited ⁽¹⁾	1,031,178,600 ^(L)	65.09%
GGV III Entrepreneurs Fund L.P. ⁽²⁾	102,788,640 ^(L)	6.49%
Granite Global Ventures III L.L.C. ⁽²⁾	102,788,640 ^(L)	6.49%
Granite Global Ventures III L.P. ⁽²⁾	102,788,640 ^(L)	6.49%

(1) 84.15% of the 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 KCS Trust 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) Granite Global Ventures III L.L.C. is the general partner of Granite Global Ventures III L.P., which beneficially owns 101,144,040 Shares, and GGV III Entrepreneurs Fund L.P., which beneficially owns 1,644,600 Shares. Granite Global Ventures III L.P. and GGV III Entrepreneurs Fund L.P. are parties to an agreement under section 317 of the SFO and are deemed or taken to be interested in a total of 102,788,640 Shares.

(3) This is calculated based on 1,584,245,820 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 is known to any Directors or chief executive of the Company, there was no other person who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or had any options in respect of such capital.

4 DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5 DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as was known to the Directors, none of the Directors or their respective associates had an interest in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6 INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

Save as disclosed in the section headed "Letter from the Board" of this circular, as at the Latest Practicable Date, none of the Directors:

- (i) had any interest in any assets which have been, since 31 December 2011 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; or
- (ii) was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Group.

7 MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011, being the date to which the latest published audited accounts of the Company were made up.

8 EXPERT AND CONSENT

The following is the qualification of the expert who has provided its opinion or advice, which is contained in this circular:

Name	Qualification
Somerley	a licensed corporation under the SFO for carrying out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities

As at the Latest Practicable Date, the above expert did not have any shareholding interest, whether directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and it had no interest, either directly or indirectly, in any assets which have been, since 31 December 2011, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and references to its name and advice or opinion in the form and context in which they respectively appear.

9 MISCELLANEOUS

- (a) The registered office of the Company is at Portcullis TrustNet (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 branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Mr. Au Lap Ming.
- (d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

10 DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Suites 1903-5, 19/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Further Revised Agreements;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 17 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 18 to 32 of this circular; and
- (d) the written consent from the Independent Financial Adviser referred to in paragraph 8 of this appendix.

NOTICE OF THE EGM



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 of Besunyen Holdings Company Limited (the “Company”) will be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 20 August, 2012 at 9:30 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:**

- (a) the Supplemental BSYI Lease Agreement, the New Distribution Agreement, the Further Supplemental Lease Agreement and the Supplemental Structure Contract, as set out in the Circular (the “Further Revised Agreements”) (as defined and described in the circular dated 2 August 2012 (the “Circular”), a copy of the Circular marked “A” together with a copy of the Further Revised Agreements marked “B” are tabled before the Meeting and initialed by the chairman of the Meeting for identification purpose), and the Transactions as defined and described in the Circular and the implementation thereof, be and are hereby approved, ratified and confirmed;
- (b) the annual caps in respect of the Further Revised Agreements, as set out in the Circular (the “Revised Annual Caps”) be and are hereby approved; and

NOTICE OF THE EGM

- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, perform and deliver all such agreements, instruments, documents and deeds, and do all such acts or things and take all such steps as he/they may in his/their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or to give effect to the Revised Annual Caps and the Further Revised Agreements and all matters incidental to, ancillary or incidental thereto.”

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

Hong Kong, 2 August 2012

As at the date of this notice, the executive Directors are Mr. Zhao Yihong (Chairman and Chief Executive Officer) and Ms. Gao Yan (Vice Chairman); the non-executive Director is Mr. Zhuo Fumin; and the independent non-executive Directors are Mr. Huang Jingsheng, Mr. Wong Lap Tat Arthur and Ms. Xin Katherine Rong.

Notes:

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
- (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, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof.
- (3) The register of members will be closed by the Company from 16 August 2012 to 20 August 2012, 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 forthcoming extraordinary general meeting of the Company (the "EGM") will be on 20 August 2012. In order to be eligible for attending the EGM, all completed transfer forms accomplished by the relevant shares certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 15 August 2012.
- (4) A form of proxy for use at the EGM is enclosed herewith.