
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your 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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

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



China Everbright Capital Limited

A letter from the Board is set out on pages 5 to 30 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 31 and 32 of this circular. A letter from Everbright, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 33 to 56 of this circular.

A notice convening the EGM to be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 10:30 a.m. on 15 December 2014 is set out on pages 63 and 64 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, 17th Floor, 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.

17 November 2014

CONTENT

	<i>Page</i>
Definitions	1
Letter from the Board	
I. Background	5
II. Renewal of the Structure Contracts	6
III. Renewal of the Distribution Agreements	20
IV. Renewal of the Lease Agreements	22
V. Proposed Annual Caps	24
VI. Reasons For and Benefits of Renewal of the Continuing Connected Transactions	27
VII. Listing Rules Implications	28
VIII. General Information on the Parties to the Transactions	28
IX. EGM	29
X. Action to be taken	29
XI. Recommendation	30
XII. Additional Information	30
Letter from the Independent Board Committee	31
Letter from the Independent Financial Adviser	33
Appendix — General Information	57
Notice of the EGM	63

DEFINITIONS

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

“associate”	has the same meaning ascribed to it under the Listing Rules
“Beijing Outsell”	Beijing Outsell Health Product Development Co., Ltd.(北京澳特舒爾保健品開發有限公司), a company incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“CIETAC”	China International Economic and Trade Arbitration Commission
“China” or “PRC”	the People’s Republic of China, which for the purpose of this circular and for geographical reference only excludes Taiwan, the Macau Special Administrative Region and Hong Kong
“Company”	Besunyen Holdings Company Limited (碧生源控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Contractual Arrangements”	the contractual arrangements between Beijing Outsell, Pincha and Mr. Zhao under the Structure Contracts and the New Structure Contracts
“Director(s)”	the director(s) of the Company
“Distribution Agreements”	the distribution agreement entered into between Beijing Outsell and Pincha on 30 September 2010, supplemented by a supplemental agreement dated 28 March 2011 and further amended by an amended agreement dated 12 July 2012 for the sale and distribution of the Products
“EGM”	the extraordinary general meeting of the Company to be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 10:30 a.m. on 15 December 2014

DEFINITIONS

“Equity Interests Pledge Agreement”	the equity interests pledge agreement entered into between Beijing Outsell, Pincha and Mr. Zhao on 27 October 2014, pursuant to which the entire equity interest in Pincha owned by Mr. Zhao will be pledged to Beijing Outsell for the performance of the obligations of Pincha under Exclusive Business Cooperation Agreement
“Exclusive Business Cooperation Agreement”	the exclusive business cooperation agreement entered into between Beijing Outsell and Pincha on 27 October 2014 for the provision of certain technical consulting and management services by Beijing Outsell to Pincha
“Exclusive Purchase Agreement”	the exclusive purchase agreement entered into between Beijing Outsell, Pincha and Mr. Zhao on 27 October 2014 for the grant of an irrevocable option to Beijing Outsell to acquire, to the extent permitted by the PRC laws and regulations, the entire equity or partial equity interest in Pincha
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Regions of the PRC
“IFRS”	the International Financial Reporting Standards issued by the International Accounting Standards Board
“Independent Board Committee”	the independent Board committee comprising all independent non-executive Directors, namely Mr. Huang Jingsheng, Mr. Wang Jing and Mr. Ren Guangming, which was established to advise the Independent Shareholders in relation to the New Structure Contracts, the New Distribution Agreement and the New Lease Agreement, as well as the respective proposed annual caps for the continuing connected transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM
“Independent Financial Adviser” or “Everbright”	China Everbright Capital Limited, a licensed corporation under the SFO for carrying out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities, and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the renewal of continuing connected transactions

DEFINITIONS

“Latest Practicable Date”	11 November 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lease Agreements”	the lease agreement entered into between Beijing Outsell and Pincha on 30 September 2010 and supplemented and further supplemented by four supplemental agreements dated 28 March 2011, 12 July 2012, 25 March 2013 and 1 January 2014, respectively for the lease of certain commercial premises by Beijing Outsell to Pincha
“Linglong Tiandi Properties”	the premises located at 11th floor of the Besunyen Building, Linglong Tiandi, No. 160 West 4th Ring Road North, Haidian District, Beijing, the PRC, with a total gross floor area of 437 sq. m.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Mr. Zhao”	Mr. Zhao Yihong, Chairman, Chief Executive Officer and Executive Director of the Company, who is the controlling Shareholder of the Company and the sole shareholder of Pincha
“New Distribution Agreement”	the distribution agreement entered into between Beijing Outsell and Pincha on 27 October 2014 for the renewal of the continuing connected transactions contemplated thereunder in respect of the sale and distribution of the Products
“New Lease Agreement”	the lease agreement entered into between Beijing Outsell and Pincha on 27 October 2014 for the renewal of the continuing connected transactions contemplated thereunder in respect of the lease of the Linglong Tiandi Properties
“New Structure Contracts”	the Exclusive Business Cooperation Agreement, the Equity Interests Pledge Agreement, the Exclusive Purchase Agreement and the Power of Attorney entered into between Beijing Outsell, Pincha and Mr. Zhao (as the case may be) on 27 October 2014, collectively

DEFINITIONS

“Pincha”	Beijing Pincha Online E-Commerce Co., Ltd.* (北京品茶在綫電子商務有限公司), a company incorporated in the PRC on 18 June 2010 and wholly-owned by Mr. Zhao
“Power of Attorney”	the power of attorney dated 27 October 2014 signed by Mr. Zhao
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on 30 April 2010
“Products”	the products manufactured or distributed by Beijing Outsell and/or its subsidiaries, including but not limited to the products under the “Besunyen” and “VS Series” brands, which will be supplied to Pincha under the New Distribution Agreement
“RMB”	Renminbi yuan, the lawful currency of China
“SAIC”	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.00000833333 each in the capital of the Company
“Shareholders”	the shareholders of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 8 September 2010
“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structure Contracts”	the exclusive business cooperation agreement, the equity interests pledge agreement, the exclusive purchase agreement and the power of attorney entered into between Beijing Outsell, Pincha and Mr. Zhao (as the case may be) on 28 March 2011, collectively, all of which were supplemented by a supplemental contract dated 12 July 2012
“%”	per cent

* *For identification purposes only*



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. WANG Jing
Mr. REN Guangming

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:

10/F., Besunyen Building, Linglong Tiandi
No. 160 West 4th Ring Road North
Haidian District, Beijing 100036
PRC

Place of Business in Hong Kong:

Room 1303, 13/F., China Resources Building
26 Harbour Road, Wanchai
Hong Kong

17 November 2014

To the Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

I. BACKGROUND

Reference is made to the announcements of the Company dated 28 March 2011, 27 September 2011, 12 July 2012 and 27 October 2014 (the “**Announcements**”), as well as the circular of the Company dated 2 August 2012 (the “**Circular**”) in relation to the continuing connected transactions between Beijing Outsell, a wholly-owned subsidiary of the Company, and Pincha under the Structure Contracts, the Distribution Agreements and the Lease Agreements and the renewal of such continuing connected transactions.

LETTER FROM THE BOARD

As disclosed in the Announcements and the Circular, since 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 shall not exceed 50% and the foreign investors shall have operation experiences in the area of value-added telecommunications, on 28 March 2011, Beijing Outsell, a wholly-owned subsidiary of the Company, entered into the Structure Contracts with Mr. Zhao and Pincha, a company incorporated in the PRC and wholly-owned by Mr. Zhao, which 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) in September 2010, for the purpose of using Pincha as a vehicle to conduct e-commerce activities in the PRC for the Group through the Contractual Arrangements between Beijing Outsell and Pincha. Upon entering into the Structure Contracts, the Company has the power to control Pincha, obtain variable returns from its involvement with Pincha and affect the amount of investor's returns in Pincha, therefore Pincha shall be continuously treated as a wholly-owned subsidiary of the Company pursuant to the IFRS 10.

As Pincha is wholly-owned by Mr. Zhao, the controlling shareholder and an executive Director of the Company, Beijing Outsell and Pincha also entered into the Distribution Agreements and the Lease Agreements on 28 March 2011 for regulating the continuing connected transactions between the Group and Pincha in respect of the distribution of the Products through the e-commerce platform of Pincha and the lease of properties by Beijing Outsell to Pincha.

II. RENEWAL OF THE STRUCTURE CONTRACTS

As the term of the existing Structure Contracts will expire on 31 December 2014, Beijing Outsell, Mr. Zhao and Pincha entered into the New Structure Contracts, which comprises the Exclusive Business Cooperation Agreement, the Equity Interests Pledge Agreement, the Exclusive Purchase Agreement and the Power of Attorney, on 27 October 2014 for the purpose of the renewal of the Contractual Arrangements between the Group and Pincha as well as the continuing connected transactions between the parties thereunder. Subject to the approval by the Independent Shareholders, the New Structure Contracts shall supersede the existing Structure Contracts from 1 January 2015 onwards. Details of the New Structure Contracts and the underlying Contractual Arrangements are as follows:

LETTER FROM THE BOARD

1. The New Structure Contracts

A. *Exclusive Business Cooperation Agreement*

Beijing Outsell and Pincha entered into the Exclusive Business Cooperation Agreement on 27 October 2014, pursuant to which the parties agreed that, during the term of the agreement, Beijing Outsell (or any party designated by Beijing Outsell) shall provide to Pincha, on an exclusive basis, technical consulting and management services including but not limited to technical services, network support, business consulting, intellectual property license, equipment leasing, marketing consulting, system integration, products research and development, systematic maintenance and other services as permitted by the laws of the PRC at the request of Pincha from time to time; and Pincha shall only utilize such services provided by Beijing Outsell, and unless obtaining prior written consent from Beijing Outsell, shall not utilize any of the aforesaid services provided by any third parties or cooperate with any third parties other than Beijing Outsell.

The parties agreed that Pincha shall pay the service fees to Beijing Outsell, which will be determined based on the amount and business value of the services provided by Beijing Outsell to it, and Beijing Outsell has the right to adjust the rate of the service fees at any time according to the amount and scope of the services.

The services fee to be charged to Pincha is calculated by multiplying the number of employees in Pincha by the fee sharing amount per person, which is determined by reference to the resource occupation ratio of human resource services, information services, financial services, asset management services, etc. provided by Beijing Outsell to Pincha as well as the workload thereof.

The storage and custody services to be charged to Pincha is RMB1.2 per sq. m. per day in the unit price, which is formulated by inquiring the market rate of storages and custody service in comparable locations in Beijing under the similar storage areas and storage and custody conditions as well as taking into account the actual cost of the land and buildings owned by Beijing Outsell.

The following internal control methods shall be taken to ensure the pricing mechanism to be fulfilled:

- a) The human resources department of Beijing Outsell would make the adjustment on the fee to be allocated to Pincha by reviewing the human resources structure of Beijing Outsell and Pincha and the utilization of employees by Pincha on a monthly basis;
- b) The IT department of Beijing Outsell would make the assessment on the allocation ratio for the amount of the services utilized by Pincha on a monthly basis;

LETTER FROM THE BOARD

- c) The internal audit department of Beijing Outsell would conduct the review on the allocation standard and amount by checking the data provided by human resources department and IT department on a monthly basis;
- d) The financial department of Beijing Outsell would check whether the payment of Pincha is in compliance with the agreed terms, on a quarterly basis;
- e) The production department of Beijing Outsell would supervise and report to the management on the utilization of the storage and custody, which would also be reviewed by the internal audit department; and
- f) Each specific agreement entered into between Beijing Outsell and Pincha for the implementation of the Exclusive Business Cooperation Agreement shall only take effect after going through all the internal approval process of Beijing Outsell including the approval by the vice president of Beijing Outsell.

Having considered (i) the pricing mechanism and the terms of the transactions set out in the New Structure Contracts are clear and specific; (ii) the background to and nature of the New Structure Contracts; (iii) the methods and procedures established are sufficient; and (iv) appropriate internal control procedures are in place and the internal audit department of Beijing Outsell would review the transactions thereunder, the Directors are of the view that the transactions thereunder will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

The above-mentioned service fees shall be paid in cash by Pincha to Beijing Outsell on a quarterly basis and within the deadline as stated in the specific bill issued by Beijing Outsell.

B. Equity Interests Pledge Agreement

On 27 October 2014, Beijing Outsell, Mr. Zhao and Pincha entered into the Equity Interests Pledge Agreement, pursuant to which Mr. Zhao agreed to pledge all his equity interests in Pincha to Beijing Outsell as security for, among others, the performance of all the obligations of Pincha under the Exclusive Business Cooperation Agreement.

Under the Equity Interests Pledge Agreement, Mr. Zhao has represented and warranted to Beijing Outsell that appropriate arrangements have been made to protect Beijing Outsell's interests in the event of his death or divorce to avoid any practical difficulties in enforcing the Equity Interests Pledge Agreement, and unless prior written consent of Beijing Outsell is obtained, any will, divorce agreement, debts arrangements or any other legal arrangements made by Mr. Zhao shall not contravene the provisions of the Equity Interests Pledge Agreement. If Pincha declares any dividend during the term of the pledge, Beijing Outsell is entitled to receive all such dividends arising from

LETTER FROM THE BOARD

the pledged equity interests, if any. If any of Mr. Zhao or Pincha breaches or fails to fulfill the obligations as stated in the Equity Interests Pledge Agreement, Beijing Outsell, as the pledgee, will be entitled to acquire or dispose of the pledged equity interests within the scope of the applicable laws. In addition, pursuant to the Equity Interests Pledge Agreement, Mr. Zhao and Pincha have severally and jointly undertaken to Beijing Outsell, except for the performance of the Exclusive Purchase Agreement entered into between Beijing Outsell, Mr. Zhao and Pincha, not to transfer Mr. Zhao's equity interests in Pincha, or create or allow any pledge or security thereon that may affect the rights and interest of Beijing Outsell without the prior written consent of Beijing Outsell.

C. Exclusive Purchase Agreement

On 27 October 2014, Beijing Outsell, Mr. Zhao and Pincha entered into the Exclusive Purchase Agreement, pursuant to which Mr. Zhao irrevocably granted to Beijing Outsell an option to acquire (or authorize one or more persons to acquire) at any time, to the extent permitted by applicable PRC laws and regulations, his equity interests in Pincha, entirely or partially and one-off or by several times as solely decided by Beijing Outsell, at the lowest price permitted by the PRC laws at that time unless appraisal is required or other restrictions on purchase price apply under PRC laws; and Pincha also agreed on the grant of such option by Mr. Zhao to Beijing Outsell. It is also agreed that when the relevant PRC law permits Beijing Outsell to operate value-added telecommunications business directly, or the equity interests of Pincha to be directly held by Beijing Outsell while it continues to operate its value-added telecommunications business, the parties will carry out all necessary actions to give effect to the obtaining of the entire equity interest in Pincha by Beijing Outsell or third party designated by Beijing Outsell which must be a subsidiary of the Company pursuant to the provisions of the Exclusive Purchase Agreement, as well as unwind the contracts, agreements and other legal documents in connection with the Contractual Arrangements, including but not limited to the Exclusive Business Cooperation Agreement, the Equity Interests Pledge Agreement, the Exclusive Purchase Agreement and the Power of Attorney.

Pursuant to the Exclusive Purchase Agreement, Pincha and Mr. Zhao (as the sole shareholder of Pincha) have severally and jointly undertaken to perform certain acts or refrain from performing certain other acts unless prior written consent from Beijing Outsell is obtained, including but not limited to:

- a) not alter the constitutional documents or the registered capital of Pincha;
- b) prudently and effectively operate its business and transactions in accordance with the good financial and business standards, and obtain and maintain all government permits and licenses for the operation of business of Pincha;
- c) not sell, transfer, pledge or otherwise dispose of any assets, business, legal or beneficial interest of its income or allow any guarantee or security to be created on the assets of Pincha;

LETTER FROM THE BOARD

- d) not incur, take up, guarantee or allow any indebtedness other than those incurred in the ordinary and usual course of business of Pincha and having been disclosed to and consented by Beijing Outsell in writing;
- e) operate its business in order to maintain its asset value, and not allow any acts or omission which adversely affects the business or assets value of Pincha;
- f) not enter into any material contracts with an amount of over RMB100,000 other than those entered into in the ordinary and usual course of business of Pincha;
- g) not engage in any mergers or acquisitions or make investment in any entities;
- h) immediately inform Beijing Outsell if the assets or business of Pincha is involved in any disputes, litigations, arbitrations or administrative proceedings, and not reach any settlement with the other party without the prior consent of Beijing Outsell;
- i) not distribute any dividend to the shareholder of Pincha; and
- j) not dissolve or wind-up Pincha unless required by the laws of the PRC or for the enforcement of the decision of the arbitral body.

In addition, Mr. Zhao has undertaken under the Exclusive Purchase Agreement that, to the extent permitted by applicable PRC laws and regulations, he will return to Beijing Outsell or third party designated by Beijing Outsell any consideration he receives upon the transfer of the equity interest in Pincha pursuant to the Exclusive Purchase Agreement. And Pincha has also undertaken under the Exclusive Purchase Agreement that in the event of a mandatory liquidation required by the laws of the PRC, it shall transfer all its assets and any residual interest to Beijing Outsell or third party designated by Beijing Outsell at the lowest selling price permitted by applicable laws of the PRC, and shall waive any obligation and responsibility (if any) for Beijing Outsell or third party designated by Beijing Outsell to pay Pincha as a result of the aforesaid transfer of assets or interest. Accordingly, in a winding up of Pincha, a liquidator shall seize the assets of Pincha through Beijing Outsell pursuant to the aforesaid arrangements for the benefit of the Company's creditors/Shareholders.

D. Power of Attorney

On 27 October 2014, Mr. Zhao executed a power of attorney, which shall remain in full force and effect within the term of the New Structure Contracts, and pursuant to which he irrevocably authorized the board of directors or executive director or the legal representative of Beijing Outsell, or any person appointed by any of the aforesaid persons or its successor (the "**Authorized Person**") to exercise all his rights and powers as the sole shareholder of Pincha. The Authorized Person must be a PRC citizen and must not be Mr. Zhao or any of his associates.

LETTER FROM THE BOARD

Such rights and powers authorized by Mr. Zhao include but not limited to:

- a) convene and attend shareholders' meetings of Pincha;
- b) exercise all rights of the shareholders of Pincha as stipulated in the laws and the articles of association of Pincha including but not limited to voting rights, the rights to sell, transfer, pledge or dispose of all or any of the equity interests in Pincha, execute meeting minutes and conduct filings with the relevant government or regulatory authority;
- c) appoint or remove the legal representative, directors, supervisors, general manager and other senior management personnel of Pincha;
- d) manage or dispose of all the assets of Pincha;
- e) exercise control over and management of, at its sole discretion, the financial and accounting matters and daily operation of Pincha; and
- f) receive all the dividends, bonus issue or other income arising from the pledged equity interests, if any.

2. Term of the New Structure Contracts

Each of the above-mentioned agreements underlying the New Structure Contracts, as well as the Power of Attorney, is for a term of 24 years from 1 January 2015 to 31 December 2038, subject to the approval of the Independent Shareholders at the extraordinary general meeting of the Company.

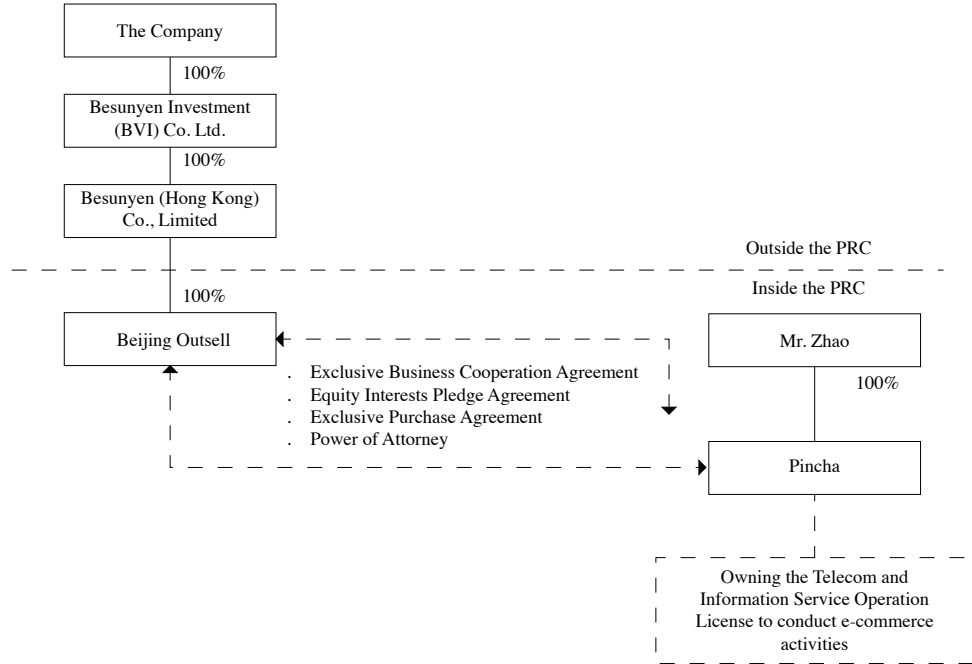
The Directors are of the view that since the Contractual Arrangements under the New Structure Contracts are fundamental to the Group's e-commerce business operation, it is in the interests of the Company and the Shareholders as a whole to have the term of such agreement to be a longer period. The Independent Financial Adviser will explain reasons for the term of the New Structure Contracts and confirm that it is normal business practice for contracts of such type to be of such duration in its letter of advice as set out in page 33 to 56 of this circular.

LETTER FROM THE BOARD

3. Contractual Arrangements between the Group and Pincha

A. Diagram of the Contractual Arrangements

The following simplified diagram illustrates the Contractual Arrangements between Beijing Outsell and Pincha under the New Structure Contracts:



B. Confirmation and undertaking from Mr. Zhao and the spouse of Mr. Zhao

Mr. Zhao, the owner of the entire equity interest in Pincha, has provided a written confirmation, confirming that appropriate arrangements have been made to ensure that none of his successor, guardian, creditor, spouse or any other person who may be entitled to assume rights and interests in his equity interest in Pincha upon his death, incapacity, divorce or any other circumstances that may affect his ability to exercise his shareholder's rights in Pincha, will carry out any act that may affect or hinder the fulfillment of his obligations (if any) under each of the agreements underlying the New Structure Contracts.

In addition, Mr. Zhao's spouse has also provided a written undertaking, confirming that she gives up her joint ownership, as the spouse of Mr. Zhao, of the equity interest in Pincha owned by Mr. Zhao, and will not claim such interests either during her marriage with Mr. Zhao or in the event of divorce, or carry out any act that may affect or hinder the fulfillment of Mr. Zhao's obligations (if any) under each of the agreements underlying the New Structure Contracts.

LETTER FROM THE BOARD

C. Effect and legality of the New Structure Contracts

The New Structure Contracts would ensure that:

- a) the Group is able to continue to exercise significant control over Pincha pursuant to the provisions contained in the agreements or document underlying the New Structure Contracts, which also confer the economic benefits from Pincha to the Group based on the entitlement of Beijing Outsell to the dividends of Pincha under the Equity Interests Pledge Agreement and the Power of Attorney as mentioned above;
- b) the Group would have the right to continue to govern the management of Pincha;
- c) 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); and
- d) the Company is able to continue to consolidate the financial results of Pincha into the Group's results under the IFRS upon entering into the New Structure Contracts.

Upon entering into the New Structure Contracts, Mr. Zhao will not obtain or receive any financial or commercial benefits from his interest in Pincha despite holding direct equity interests in Pincha.

According to the consultation by the Company's PRC legal advisor, Jia Yuan Law Offices, with Beijing Communications Administration, the industry regulatory authority in respect of the business of value-added telecommunications operated by Pincha, it is not an administrative function of Beijing Communications Administration to issue formal confirmations regarding the New Structure Contracts that do not require examination by and approval from it under the PRC laws and regulations. Therefore, the Company has not formally filed a request with any authority in the PRC for confirmation on the legality of the New Structure Contracts.

LETTER FROM THE BOARD

Based on the above and after taking all reasonable actions or steps to enable it to reach its legal conclusions, the Company's PRC legal advisor, Jia Yuan Law Offices, is of the opinion that:

- a) As at the Latest Practicable Date, the execution, delivery and performance of the agreements or document underlying the New Structure Contracts by Beijing Outsell, Pincha and Mr. Zhao (as the case may be), severally and jointly, are (i) legal and valid and do not violate relevant PRC laws, administrative regulations and regulatory rules of the industry administrative authorities, including but not limited to the General Principles of the Civil Law of the PRC and the PRC Contract Law; and (ii) are legally binding on and enforceable against each party of such agreement or document under the PRC laws, except for relevant provisions in respect of remedies over the shares of Pincha or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) and/or interim remedies to discontinue the business operation of Pincha awarded by the arbitral body, or interim remedies granted by courts with competent jurisdiction (including but not limited to courts in Hong Kong and the Cayman Islands) in support of the arbitration pending the formation, or opening of the session, of an arbitral tribunal under the Exclusive Business Cooperation Agreement, the Equity Interests Pledge Agreement and the Exclusive Purchase Agreement;
- b) The New Structure Contracts entered into by Beijing Outsell, Pincha and Mr. Zhao (as the case may be) do not fall within any of the circumstances (including, without limitation, "concealing illegal intentions with a lawful form") under Article 52 of the PRC Contract Law pursuant to which the contracts would be determined to be invalid;
- c) The execution, delivery and performance of the agreements or document underlying the New Structure Contracts do not violate the articles of association of each of Beijing Outsell and Pincha; and
- d) The execution, delivery, effectiveness and performance of each agreement or document underlying the New Structure Contracts do not require any approvals, permits or consents from relevant PRC governmental authorities, except that any transfer of equity interests in Pincha, entirely or partially, from Mr. Zhao to Beijing Outsell or third party authorized by Beijing Outsell pursuant to the terms of the Exclusive Purchase Agreement, to the extent permitted under the PRC laws, will have to be approved by the relevant government authorities and be filed with relevant registration authority in the PRC.

LETTER FROM THE BOARD

As advised by our PRC legal advisor, (i) there are no statutory obligations imposed on the Group or Beijing Outsell to provide financial assistance or additional funds to offset or cover any losses incurred by Pincha as a result of its business operations; and (ii) under the current Contractual Arrangements, there are no mandatory contractual obligations imposed on the Group or Beijing Outsell to provide financial assistance or to provide additional funds to offset or cover any losses incurred by Pincha as a result of its business operations. As Pincha is treated as a wholly-owned subsidiary of the Group, the adverse economic consequence of any losses incurred by Pincha is that the Group will record the losses of Pincha in the Group's consolidated financial statements.

The Group has complied in good faith in all material respects with relevant PRC laws and regulations. As at the Latest Practicable Date, the Group has not encountered any interference or encumbrance from any PRC governmental authority in operating the business pursuant to the Contractual Arrangements between Beijing Outsell and Pincha as mentioned in this circular. However, our PRC legal advisor has advised us that there can be no assurance that the relevant PRC governmental authorities will not take views contrary to the above in the future.

D. Risks relating to the Contractual Arrangements

- a) If the PRC government finds that the New Structure Contracts that establish the structure for conducting the Group's e-commerce activities in the PRC do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the New Structure Contracts and the relinquishment of the Group's interest in Pincha.

On July 13, 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (關於加強外商投資經營增值電信業務管理的通知), or the MIIT Circular, which reiterated restrictions on foreign investment in telecommunications businesses. Under the MIIT Circular, a domestic company that holds an ICP License is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors to provide ICP services illegally in China. Due to a lack of interpretative materials from the authorities, the Group cannot assure that the MIIT will not consider our corporate structure and the Contractual Arrangements under the New Structure Contracts as a kind of foreign investment in telecommunication services, in which case the Group may be found in violation of the MIIT Circular.

LETTER FROM THE BOARD

Our PRC legal advisor is of the opinion that (i) the ownership structure of Beijing Outsell and Pincha does not violate prevailing PRC laws and regulations, (ii) except for certain dispute resolution clauses contained in the agreements underlying the New Structure Contracts regarding the remedies that may be awarded by the arbitral body and the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration as mentioned above, the agreements underlying the New Structure Contracts, taken individually or collectively, are valid and legally binding, and (iii) each agreement underlying the New Structure Contracts entered into between Beijing Outsell, Pincha and Mr. Zhao (as the case may be) does not fall within any of the circumstances (including, without limitation, “concealing illegal intentions with a lawful form”) under Article 52 of the PRC Contract Law, pursuant to which the contract would be determined to be invalid. However, there can be no assurance that the PRC government authorities will take a view in the future that is not contrary to or otherwise different from the opinion of our PRC legal advisor stated above, and there is also the possibility that the PRC government authorities may adopt new laws and regulations in the future which may invalidate the New Structure Contracts.

If the PRC government or judicial authorities determine that we do not comply with applicable laws and regulations, it could have broad discretion in dealing with such non-compliance and taking relevant regulatory or enforcement actions, including but not limited to requiring the nullification of the Contractual Arrangements, levying fines or confiscating the proceeds generated from the operations under the New Structure Contracts or discontinuing the business operations of Beijing Outsell or Pincha. In addition, if the imposition of any of these regulatory or enforcement actions causes the Group to lose the rights to direct the activities of Pincha or its right to receive the economic benefits of Pincha, the Company would no longer be able to consolidate the financial results of Pincha;

- b) The Contractual Arrangements under the New Structure Contracts may not be as effective in providing operational control as direct ownership. Pincha or its sole shareholder, Mr. Zhao, may fail to perform their obligations under the New Structure Contracts;
- c) Mr. Zhao may have conflicts of interest with the Group, which may materially and adversely affect the business of the Group.

Mr. Zhao, who is an executive Director, the Chairman of the Company and the controlling Shareholder, is also the sole shareholder owning 100% equity interest in Pincha. Conflicts of interest between the dual roles of Mr. Zhao in the Company and in Pincha may arise. However, the Company cannot assure that when conflicts of interest arise, Mr. Zhao will act in the best interests of the Company or that conflicts of interest will be resolved in favor of the Company;

LETTER FROM THE BOARD

- d) Certain terms of the agreements underlying the New Structure Contracts may not be enforceable under PRC laws.

The New Structure Contracts provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the CIETAC in the PRC. The New Structure Contracts contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of Pincha, injunctive relief and/or winding up of Pincha. In addition, the New Structure Contracts contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal or in other appropriate cases. However, our PRC legal advisor has advised that the abovementioned provisions contained in the New Structure Contracts may not be enforceable.

Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in Pincha in case of disputes. Therefore, such remedies may not be available to the Group, notwithstanding the relevant contractual provisions contained in the New Structure Contracts. PRC laws allow an arbitral body to award the transfer of assets of or equity interest in Pincha in favour of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against Pincha as interim remedies to preserve the assets or shares in favour of any aggrieved party. Our PRC legal advisor is also of the view that, even though the New Structure Contracts provide that courts in Hong Kong and the Cayman Islands may grant and/or enforce interim remedies in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognized or enforced by PRC courts. As a result, in the event that Pincha or Mr. Zhao breaches any of the Contractual Arrangements under the New Structure Contracts, the Group may not be able to obtain sufficient remedies in a timely manner.

LETTER FROM THE BOARD

In addition, although under the Equity Interests Pledge Agreement, Mr. Zhao will pledge all his equity interests in Pincha to Beijing Outsell to secure collateralized obligations of Pincha or Mr. Zhao arising out of any default event under the Exclusive Business Cooperation Agreement and the Exclusive Purchase Agreement, the pledge to be registered with the competent local counterparts of the SAIC is based on the standard form of the pledge agreement currently acceptable to be registered with the SAIC and which could only cover the loan repayment obligation under a loan agreement. Such pledges to secure collateralized obligations under the New Structure Contracts are neither duly established nor effective against third parties until it has been duly registered with the competent local counterparts of the SAIC. Pursuant to PRC laws, before the pledges over the equity interest of Pincha to secure other collateralized obligations under the New Structure Contracts are registered with competent local counterparts of the SAIC, Beijing Outsell may not be able to foreclose the equity pledge nor have priority over any third party in receiving payment funded from proceeds from the auction or sale of the relevant pledged interests, in the event of any breach or default of such obligations under the New Structure Contracts. Accordingly, the Group may not be able to foreclose or recover any amount in the event of any breach or default of the collateralized obligations under the New Structure Contracts, or at all, if there is any third party creditor claiming rights against the same equity interests;

- e) The Group may lose the ability to use and enjoy assets held by Pincha if Pincha declares bankruptcy or becomes subject to a dissolution or liquidation proceeding;
- f) The Contractual Arrangements between Beijing Outsell and Pincha under the New Structure Contracts may be subject to scrutiny by the PRC tax authorities, and any finding that the Group or Pincha owes additional taxes could reduce the consolidated net income of the Group; and

LETTER FROM THE BOARD

- g) If Beijing Outsell exercises the option to acquire equity interests in Pincha, such equity transfer may subject the Group to substantial costs.

Pursuant to the Exclusive Purchase Agreement, Beijing Outsell (or persons authorized by Beijing Outsell) has the exclusive right to acquire, at any time, to the extent permitted by applicable PRC laws and regulations, his equity interests in Pincha, entirely or partially and one-off or by several times as solely decided by Beijing Outsell, at the lowest price permitted by the PRC laws at that time unless appraisal is required or other restrictions on purchase price applies under PRC laws. In the event of such transfer, the competent tax authority may require Beijing Outsell to pay enterprise income tax for ownership transfer income with reference to the market value instead of the price as stipulated in the Exclusive Purchase Agreement mentioned above, in which case Beijing Outsell may be subject to a substantial amount of tax and the financial condition of the Group may be adversely affected.

As at the Latest Practicable Date, the Group did not purchase any insurance to cover the risks relating to the Contractual Arrangements between Beijing Outsell and Pincha under the Structure Contracts or the New Structure Contracts. The Directors consider that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for the Group to have such insurance.

E. Operations in compliance with the Contractual Arrangements

The Group will adopt the following measures to ensure legal and regulatory compliance and to ensure the implementation of the Contractual Arrangements under the New Structure Contracts, as well as to ensure that Mr. Zhao, who is also an executive Director and the Chairman of the Company, will comply with the New Structure Contracts (including all the confirmations or undertakings made by Mr. Zhao and his spouse in connection with the New Structure Contracts):

- a) the Group has implemented corporate governance measures to manage any conflict of interest between the Group and Mr. Zhao or any of his associates; if required, legal advisors and/or other professionals will be retained to assist the Group to deal with specific issues arising from the New Structure Contracts and to ensure that the operation and implementation of the New Structure Contracts as a whole will comply with applicable laws and regulations;
- b) relevant business units and operation divisions of the Group will report regularly, which will be no less frequently than on a monthly basis, to the senior management of the Company in relation to compliance and performance conditions under the New Structure Contracts and other related matters;

LETTER FROM THE BOARD

- c) each of Mr. Zhao and any of his associates shall abstain from voting on any resolution in relation to the New Structure Contracts or any contract involving a conflict of interest with the New Structure Contracts, at any Board meeting or general meeting of the Company, in which he or any of his associates may have conflict of interest, and all such resolutions shall be passed unanimously or by the affirmative vote of a simple majority (as the case may be) of the Board or the general meeting of the Company, otherwise the relevant resolution would be considered as disapproved;
- d) the three independent non-executive Directors will continue to play an independent role in the Board by reviewing the effective implementation of the procedures and controls referred to above; and
- e) the independent non-executive Directors will also review the compliance of the Contractual Arrangements under the New Structure Contracts on an annual basis and their confirmation will be disclosed in the annual report of the Company.

In addition, the Group has already implemented corporate governance measures to manage any conflict of interest between the Group and the Directors.

III. RENEWAL OF THE DISTRIBUTION AGREEMENTS

As the term of the existing Distribution Agreements will expire on 31 December 2014, Beijing Outsell and Pincha entered into the New Distribution Agreement on 27 October 2014 for the purpose of renewal of the continuing connected transactions between the parties thereunder. Subject to the approval by the Independent Shareholders, the New Distribution Agreement shall supersede the existing Distribution Agreements from 1 January 2015 onwards. Details of the New Distribution Agreement are as follows:

Date

27 October 2014

Parties

- (1) Vendor: Beijing Outsell
- (2) Distributor and purchaser: Pincha

Term

Three years from 1 January 2015 to 31 December 2017

LETTER FROM THE BOARD

Major Terms and Conditions

Pursuant to the New Distribution Agreement, Pincha agreed to distribute the Products provided by Beijing Outsell or any of its subsidiaries globally through its e-commerce platform and telemarketing network.

Pricing Principle

The prices of the Products sold by Beijing Outsell to Pincha under the New Distribution Agreement shall be determined based on the cost plus reasonable profit margin, which is between 6.16%-20.54%, and will be adjusted from time to time according to the change of the profit margin range. Based on the functions performed, risks assumed and assets used by Beijing Outsell and Pincha to the sales transaction, by searching the independent third party comparable companies through the third party database (OSIRIS¹ of BUREAU van DIJK), to build up a set of the comparable companies of Beijing Outsell and the arm's length profit range, the range could be taken as the reference of establishing the pricing policy of the sales transaction.

In addition, the determination of the prices is also by reference to the historical selling prices of the products which were sold by Beijing Outsell to Pincha in the past three years.

The following internal control methods shall be taken to ensure the pricing mechanism to be fulfilled:

- (1) The internal audit department of Beijing Outsell would assess the rationality of the monthly cost and pricing by means of drawing certificate and procurement contracts and comparing the same with the historical figures on a monthly basis;
- (2) The marketing department of Beijing Outsell would conduct research on sales markets on a quarterly basis, report on whether the pricing is in accordance with market supply, and make suggestions to the management on the adjustment of the price;
- (3) The management of Beijing Outsell would discuss and carry out analysis on the profit rate and the pricing of the products based on the reported data, and make the final decision on whether to adjust the price or not; and
- (4) Each specific agreement entered into between Beijing Outsell (and/or any of its subsidiaries) and Pincha for the implementation of the New Distribution Agreement shall only take effect after going through all the internal approval process of Beijing Outsell including the approval by the vice president of Beijing Outsell.

¹ OSIRIS database is provided by Bureau van Dijk ("BvD") in the Netherlands, which is a well-known empirical analysis tool widely used in the fields of securities investment analysis, strategic operating analysis for enterprises, MNE transfer pricing, and corporate financial analysis in the European and American markets.

LETTER FROM THE BOARD

Having considered (i) the pricing mechanism and the terms of the transactions set out in the New Distribution Agreement are clear and specific; (ii) the background to and nature of the New Distribution Agreement; (iii) the methods and procedures established by the Company are sufficient; and (iv) appropriate internal control procedures are in place and the internal audit department of Beijing Outsell would review the transactions thereunder, the Directors are of the view that the transactions thereunder will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

Payment Arrangement

Payment of the price will be specified in individual order form to be signed between Beijing Outsell (or any of its subsidiaries) and Pincha.

IV. RENEWAL OF THE LEASE AGREEMENTS

As the term of the existing Lease Agreements entered into between Beijing Outsell and Pincha will expire on 31 December 2014, the parties entered into the New Lease Agreement on 27 October 2014 for the purpose of renewal of the continuing connected transactions between the parties thereunder. Subject to the approval by the Independent Shareholders, the New Lease Agreement shall supersede the existing Lease Agreements from 1 January 2015 onwards. Details of the New Lease Agreement are as follows:

Date

27 October 2014

Parties

- (1) Lessor: Beijing Outsell
- (2) Lessee: Pincha

Leased Premises and Term of the Lease

Beijing Outsell agreed to lease the Linglong Tiandi Properties with a total gross floor area of 437 sq. m. to Pincha for use as its offices for a term of three years from 1 January 2015 to 31 December 2017.

Rental and Other Fees

The aggregate rental for the Linglong Tiandi Properties to be paid by Pincha to the Group for each of the three years ending 31 December 2017 is RMB786,600, calculated based on the fixed monthly rental of RMB150 per sq. m. per month.

LETTER FROM THE BOARD

Pincha, the lessee, shall also pay other fees, being various sundry charges actually incurred (including but not limited to water, electricity, telephone tariffs, internet fees and cleaning fees, etc., where applicable) in connection with the use of the leased premises, to Beijing Outsell. However, since such fees will be paid by Beijing Outsell to various independent third party entities firstly, and then be allocated to Pincha and Beijing Outsell itself according to their actual use of such services. Hence, such other fees to be paid by Pincha to Beijing Outsell under the New Lease Agreement shall be a kind of sharing of administrative services between the listed issuer's group and a connected person and shall be exempted from the connected transaction requirements pursuant to Rule 14A.98 of the Listing Rules.

The above rental was determined with reference to the prevailing market rent for similar premises in comparable locations in Beijing (as known to the Company through consulting major real estate agents in Beijing, the prevailing market rent for similar premises in comparable locations in Beijing is in the range of RMB135 to RMB165 per sq. m. per month) and the rental charged by Beijing Outsell to other independent third parties for lease of other units of the Besunyen Building of Linglong Tiandi.

The human resource department and administration department of Beijing Outsell will review the actual utilization area of Pincha and the payment status to ensure Pincha to be in strictly compliance with the agreed terms as stipulated in the New Lease Agreement.

Having considered (i) the pricing mechanism and the terms of the transactions set out in the New Lease Agreement are clear and specific; (ii) the background to and nature of the New Lease Agreement; (iii) the methods and procedures established by the Company are sufficient; and (iv) appropriate internal control procedures are in place and the internal audit department of Beijing Outsell would review the transactions thereunder, the Directors are of the view that the transactions thereunder will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

Payment Arrangements

The rental shall be paid by Pincha by cash on a half-year basis.

LETTER FROM THE BOARD

V. PROPOSED ANNUAL CAPS

Set out below are historical transaction amount and historical annual caps between Beijing Outsell and Pincha under the Structure Contracts, the Distribution Agreements and the Lease Agreements:

	Year ended 31 December 2012	Year ended 31 December 2013	Eight months ended 31 August 2014
Historical Transaction Amount		<i>(RMB)</i>	
Structure Contracts	156,000	388,000	387,000
Distribution Agreements	19,209,000	19,819,000	10,482,000
Lease Agreements	1,194,000	933,000	532,000
Total	20,559,000	21,140,000	11,401,000
	Year ended 31 December 2012	Year ended 31 December 2013	Year ending 31 December 2014
Historical Annual Caps		<i>(RMB)</i>	
Structure Contracts	1,373,000	3,538,000	7,438,000
Distribution Agreements	48,551,000	97,156,000	165,094,000
Lease Agreements	1,195,000	2,466,000	2,466,000
Total	51,119,000	103,160,000	174,998,000

As at the Latest Practicable Date, the annual caps for the transactions contemplated under the New Structure Contracts, the New Distribution Agreement and the New Lease Agreement for the two years ended 31 December 2013 have not been exceeded, and it is expected that the transaction amount for the year ending 31 December 2014 will also be fall within the existing annual cap.

LETTER FROM THE BOARD

The Directors estimate the respective annual caps for the continuing connected transactions contemplated under the New Structure Contracts, the New Distribution Agreement and the New Lease Agreement for the three years ending 31 December 2017 as follows:

	Year ending 31 December 2015	Year ending 31 December 2016	Year ending 31 December 2017
Estimated Annual Caps		<i>(RMB)</i>	
New Structure Contracts	682,000	818,000	982,000
New Distribution Agreement	41,046,000	63,441,000	98,770,000
New Lease Agreement	786,600	786,600	786,600
Aggregate annual caps for the total amount to be paid by Pincha to Beijing Outsell under the above agreements	42,514,600	65,045,600	100,538,600

The above estimated annual caps were determined with reference to the historical transaction figures as listed above as well as the fixed annual rental for the leased premises under the New Lease Agreement and after taking into consideration the following factors:

- (i) As for the New Structure Contracts:
 - a) the services currently provided by Beijing Outsell to Pincha under the Exclusive Business Cooperation Agreement include human resource management, information consultation, financial and asset management and storage and custody services. Fees charged by Beijing Outsell for the provision of storage and custody services to Pincha are calculated based on the actual storage areas (around 700 sq. m.) used by Pincha multiplied by the rate of RMB 1.2 per sq. m. per day, which was determined with reference to the market rate for such storage and custody services in comparable locations in Beijing and the actual cost of the land and buildings owned by Beijing Outsell. Fees charged by Beijing Outsell for the provision of human resource management, information consultation, financial and asset management and other related services to Pincha are calculated on a cost-sharing basis, i.e. costs for providing such services, mainly labour and management costs, will be allocated to Pincha proportionally according to the amount and scope of the services provided; and

LETTER FROM THE BOARD

- b) the expected increase in the amount and scope of services to be provided by Beijing Outsell to Pincha in the next three years corresponding to the development and expansion of the business of Pincha (including the expected increase in the storage areas used by Pincha as mentioned above by 20% each year in the next three years), as well as the increase in the costs of Beijing Outsell for providing such services including the increase in labour costs (According to the data published by Beijing Statistics Bureau, the employee's average salary in Beijing in 2012 and 2013 has continuously increased around 11% per annum as compared with the previous years and the upward trend is expected to be retained for the next three years.).
- (ii) As for the New Distribution Agreement:
- a) the potential increase in the sales price of the Products under the New Distribution Agreement in the next three years due to the increase in production cost including raw materials prices and labour costs; according to the data published by Beijing Statistics Bureau, the employee's average salary in Beijing in 2012 and 2013 has continuously increased around 11% per annum as compared with the previous years and the upward trend is expected to be retained for the next three years. The procurement prices of the main raw materials of the Company had been in a gradual increasing trend in the last three years;
 - b) the expected continuous growth of internet users in the PRC in the next three years which may result in the corresponding increase in the sales volume under the New Distribution Agreement; according to the data published by China Internet Network Information Center, the coverage rate of internet in China has increased from 38.3% in 2011 to 46.9% in June 2014 and the continuous growth of the internet users is expected to be retained for the next three years and such trend is expected to be continued;
 - c) the expected rapid growth of the e-commerce market in the PRC in the next three years which may also result in the corresponding increase in the sales volume under the New Distribution Agreement; according to the data published by iResearch (an independent internet research company), the transaction volume of e-commerce market has increased 28.1% and 21.3% year on year in 2012 and 2013, respectively and it is expected to reach 27.9% in 2014;

LETTER FROM THE BOARD

- d) as mentioned in the 2014 interim report of the Company, the Group plans to further promote its new herbal tea products and new package for such products for online sales only through the e-commerce channel of Pincha, which will be more fashionable and expects to attract more customers; and launch other new products in stock on the market when appropriate, which will be promoted online among the accumulated online customers of Pincha; and the slimming tea and detox tea with special specifications for exclusive e-commerce sales have been online sold in November 2014, which will lead to the increase in the online market share of Pincha. All of above are expected to result in the increase in the sales volume under the New Distribution Agreement in the next three years; and
 - e) the expected increase in the sales volume and market share of the e-commerce operated by Pincha due to the unified sales price resulting from the enhancement of the control of the traditional sales channels of the Group which focuses on the management of the prices in the market and the establishment of a fair market environment.
- (iii) A 3% buffer has been included for the estimated transaction amount between the Group and Pincha under the New Structure Contracts and the New Distribution Agreement for any unexpected increase in the aforesaid amount in the next three years. Such buffer has taken into account the latest consumer price index (CPI) published by National Statistics Bureau of PRC, pursuant to which CPI has increased 5.4%, 2.6% and 2.6% year on year in 2011, 2012 and 2013, respectively.

VI. REASONS FOR AND BENEFITS OF RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS

Pincha became the Company's subsidiary after the execution of the Structure Contracts, upon which the Group would obtain financial and operational control of Pincha through Beijing Outsell. Upon the execution of the New Structure Contracts, the New Distribution Agreement and the New Lease Agreement for the purpose of the renewal of the Contractual Arrangements as well as the continuing connected transactions thereunder, Beijing Outsell will continue to expand its distribution network via the internet at a low cost and shorten the sales process by having direct access to customers. Further, through co-operation with Pincha pursuant to the terms of the New Distribution Agreement, Beijing Outsell will be able to explore the global e-commerce markets and make its distribution network more effective and cost efficient, so as to strengthen the Group's market position in the therapeutic tea industry.

LETTER FROM THE BOARD

The Directors (excluding the independent non-executive Directors) are of the view that (i) Mr. Zhao will not take advantage of his position as a controlling shareholder of the Company under the New Structure Contracts, and the New Structure Contracts are fundamental to the Company's e-commerce business legal structure and operations, and the terms and conditions therein are fair and reasonable and in the interests of the Company and its Shareholders as a whole; (ii) the New Distribution Agreement and the New Lease Agreement were entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms and conditions therein are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (iii) the respective proposed annual caps for the continuing connected transactions contemplated under the New Structure Contracts, the New Distribution Agreement and the New Lease Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Zhao, being an executive Director and the owner of 100% equity interest in Pincha, and Ms. Gao Yan, being an executive Director and spouse of Mr. Zhao, have abstained from voting on the resolution in respect of the New Structure Contracts, the New Distribution Agreement and the New Lease Agreement, as well as the respective proposed annual caps for the continuing connected transactions contemplated thereunder at the Board meeting. Save for Mr. Zhao and Ms. Gao Yan, none of the other Directors has a material interest in the aforesaid transactions and is required to abstain from voting on the relevant resolution at the Board meeting.

VII. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Pincha is wholly-owned by Mr. Zhao, the controlling shareholder of the Company and an executive Director. Therefore, both Mr. Zhao and Pincha are connected persons of the Company for the purpose of the Listing Rules, and the transactions contemplated among Beijing Outsell, Mr. Zhao and Pincha under each of the New Structure Contracts, the New Distribution Agreement and the New Lease Agreement constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios in respect of the aggregate annual caps for the continuing connected transactions contemplated under the New Structure Contracts, the New Distribution Agreement and the New Lease Agreement exceed 5%, both the entering into of such agreements and the respective proposed annual caps for the continuing connected transactions contemplated thereunder are subject to the independent shareholders' approval requirement in addition to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

VIII. GENERAL INFORMATION ON THE PARTIES TO THE TRANSACTIONS

Information on Beijing Outsell

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

LETTER FROM THE BOARD

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 and the New Structure Contracts, Pincha became and will continue to be a wholly-owned subsidiary of the Company, and the Group would obtain financial and operational control of Pincha through Beijing Outsell.

IX. EGM

Set out on pages 63 and 64 of this circular is the notice convening the EGM to be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 10:30 a.m. on 15 December 2014 at which an ordinary resolution will be proposed to approve the New Structure Contracts, the New Distribution Agreement and the New Lease Agreement as well as the respective proposed annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2017, details of which are set out in the notice of the EGM. In accordance with the requirements of the Listing Rules, all votes at the EGM must be taken by way of poll except that the chairman of the meeting may, in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

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 his respective associates, together held Shares representing approximately 61.51% of the issued share capital of the Company and therefore will abstain from voting on the ordinary resolution to be proposed at the EGM. Save as disclosed above, no other Shareholder is required to abstain from voting on the ordinary resolution to be proposed at the EGM.

The Independent Board Committee has been formed to consider and advise the Independent Shareholders on the New Structure Contracts, the New Distribution Agreement and the New Lease Agreement as well as the respective proposed annual caps for the continuing connected transactions contemplated thereunder, and the Independent Financial Adviser has been appointed by the Company to advise the Independent Board committee and the Independent Shareholders in this regard.

X. 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, 17th Floor, 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.

LETTER FROM THE BOARD

XI. RECOMMENDATION

The Directors (excluding the independent non-executive Directors) are of the view that (i) Mr. Zhao will not take advantage of his position as a controlling shareholder of the Company under the New Structure Contracts, and the New Structure Contracts are fundamental to the Company's e-commerce business legal structure and operations, and the terms and conditions therein are fair and reasonable and in the interests of the Company and its Shareholders as a whole; (ii) the New Distribution Agreement and the New Lease Agreement were entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms and conditions therein are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (iii) the respective proposed annual caps for the continuing connected transactions contemplated under the New Structure Contracts, the New Distribution Agreement and the New Lease Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Accordingly, the Directors (excluding the independent non-executive Directors) recommend the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM.

XII. ADDITIONAL INFORMATION

Your attention is also drawn to (i) the letter from the Independent Board Committee with its recommendation to the Independent Shareholders; (ii) the letter of advice 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)

17 November 2014

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 17 November 2014 (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 consider and advise you as to whether, in our opinion, the terms and conditions of the New Structure Contracts, the New Distribution Agreement and the New Lease Agreement as well as the respective proposed annual caps for the continuing connected transactions contemplated thereunder (details of which are set out in the letter from the Board in the Circular) are fair and reasonable so far as the Independent Shareholders are concerned.

Everbright has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms and conditions of the New Structure Contracts, the New Distribution Agreement and the New Lease Agreement as well as the respective proposed annual caps for the continuing connected transactions contemplated thereunder. Particulars of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter set out on pages 33 to 56 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 30 of the Circular and the additional information set out in the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms and conditions of the New Structure Contracts, the New Distribution Agreement and the New Lease Agreement, the interests of the Independent Shareholders and the advice given by the Independent Financial Adviser, we are of the opinion that (i) the terms and conditions of the New Structure Contracts are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; (ii) the New Distribution Agreement and the New Lease Agreement were entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms and conditions therein are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole; and (iii) the respective proposed annual caps for the continuing connected transactions contemplated under the New Structure Contracts, the New Distribution Agreement and the New Lease Agreement are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the New Structure Contracts, the New Distribution Agreement and the New Lease Agreement as well as the respective proposed annual caps for the continuing connected transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

the Independent Board Committee

Besunyen Holdings Company Limited

Mr. Huang Jingsheng Mr. Wang Jing Mr. Ren Guangming

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from China Everbright Capital Limited to the Independent Board Committee and the Independent Shareholders in relation to the renewal of continuing connected transactions prepared for the purpose of inclusion in this circular.



17 November 2014

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

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the New Lease Agreement, the New Distribution Agreement and the New Structure Contracts, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular (the “**Circular**”) dated 17 November 2014 issued by the Company, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

At the extraordinary general meeting of the Company on 20 August 2012, the then Independent Shareholders approved the Distribution Agreements, the Lease Agreements and the Structure Contracts, including the existing annual caps (“**Existing Annual Caps**”) for the three financial years ending 31 December 2014.

In view of the expiry of the Distribution Agreements, the Lease Agreements and the Structure Contracts on 31 December 2014, (i) the New Distribution Agreement and the New Lease Agreement for a further term expiring on 31 December 2017; and (ii) the New Structure Contracts for a further term expiring on 31 December 2038, which will be put forward for approval by the Independent Shareholders at the EGM, were signed on 27 October 2014 in order to govern the conduct of the continuing connected transactions (“**Continuing Connected Transactions**”) contemplated under the New Distribution Agreement, the New Lease Agreement and the New Structure Contracts for the three years ending 31 December 2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pincha is wholly-owned by Mr. Zhao, the controlling shareholder of the Company and an executive Director. Therefore, Pincha is a connected person of the Company. As one or more of the applicable percentage ratios in respect of the aggregate annual caps for the continuing connected transactions contemplated under the New Distribution Agreement, the New Lease Agreement and the New Structure Contracts exceed 5%, both the entering into of such agreements and the proposed annual caps (the “**Annual Caps**”) for the continuing connected transactions contemplated thereunder are subject to independent shareholders’ approval requirement in addition to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of the three independent non-executive Directors, has been formed to consider whether (i) the terms of the New Distribution Agreement, the New Lease Agreement and the New Structure Contracts are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the transactions under the New Distribution Agreement, the New Lease Agreement and the New Structure Contracts, including the Annual Caps, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect thereof. We, China Everbright Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, Everbright did not have any relationships or interests with the Company or Pincha that could reasonably be regarded as relevant to the independence of Everbright. In the last two years, there was no engagement between the Group and Everbright. Apart from normal professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby we will receive any fees and benefits from the Group, Pincha or any of their respective associates. As at the Latest Practicable Date, there were no relationships or interests between (a) Everbright and (b) the Group and Pincha that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions as detailed in the Circular.

BASIS OF OUR OPINION

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the management (“**Management**”) of the Company and have assumed that such information, facts and opinions are true and accurate. We have also sought and received confirmation from the Management that no material facts have been omitted from the information supplied and opinions expressed to us. However, we have not conducted any independent investigation into the business, operations or financial condition of the Group. We have assumed that all statements and representations made or referred to in the Circular were accurate at the time when they were made and are true at the date of the Circular.

We consider we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation.

PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In formulating our view on the transactions contemplated under the New Distribution Agreement, the New Lease Agreement and the New Structure Contracts, we have taken into consideration the principal factors and reasons as set out below. In reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our opinion based on the results of all analysis taken as a whole.

(A) Background of and reasons for the Continuing Connected Transactions

The Company is principally engaged in manufacturing and sales of therapeutic tea products. Beijing Outsell, an indirect wholly-owned subsidiary and the primary operating entity of the Company, is principally engaged in the business of development, production, sales and promotion of therapeutic teas.

Pincha, which is wholly-owned by Mr. Zhao, is principally engaged in online sales and marketing of therapeutic tea and other tea products. Pincha 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) in September 2010.

As disclosed in Letter from the Board, since 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 shall not exceed 50% and the foreign investors shall have operation experiences in the area of value-added telecommunications, on 28 March 2011, Beijing Outsell is not allowed to conduct e-commerce activities in the PRC itself due to such restrictions.

To facilitate the Group's development of e-commerce business, Beijing Outsell entered into the Structure Contracts with Mr. Zhao and Pincha, for the purpose of using Pincha as a vehicle to conduct e-commerce activities in the PRC for the Group through the Contractual Arrangements between Beijing Outsell and Pincha.

As stated in the Company's 2014 Interim Report, the Group's revenue increased by 24.7% from RMB251.8 million in the first half of 2013 to RMB314.0 million in the same period of 2014. Among which, the revenue of Besunyen Detox Tea increased by 8.4% from RMB117.7 million in the first half of 2013 to RMB127.5 million in the same period of 2014, mainly due to the increase in sales volume from 81.7 million tea bags in the first half of 2013 to 88.1 million tea bags in the same period of 2014. The revenue of Besunyen Slimming Tea increased by 39.8%, from RMB130.8 million in the first half of 2013 to RMB182.9 million in the same period of 2014, mainly due to (1) the increase in the sales volume of slimming tea by 9.9% from 117.7 million bags in the first half of 2013 to 129.3 million bags; and (2) the cross-the-board price increase of slimming tea from 1 January 2014.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Management, the increase of the Group's sales volume and selling price of slimming tea have reflected the Group's success on its multi-level marketing and the expansion sales network of traditional channels. For example, from 1 January 2014, the Group adopted new packages for Besunyen Detox Tea and Besunyen Slimming Tea. The design is based on the herbal ingredients of the products, which improves the product image and is highly recognised by the customers. In the meantime, as a response to the new packages and price increase, in the first half of 2014, the Company ran advertisements on different medias including TV, internet and outdoor platform continuously, and produced propaganda about health for broadcasting. Such moves aimed at maintaining the existing clients as well as exploring the new clients through media campaign and market education.

In addition, as advised by the Management, there is a growing trend of online shopping over the past few years, which provides the customers with a convenient way of shopping. Accordingly, the Management considers 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 online shopping. Furthermore, the Management advises us that the Group, through the e-commerce platform of Pincha, is able to carry out different kinds of promotion campaigns, which may include designing special packing for online products and giving out free gifts for online shopping, which is considered by the Group as an effective way to attract customers so as to stimulate business growth of the Group.

Upon entering into the Structure Contracts, the Company has the power to control Pincha, obtain variable returns from its involvement with Pincha and affect the amount of investor's returns in Pincha, therefore Pincha shall be continuously treated as a wholly-owned subsidiary of the Company pursuant to the IFRS 10. As the term of the Structure Contracts will expire on 31 December 2014, Beijing Outsell and Pincha entered into (i) the New Structure Contracts, which comprises the Exclusive Business Cooperation Agreement, the Equity Interests Pledge Agreement, the Exclusive Purchase Agreement and the Power of Attorney; and (ii) the New Distribution Agreement and the New Lease Agreement on 27 October 2014 for the purpose of the renewal of the Contractual Arrangements between the Group and Pincha as well as the continuing connected transactions between the parties thereunder.

As disclosed in the Letter from the Board, the Directors are of the view that since the Contractual Arrangements under the New Structure Contracts are fundamental to the Group's e-commerce business operation, which enable the Group continues to explore the global e-commerce markets and make its distribution network more effective and cost efficient, so as to strengthen the Group's market position in the therapeutic tea industry, it is in the interests of the Company and the Shareholders as a whole to have the term of such agreement to be a longer period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the above commercial justifications, and (i) the Group has conducted the above transactions with Pincha over the past three years, and the e-commerce platform of Pincha has gradually become an important business platform of the Group; (ii) as a result of Pincha carrying out the e-commerce business of the Group under the New Distribution Agreements, Beijing Outsell leases the Linglong Tiandi Properties to Pincha for use as offices; (iii) the New Distribution Agreement, the New Lease Agreement and the New Structure Contracts are renewal of the Distribution Agreement, the Lease Agreement and the Structure Contracts, which were approved by the then Independent Shareholders, with the intention to ensure continuation of the existing business transactions Pincha; and (iv) upon entering into the Structure Contracts, the Company has the power to control Pincha, obtain variable returns from its involvement with Pincha and affect the amount of investor's returns in Pincha, therefore Pincha shall be continuously treated as a wholly-owned subsidiary of the Company pursuant to the IFRS 10, therefore, the transactions between the Group with Pincha have been treated as intra-group transactions, and the financial results of Pincha have been fully consolidated into the Group's results, we concur with the Directors' view that the entering into of the New Distribution Agreement, the New Lease Agreement and the New Structure Contracts is in line with the Group's business strategy to develop its online sales network and distribution channels, in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

(B) Principal terms of the New Structure Contracts, New Distribution Agreement and the New Lease Agreement

(1) The New Structure Contracts

As stated in the Letter from the Board, the New Structure Contracts comprises the Exclusive Business Cooperation Agreement, the Equity Interests Pledge Agreement, the Exclusive Purchase Agreement and the Power of Attorney. Subject to the approval by the independent Shareholders, the New Structure Contracts shall supersede the existing Structure Contracts from 1 January 2015 onwards. For the details of the terms of the New Structure Contracts, please refer to the Letter from the Board.

Set out below are the major terms of the New Structure Contracts and its implication to the Group:

- Under the Exclusive Business Cooperation Agreement, Beijing Outsell and Pincha agree that, during the term of the agreement, Beijing Outsell (or any party designated by Beijing Outsell) shall provide to Pincha, on an exclusive basis, technical consulting and management services including but not limited to technical services, network support, business consulting, intellectual property license, equipment leasing, marketing consulting, system integration, products research and development, systematic maintenance and other services as permitted by the laws of the PRC at the request of Pincha from time to time. In return, Pincha shall pay the service fees to Beijing Outsell, which will be determined based on the amount and business value of the services provided by Beijing Outsell to it, and Beijing Outsell has the right to adjust the rate of the service fees at any time according to the amount and scope of the services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Under the Equity Interests Pledge Agreement, Mr. Zhao agreed to pledge all his equity interests in Pincha to Beijing Outsell as security for, among others, the performance of all the obligations of Pincha under the Exclusive Business Cooperation Agreement.
- Under the Exclusive Purchase Agreement, Mr. Zhao irrevocably granted to Beijing Outsell an option to acquire (or authorize one or more persons to acquire) at any time, to the extent permitted by applicable PRC laws and regulations, his equity interests in Pincha, entirely or partially and one-off or by several times as solely decided by Beijing Outsell, at the lowest price permitted by the PRC laws at that time unless appraisal is required or other restrictions on purchase price apply under PRC laws; and Pincha also agreed on the grant of such option by Mr. Zhao to Beijing Outsell. It is also agreed that when the relevant PRC law permits Beijing Outsell to operate value-added telecommunications business directly, or the equity interests of Pincha to be directly held by Beijing Outsell while it continues to operate its value-added telecommunications business, the parties will carry out all necessary actions to give effect to the obtaining of the entire equity interest in Pincha by Beijing Outsell or third party designated by Beijing Outsell which must be a subsidiary of the Company pursuant to the provisions of the Exclusive Purchase Agreement, as well as unwind the contracts, agreements and other legal documents in connection with the Contractual Arrangements, including but not limited to the Exclusive Business Cooperation Agreement, the Equity Interests Pledge Agreement, the Exclusive Purchase Agreement and the Power of Attorney.
- Under the Power of Attorney which shall remain in full force and effect within the term of the New Structure Contracts, Mr. Zhao irrevocably authorized the board of directors or executive director or the legal representative of Beijing Outsell, or any person appointed by any of the aforesaid persons or its successor (the “**Authorized Person**”) to exercise all his rights and powers as the sole shareholder of Pincha. The Authorized Person must be a PRC citizen and must not be Mr. Zhao or any of his associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- As stated in the Letter from the Board, the Company's PRC legal advisor, Jia Yuan Law Offices, is of the opinion that, on 27 October 2014, the execution, delivery and performance of the agreements or document underlying the New Structure Contracts by Beijing Outsell, Pincha and Mr. Zhao (as the case may be), severally and jointly, are (i) legal and valid and do not violate relevant PRC laws, administrative regulations and regulatory rules of the industry administrative authorities, including but not limited to the General Principles of the Civil Law of the PRC and the PRC Contract Law; and (ii) are legally binding on and enforceable against each party of such agreement or document under the PRC laws, except for relevant provisions in respect of remedies over the shares of Pincha or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) and/or interim remedies to discontinue the business operation of Pincha awarded by the arbitral body, or interim remedies granted by courts with competent jurisdiction (including but not limited to courts in Hong Kong and the Cayman Islands) in support of the arbitration pending the formation, or opening of the session, of an arbitral tribunal under the Exclusive Business Cooperation Agreement, the Equity Interests Pledge Agreement and the Exclusive Purchase Agreement.

- As disclosed in the Letter from the Board, the New Structure Contracts would ensure that:
 1. the Group is able to continue to exercise significant control over Pincha pursuant to the provisions contained in the agreements or document underlying the New Structure Contracts, which also confer the economic benefits from Pincha to the Group based on the entitlement of Beijing Outsell to the dividends of Pincha under the Equity Interests Pledge Agreement and the Power of Attorney as mentioned above;
 2. the Group would have the right to continue to govern the management of Pincha;
 3. 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); and
 4. the Company is able to continue to consolidate the financial results of Pincha into the Group's results under the IFRS upon entering into the New Structure Contracts.

As stated in the Letter from the Board, we were advised that to ensure the Beijing Outsell's conformity with the above pricing policies from time to time, Beijing Outsell would adopt a series of internal control policies for its daily operation. Such internal control policies include:

- the human resources department of Beijing Outsell would make the adjustment on the fee to be allocated to Pincha by reviewing the human resources structure of Beijing Outsell and Pincha and the utilization of employees by Pincha on a monthly basis;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- the IT department of Beijing Outsell would make the assessment on the allocation ratio for the amount of the services utilized by Pincha on a monthly basis;
- the internal audit department of Beijing Outsell would conduct the review on the allocation standard and amount by checking the data provided by human resources department and IT department on a monthly basis;
- the financial department of Beijing Outsell would check whether the payment of Pincha is in compliance with the agreed terms, on a quarterly basis;
- the production department of Beijing Outsell would supervise and report to the management on the utilization of the storage and custody, which would also be reviewed by the internal audit department; and
- each specific agreement entered into between Beijing Outsell and Pincha for the implementation of the Exclusive Business Cooperation Agreement shall only take effect after going through all the internal approval process of Beijing Outsell including the approval by the vice president of Beijing Outsell.

The independent non-executive Directors of the Company have reviewed and would continue to review the terms of agreements constituting the New Structured Contracts and the transactions contemplated thereunder to ensure such transactions are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements. The auditors of the Company would also conduct an annual review on the pricing terms and annual caps of the agreements constituting the New Structured Contracts and the transactions contemplated thereunder.

Having considered that (i) background and nature of the New Structured Contracts; (ii) the transactions contemplated under the agreements constituting the New Structured Contracts have been carried out by the Group in its ordinary and usual course of business; (iii) the terms of the agreements constituting the New Structured Contracts are normal commercial terms; and (iv) the measures in place to ensure the Company's conformity with the pricing policies of the agreements constituting the New Structured Contracts from time to time, we are of the view that the terms of agreements constituting the New Structured Contracts and the transactions contemplated thereunder are fundamental to the Group's legal structure and e-commerce business operation in the PRC and that the e-commerce business of the Group in the PRC subject to the New Structured Contracts have been and shall be entered into in the ordinary and usual course of business of the Group, and are on normal commercial terms and are fair and reasonable and are in the interests of the Independent Shareholders as a whole.

We noted that the durations of the agreements constituting the New Structured Contracts are in excess of three years. In accordance to Rule 14A.52 of the Listing Rules, we as the independent financial adviser shall explain why the agreements constituting the New Structured Contracts requires longer terms, and to confirm that it is the normal business practice for contracts of this type to be of such duration.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on our discussion with the Board, we understand that:

- under the existing PRC laws and regulations restrict foreign investment in value-added telecommunication business in the PRC. The Group, excluding Pincha, does not have the requisite licenses to provide services regarding value-added telecommunication in the PRC. Therefore, Beijing Outsell is not allowed to conduct e-commerce activities in the PRC itself due to such restrictions;
- Pincha obtained a Telecom and Information Service Operation License (電信與信息服務業務經營許可證), which is the necessary license to conduct e-commerce activities in the PRC, from Beijing Communications Administration (北京市通信管理局) in September 2010;
- to facilitate the Group's development of e-commerce business, Beijing Outsell entered into the Structure Contracts with Mr. Zhao and Pincha, for the purpose of using Pincha as a vehicle to conduct e-commerce activities in the PRC for the Group through the Contractual Arrangements between Beijing Outsell and Pincha;
- upon entering into the Structure Contracts, the Company has the power to control Pincha, obtain variable returns from its involvement with Pincha and affect the amount of investor's returns in Pincha, therefore Pincha shall be continuously treated as a wholly-owned subsidiary of the Company pursuant to the IFRS 10; and
- the Group has conducted the above transactions with Pincha over the past three years, and the e-commerce platform of Pincha has gradually become an important business platform of the Group.

In addition, based on our review on certain listing documents (i) issued by listed issuers (“**Listed Issuers**”) during the period from 1 January 2013 to the Latest Practicable Date; and (ii) business of the Listed Issuers involves value-added telecommunication service in the PRC, we noted that:

- due to restriction of the existing PRC laws and regulations on foreign investment in value-added telecommunication business in the PRC, the Listed Issuers entered into structure contracts, with terms similar to the New Structure Contracts, with relevant PRC domestic companies (“**PRC Domestic Companies**”) which (i) hold(s) the Telecom and Information Service Operation License; and (ii) is/are owned by the respective shareholders of the Listed Issuers in order to enable such PRC Domestic Companies can be effective controlled by the respective Listed Issuer; and
- the terms of structure contracts between the Listed Issuers and their respective PRC Domestic Companies shall continue indefinitely unless the relevant restriction of the existing PRC laws and regulations on foreign investment in value-added telecommunication business in the PRC are changed.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With respect to the term of relevant agreements constituting the New Structured Contracts which is of a duration longer than three years, based on the above work done performed by us and our discussion with the Management on the reasons and benefits of the New Structured Contracts, in particular, through the execution of the New Structured Contracts, (i) the financial and operational policies of Pincha can be effectively controlled by the Group; (ii) the Group can obtain the economic benefits from the operation of Pincha; and (iii) any possible dissipation of assets and values of Pincha can be prevented, we are of the view that the New Structured Contracts requires a duration of longer than three years, and it is normal business practice for agreements of this type to be of such duration.

(2) *The New Distribution Agreements*

The major terms of the New Distribution Agreements are as follows:

Parties:	Vendor: Beijing Outsell
	Distributor and purchaser: Pincha
Terms:	Three years from 1 January 2015 to 31 December 2017
Transaction nature:	Pursuant to the New Distribution Agreement, Pincha agreed to distribute the Products, which include but not limited to the products under the “Besunyen” and “VS Series” brands, provided by Beijing Outsell or any of its subsidiaries globally through its e-commerce platform and telemarketing network.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Pricing Principle: The prices of the Products sold by Beijing Outsell to Pincha under the New Distribution Agreement shall be determined based on the cost plus reasonable profit margin, which is between 6.16%-20.54%, and will be adjusted from time to time according to the change of the profit margin range. Based on the functions performed, risks assumed and assets used by Beijing Outsell and Pincha to the sales transaction, by searching the independent third party comparable companies through the third party database (OSIRIS of BUREAU van DIJK), to build up a set of the comparable companies of Beijing Outsell and the arm's length profit range, the range could be taken as the reference of establishing the pricing policy of the sales transaction.
- Payment Arrangement: Payment of the price will be specified in individual order form to be signed between Beijing Outsell (or any of its subsidiaries) and Pincha.

As advised by the Management, the Group has not engaged other independent service provider in relation to the distribution of the Products, which include but not limited to the products under the "Besunyen" and "VS Series" brands through e-commerce platform and telemarketing network. Therefore, it is not feasible for us to compare to terms of the New Distribution Agreement with similar agreement entered into with other independent service providers.

However, as disclosed in the Letter from the Board, full cost plus method will be applied under the New Distribution Agreement. The prices of the Products sold by Beijing Outsell to Pincha under the New Distribution Agreement shall be determined based on the cost plus a reasonable profit margin ("**Range of Profit Margin**"), which is between 6.16%-20.54% (depending on functions performed, risks assumed and assets used by Beijing Outsell and Pincha to the sales transaction, and will be subject to adjustment from time to time). As advised by the Management, the Range of Profit Margin is determined with reference to profit margin charged by five comparable companies ("**Comparable Companies**") which are engaged in production and sales of health care products and/or tea products in Asia, according to third party database (OSIRIS of BUREAU van DIJK). As stated in the Letter from the Board, OSIRIS database is provided by Bureau van Dijk ("**BvD**") in the Netherlands, which is a well-known empirical analysis tool widely used in the fields of securities investment analysis, strategic operating analysis for enterprises, MNE transfer pricing, and corporate financial analysis in the European and American markets. Therefore, we consider that the data retrieved from OSIRIS database is independent and reliable source of information.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, we also reviewed the background and business nature of the Comparable Companies retrieved from OSIRIS database, we are of the view that the figures of the Comparable Companies are fair and representative samples for our comparison analysis in relation to the pricing mechanism under the New Distribution Agreement. We have reviewed the above database research result, and noted that the Range of Profit Margin is within the range of profit margin charged by the Comparable Companies.

As stated in the Letter from the Board, we were advised that to ensure the pricing mechanism under the New Distribution Agreement to be fulfilled from time to time, Beijing Outsell would adopt a series of internal control policies for its daily operation. Such internal control policies include:

- the internal audit department of Beijing Outsell would assess the rationality of the monthly cost and pricing by means of drawing certificate and procurement contracts and comparing the same with the historical figures on a monthly basis;
- the marketing department of Beijing Outsell would conduct research on sales markets on a quarterly basis, and report on whether the pricing is in accordance with market supply, and make suggestions to the management on the adjustment of the price;
- the management would discuss and analyse the profit rate and the pricing of the products based on the reported data, and make the final decision on whether to adjust the price or not; and
- Each specific agreement entered into between Beijing Outsell (and/or any of its subsidiaries) and Pincha for the implementation of the New Distribution Agreement shall only take effect after going through all the internal approval process of Beijing Outsell including the approval by the vice president of Beijing Outsell.

As stated in the Letter from the Board, the Directors are of the view that the transactions thereunder will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

Based on the above, in particular, (i) our review on the database research result retrieved from OSIRIS database which showed the Range of Profit Margin is within the range of profit margin charged by the Comparable Companies; and (ii) certain internal control measures and annual review by auditors and the Independent Directors have been in place to ensure the Company's conformity with the pricing policies under the New Distribution Agreement from time to time, we are of the view that the terms of the New Distribution Agreement are commercially reasonable and justifiable, and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(3) *The New Lease Agreement*

The principal terms of the New Lease Agreement are as follows:

Parties: Lessor: Beijing Outsell

Lessee: Pincha

Term of lease : Beijing Outsell agreed to lease the Linglong Tiandi Properties with a total gross floor area of 437 sq. m. to Pincha for use as its offices for a term of three years from 1 January 2015 to 31 December 2017.

Rental: The aggregate rental for the Linglong Tiandi Properties to be paid by Pincha to the Group for each of the three years ending 31 December 2017 is RMB 786,600, calculated based on the fixed monthly rental of RMB 150 per sq. m. per month.

The above rental was determined with reference to the prevailing market rent for similar premises in comparable locations in Beijing (as known to the Company through consulting major real estate agents in Beijing, the prevailing market rent for similar premises in comparable locations in Beijing is in the range of RMB135 to RMB165 per sq. m. per month) and the rental charged by Beijing Outsell to other independent third parties for lease of other units of the Besunyen Building of Linglong Tiandi.

Payment Arrangement: The rental shall be paid by Pincha by cash on a half-year basis.

As stated in the Letter from the Board, the human resource department and administration department of Beijing Outsell will review the actual utilization area of Pincha and the payment status to ensure that Pincha would be in strictly compliance with the agreed terms as stipulated in the New Lease Agreement.

We have reviewed the terms of the New Leasing Agreement, and compared the unit rental payable and payment terms therein with the lease agreements in respect of certain units at Besunyen Building of Linglong Tiandi leased by Pincha to independent lessees. We noted that the unit rentals payable by, and the payment terms applicable to Pincha are no more favourable than the prevailing unit rentals payable by, and the payment terms applicable to, the independent third party.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of above and the results of our due diligence review, we consider that the terms and conditions of the New Lease Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(C) Review of the Continuing Connected Transaction by the auditors

The auditors of the Company have performed a review of the Continuing Connected Transactions for the two financial years ended 31 December 2012 and 2013 (the “**Past Transactions**”). We noted from the 2012 and 2013 annual reports of the Company (“**Annual Reports**”) and understood from the Management that the auditors confirmed that the Past Transactions (a) had received the approval of the Board; (b) were, in all material respects, in accordance with the pricing policies of the Group; (c) had been entered into, in all material respects, in accordance with terms of the relevant agreements governing them; and (d) had not exceeded the relevant annual caps. Accordingly, we consider that the Group has established a good track record on compliance matters in relation to the Continuing Connected Transactions.

Given the above and (i) the independent non-executive Directors will continue to, pursuant to Rule 14A.55 of the Listing Rules, review, among other things, whether the transactions contemplated under the New Distribution Agreement, the New Lease Agreement and the New Structure Contracts are conducted on normal and commercial terms; and (ii) the auditor of the Company will continue to, review transactions contemplated under the New Distribution Agreement, the New Lease Agreement and the New Structure Contracts in accordance with Rule 14A.56 of the Hong Kong Listing Rule, we are of the view that adequate measures have been put in place, as required under the Listing Rules mentioned above, to monitor the transactions contemplated under the New Distribution Agreement, the New Lease Agreement and the New Structure Contracts in order to protect the interests of the Company and the Independent Shareholders.

(D) The Annual Caps

The Continuing Connected Transactions are subject to the Listing Rules’ requirements and conditions as discussed in detail under the section headed “Reporting requirements and conditions of the Continuing Connected Transactions” below. In particular, the Continuing Connected Transactions are subject to the Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Review of historical figures

The table below sets out (i) the historical transaction amounts of the Distribution Agreement, the Lease Agreement and the Structure Contracts for each of the two years ended 31 December 2013 and the eight months ended 31 August 2014 (“**Relevant Period**”) and (ii) the Existing Annual Caps:

Historical transaction amounts during the Relevant Period

	Year ended 31 December		Eight months ended 31 August
	2012	2013	2014
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
The Structure Contracts	156,000	388,000	387,000
The Distribution Agreements	19,209,000	19,819,000	10,482,000
The Lease Agreements	1,194,000	933,000	532,000
Total	20,559,000	21,140,000	11,401,000

The Existing Annual Caps

	Year ended/ending 31 December		
	2012	2013	2014
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
The Structure Contracts	1,373,000	3,538,000	7,438,000
The Distribution Agreements	48,551,000	97,156,000	165,094,000
The Lease Agreements	1,195,000	2,466,000	2,466,000
Total	51,119,000	103,160,000	174,998,000

We noted that the actual historical transaction amounts under the Distribution Agreements, the Lease Agreements and the Structure Contracts were substantially lower than the Existing Annual Caps during the Relevant Period. After discussion with the Management, we were informed that such differences were mainly attributable to:

- according to the Company’s circular dated 2 August 2012, Annual Reports, the Existing Annual Caps under the Distribution Agreements were adjusted upward to approximately RMB48.6 million, approximately RMB97.2 million and approximately RMB165.1 million for the three year ending 31 December 2014 due to (i) the better than expected fast growing e-commerce business of Pincha for the period from January 2012 to June 2012; and (ii) the Board expected that the annual transaction amounts under the Distribution Agreements will be increased significantly for the years ended 31 December 2012 and 2013 because of 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;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- However, as disclosed in the Annual Reports, the revenue of the Group decreased by 43.5% from RMB840.4 million in 2011 to RMB475.2 million in 2012. Due to the challenging economic environment, there was a slow recovery in demand for the Group's products from distributors after the reduction of sales in the second half of 2011. The revenue of Besunyen Detox Tea decreased by 53.8% from RMB417.8 million in 2011 to RMB193.0 million in 2012, mainly due to the decrease of sales volume from 271.6 million tea bags to 135.3 million tea bags. The revenue of Besunyen Slimming Tea decreased by 35.2%, from RMB414.2 million in 2011 to RMB268.3 million in 2012, mainly due to the decrease in sales volume from 406.7 million tea bags to 252.7 million tea bags. Although the actual transaction amounts under the Distribution Agreements was increased from approximately RMB13.6 million in 2011 to approximately RMB19.2 million in 2012, but the historical transaction amount in 2012 was only represented approximately 39.6% of the annual caps in 2012 under the Distribution Agreements;
- The Group's revenue slightly increased by 2.6% from RMB475.2 million in 2012 to RMB487.5 million in 2013. Among which, the revenue of Besunyen Detox Tea increased by 27.9% from RMB193.0 million in 2012 to RMB246.9 million in 2013, mainly due to the increase of sales volume from 135.3 million tea bags in 2012 to 174.4 million tea bags in 2013. The revenue of Besunyen Slimming Tea decreased by 12.1%, from RMB268.3 million in 2012 to RMB235.8 million in 2013, mainly due to the decrease in sales volume from 252.7 million tea bags in 2012 to 215.1 million tea bags in 2013. Although the actual transaction amounts under the Distribution Agreements was increased slightly from approximately RMB19.2 million in 2012 to approximately RMB19.8 million in 2013, but the historical transaction amount in 2013 was only represented approximately 20.4% of the annual caps in 2013 under the Distribution Agreements; and
- As explained by the Management, the decreasing trend of historical transaction amounts under the Lease Agreements was mainly attributable to the decrease of total gross floor area of properties leased by Pincha during the Relevant Period. The total gross floor area of properties leased by Pincha during the year ended 31 December 2012 and during the period from 1 January 2013 to 24 March 2013 was approximately 579.69 m². Starting from 25 March 2013 and up to the Latest Practicable Date, the total gross floor area of properties leased by Pincha was approximately 485 m².

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given the low utilization rate of Existing Annual Caps during the Relevant Period, the Management adjusted the Annual Caps downward as below:

The Annual Caps

	Year ending 31 December		
	2015 (RMB)	2016 (RMB)	2017 (RMB)
The New Structure Contracts	682,000	818,000	982,000
The New Distribution Agreement	41,046,000	63,441,000	98,770,000
The New Lease Agreement	786,600	786,600	786,600
Total	42,514,600	65,045,600	100,538,600

Assessment of the Annual Caps

As stated in the Letter from the Board, the Annual Caps were determined by the Management with reference to the historical transaction figures during the Relevant Period as listed above as well as the fixed annual rental for the leased premises under the New Lease Agreement and after taking into consideration the following factors:

- (i) As for the New Structure Contracts:
 - (a) the services currently provided by Beijing Outsell to Pincha under the Exclusive Business Cooperation Agreement include human resource management, information consultation, financial and asset management and storage and custody services. Fees charged by Beijing Outsell for the provision of storage and custody services to Pincha are calculated based on the actual storage areas used by Pincha multiplied by the rate of RMB 1.2 per sq. m. per day, which was determined with reference to the market rate for such storage and custody services in comparable locations in Beijing and the actual cost of the land and buildings owned by Beijing Outsell. Fees charged by Beijing Outsell for the provision of human resource management, information consultation, financial and asset management and other related services to Pincha are calculated on a cost-sharing basis, i.e. costs for providing such services, mainly labour and management costs, will be allocated to Pincha proportionally according to the amount and scope of the services provided; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) the expected increase in the amount and scope of services to be provided by Beijing Outsell to Pincha in the next three years corresponding to the development and expansion of the business of Pincha, as well as the increase in the costs of Beijing Outsell for providing such services including the increase in labour costs; According to the data published by Beijing Statistics Bureau, the employee's average salary in Beijing in 2012 and 2013 has continuously increased around 11% per annum and the upward trend is expected to be retained for the next three years.
- (ii) As for the New Distribution Agreement:
 - (a) the potential increase in the sales price of the Products under the New Distribution Agreement in the next three years due to the increase in production cost including raw materials prices and labour costs. According to the data published by Beijing Statistics Bureau, the employee's average salary in Beijing in 2012 and 2013 has continuously increased around 11% per annum and the upward trend is expected to be retained for the next three years. The procurement prices of the main raw materials of the Company had been in a gradual increasing trend in the last three years;
 - (b) the expected continuous growth of internet users in the PRC in the next three years which may result in the corresponding increase in the sales volume under the New Distribution Agreement. According to the data published by China Internet Network Information Center, the coverage rate of internet in China has increased from 38.3% in 2011 to 46.9% in June 2014 and the continuous growth of the internet users is expected to be retained for the next three years and such trend is expected to be continued;
 - (c) the expected rapid growth of the e-commerce market in the PRC in the next three years which may also result in the corresponding increase in the sales volume under the New Distribution Agreement. According to the data published by iResearch (an independent internet research company), the transaction volume of e-commerce market has increased 28.1% and 21.3% year on year in 2012 and 2013, respectively and it is expected to reach 27.9% in 2014;
 - (d) as mentioned in the 2014 interim report of the Company, the Group plans to further promote its new herbal tea products and new package for such products for online sales only through the e-commerce channel of Pincha, which will be more fashionable and expects to attract more customers, and launch other new products in stock on the market when appropriate, which will be promoted online among the accumulated online customers of Pincha, and the slimming tea and detox tea with special specifications for exclusive e-commerce sales have been online sold in November 2014, which will lead to the increase in the online market share of Pincha. All of above are expected to result in the increase in the sales volume under the New Distribution Agreement in the next three years; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (e) the expected increase in the sales volume and market share of the e-commerce operated by Pincha due to the unified sales price resulting from the enhancement of the control of the traditional sales channels of the Group which focuses on the management of the prices in the market and the establishment of a fair market environment.

- (iii) A 3% buffer has been included for the estimated transaction amount between the Group and Pincha under the New Structure Contracts and the New Distribution Agreement for any unexpected increase in the aforesaid amount in the next three years. Such buffer has been taken into account the latest consumer price index (“CPI”) published by National Statistics Bureau of PRC, pursuant to which CPI has increased 5.4%, 2.6% and 2.6% year on year in 2011, 2012 and 2013, respectively.

We consider that the buffer of 3% is reasonable by taking into consideration of the expected increase of CPI over the next few years.

As illustrated above, as actual historical transaction amounts under the Distribution Agreements, the Lease Agreements and the Structure Contracts were substantially lower than the Existing Annual Caps during the Relevant Period, the Management has revised the Annual Caps, which are generally lower than the Existing Annual Caps.

In assessing the reasonableness of the Annual Caps, in particular the annual caps under the New Distribution Agreement which is expected to increase by 54.6% from 2015 to 2016, and further increase by 55.7% to 2017, we have reviewed and discussed with the Management the bases and assumptions underlying the projections of the Annual Caps. Based on our review and discussion, we understand from the Management that the Company has taken the following factors into account in determining the Annual Caps:

The continuous development of e-commerce business platform of Pincha

As advised by the Management, Pincha intends to continue to expand its e-commerce business platform and has established business relationship with around 8 leading PRC e-commerce operators, including Tmall.com (天貓), Dangdang.com (當當網), JD.com (京東), yihaodian.com (一號店), Amazon.cn (亞馬遜), etc. Currently, Pincha is under discussion with other five e-commerce operators for potential business cooperation. In addition, Pincha intends to establish business relationship with around 20-30 online pharmacy and healthcare products stores in the coming years. In order to strengthen the relationship with these e-commerce operators, Pincha intends to allocate more resources on online marketing and advertising on the platform operated by these e-commerce operators. 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to data published by iResearch, an independent internet research company, e-commerce in China has grown rapidly in terms of total transaction value over the past five years at a compound annual growth rate of 70% compared to 16% for China's retail industry. From 1.1% in 2008, e-commerce accounted for 7.9% of China retail sales in 2013. The penetration looks set to surpass that of the US in 2014. With the rollout of 4G coverage, which will drive the adoption of smartphones, and improving systems for secure and convenient online payment, we believe e-commerce will continue to gain momentum. The online shopping transaction value increased from approximately RMB500 billion in 2010 to approximately RMB1,800 billion in 2013, according to the data of iResearch.

Multi-layers in traditional retailing is a key source of structural inefficiency in China. Partly due to the vast size of China where regions have different economic development and consumer preferences, consumer goods are normally distributed through multiple distribution channels. Retail prices tend to be inflated — another key weakness of traditional retailing— as margins are generally made at each distribution layer. Consumer brands typically have low visibility concerning real demand, and often face the risk of overstuffing along the distribution channel, which may result in prolonged sales weakness. The fragmented nature and structural issues of China's retail market provide an accommodating backdrop for the emergence of e-commerce industry.

Benefited from the continuous development of e-commerce market in the PRC and the e-commerce business platform of Pincha, it is expected to increase the online sales volume of Pincha, which will stimulate the growing demand of the Products sold by Beijing Outsell accordingly.

Having considered that (i) the continuous fast development of e-commerce market in the PRC and the e-commerce business platform of Pincha; (ii) it is extremely difficult to predict accurately the growth of sale of existing and new products of the Group; and (iii) the Group's marketing and product development strategies as discussed below, we are of the view that the annual caps under the New Distribution Agreement are fair and reasonable.

The introduction of the Group's new products and new packages for existing products

As advised by the Management, in January 2014, the Group adopted new packages for Besunyen Detox Tea and Besunyen Slimming Tea. The design is based on the herbal ingredients of the products, which improves the product image and is highly recognised by the customers. In addition, the Group have launched new package of Besunyen Detox Tea and Besunyen Slimming Tea specially designed for the online shoppers recently. As expected by the Management, based on the Group's past experience, the introduction of new packages of the Products will improve the product image, and stimulate sales volume of the relevant products accordingly.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition to the new packages of existing products, the Group plans to broaden its product portfolio by introducing new therapeutic teabag which are more functional and targeted on particular needs of consumers. Accordingly, the Group expects that the new therapeutic teabag will attract a wider consumer base. Subject to the result of the Group's internal business feasibility review, such new therapeutic teabag may be launched during the first half of 2015, and the Group will actively promote such new therapeutic teabag through the e-commerce business platform of Pincha. As a result, the transaction amounts under the New Distribution Agreement is expected to be increased accordingly.

The persistent efforts of the Group in promoting its brand name and products

As advised by the Management, the Group's persistent efforts in promoting its brand name and products is vital to maintain its existing clients as well as exploring the new clients through media campaign and market education. For example, In the first half of 2014, the Group acted as the title sponsor for Besunyen Divas Hit the Road《花兒與少年》, a popular show produced by Hunan Satellite TV. The Group implemented a marketing plan which delivered comprehensive and close contact with the channel distributors and sub-distributors, retail terminals and customers through the social media platforms such as Weibo and WeChat. A series of promotional activities were also carried out, such as the lucky draw for the family trip to Europe, buying the products to get free T-shirt, on-line game of Divas Hit the Road, forwarding Weibo and WeChat messages to participate in lucky draw. These activities enhanced the products' popularity among the consumers, and increased the sales to some extent.

Through the Group's dedicated and positive efforts in marketing and promotion, the Group's brand image was enhanced in the first half of 2014, which led to an increase in consumers' recognition of the Group's products. The average selling price ("ASP") (revenue divided by sales volume) of Besunyen Detox Tea and Besunyen Slimming Tea were RMB1.45 per bag, and RMB1.41 per bag, respectively in the first half of 2014, increased by 0.7% and 27.0% from RMB1.44 per bag and RMB1.11 per bag, respectively in the same period of 2013. Although changes in the ASP of Besunyen Detox Tea were moderate, the ASP of Besunyen Slimming Tea changed significantly, mainly due to the increase in prices of Besunyen Slimming Tea.

As stated in the 2014 Interim Report, the Group's revenue increased by 24.7% from RMB251.8 million in the first half of 2013 to RMB314.0 million in the same period of 2014. Among which, the revenue of Besunyen Detox Tea increased by 8.4% from RMB117.7 million in the first half of 2013 to RMB127.5 million in the same period of 2014, mainly due to the increase in sales volume from 81.7 million tea bags in the first half of 2013 to 88.1 million tea bags in the same period of 2014. The revenue of Besunyen Slimming Tea increased by 39.8%, from RMB130.8 million in the first half of 2013 to RMB182.9 million in the same period of 2014, mainly due to (1) the increase in the sales volume of slimming tea by 9.9% from 117.7 million bags in the first half of 2013 to 129.3 million bags; and (2) the cross-the-board price increase of slimming tea from 1 January 2014.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Management, according to the Group's pricing strategies, the average selling prices of Besunyen Detox Tea and Besunyen Slimming Tea sold to Pincha will increase by around 20% in 2015. During the two years ending 31 December 2017, the average selling prices of Besunyen Detox Tea and Besunyen Slimming Tea sold to Pincha will increase by around not less than 3.5%, after taking into the expected increase in production cost including raw materials prices and labour costs during the same period.

Furthermore, we were advised that the Group will allocate more resources to promote series of teabag beverages called "herbal tea" through its e-commerce platform. The Management expects that "herbal tea" teabag beverages products will become one of the important revenue sources of the Group over the next few years.

As a result of the rising selling prices of the Products and expected revenue contribution from "herbal tea" teabag beverages products, the Management expects that the transaction amounts under the New Distribution Agreement will increase accordingly.

The increasing importance of e-commerce channel to the Group's future business development

As advised by the Management, the Group's sales through e-commerce channel is at its initial stage with great potential to explore. According to the information provided by the Management, the sales through e-commerce channel contributed for around 8% of the total revenue of the Group during the two years ended 31 December 2013. Through the Group's persistent efforts in developing its e-commerce channel and the above-mentioned business strategies, the Management plans to increase the proportion of sales through e-commerce channel over the Group's total revenue to not less than 10% over the next few years.

The expected growth on the production cost over the next few years

As stated in the Letter from the Board, the prices of the Products sold by Beijing Outsell to Pincha under the New Distribution Agreement shall be determined based on the full cost plus a reasonable profit margin, which is between 6.16%-20.54% (depending on functions performed, risks assumed and assets used by Beijing Outsell and Pincha to the sales transaction, and will be subject to adjustment from time to time).

According to the data published by Beijing Statistics Bureau, the employee's average salary in Beijing in 2012 and 2013 has continuously increased around 11% as compared with the previous years and the upward trend is expected to be retained for the next three years. In addition, according to the latest CPI published by National Statistics Bureau of PRC, pursuant to which CPI has increased 5.4%, 2.6% and 2.6% year-on-year in 2011, 2012 and 2013, respectively. During the first nine months of 2014, the average increase of CPI was 2.1% compared with same period in 2013. Taking into account of the increase of the volume of Products to be sold by the Group to Pincha, together with the expected increase of selling price due to the continuous increase of production cost, we concur with the Management's view that the transaction amounts under the New Distribution Agreement over the next three years will increase at a faster pace than the historical transaction amounts during the past two years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that above, we are of the view that the basis adopted by the Management in determining the Annual Caps is fair and reasonable so far as the Independent Shareholders are concerned. However, Shareholders should note that the Annual Caps relate to future events and they do not represent a forecast of turnover to be generated from the Continuing Connected Transactions.

(E) Reporting requirements and conditions of the Continuing Connected Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive directors must review the Non-exempt continuing connected transactions and confirm in the annual report and accounts that the continuing connected transactions have been entered into:
 - in the ordinary and usual course of business of the listed issuer's group;
 - on normal commercial terms or better; and
 - according to the agreement governing them on terms that are fair and reasonable and in the interests of the listed issuer's shareholders as a whole;
- (b) the listed issuer must engage its auditors to report on the continuing connected transaction every year. The auditors must provide a letter to the listed issuer's board of directors confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
 - have not been approved by the listed issuer's board of director;
 - were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group;
 - were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
 - have exceeded the annual caps;
- (c) the listed issuer must provide a copy of the auditors' letter to the Exchange at least 10 business days before the bulk printing of its annual report;
- (d) The listed issuer must allow, and ensure that the counterparties to the continuing connected transactions allow, the auditors sufficient access to their records for the purpose of reporting on the transactions; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (e) the listed issuer must promptly notify the Exchange and publish an announcement if the independent non-executive directors and/or the auditors cannot confirm the matters as required. The Exchange may require the listed issuer to re-comply with the announcement and shareholders' approval requirements and may impose additional conditions.

In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the maximum value of the Continuing Connected Transactions by way of the Annual Caps; (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Continuing Connected Transactions and the Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of transactions contemplated under the New Distribution Agreement, the New Lease Agreement and the New Structure Contracts, including the Annual Caps, are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and 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 resolutions in relation to the New Distribution Agreement, the New Lease Agreement and the New Structure Contracts, including the Annual Caps, as detailed in the notice of EGM as set out at the end of the Circular.

Yours faithfully,
For and on behalf of
China Everbright Capital Limited
Alvin Kam
Executive 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 adopted by the Company were as follows:

Name of Director/Chief Executive	Nature of interest	Number of Shares/options	Number of options granted under the Pre-IPO Share Option Scheme	Number of options granted under the Share Option Scheme	Approximate percentage 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⁾	1,006,376,640 ^{(1)(L)}	36,000,000 ^{(1)(L)}	5,000,000 ^{(1)(L)}	64.12%
Ms. GAO Yan	Beneficial owner and interest of interest of her spouse ⁽²⁾⁽³⁾	1,006,376,640 ^{(2)(L)}	36,000,000 ^{(2)(L)}	5,000,000 ^{(2)(L)}	64.12%
Mr. ZHUO Fumin	Beneficial owner and interest of his spouse	1,136,000 ^{(4)(L)}	400,000 ^{(4)(L)}	600,000 ^{(4)(L)}	0.07%
Mr. HUANG Jingsheng	Beneficial owner	1,100,000 ^{(5)(L)}	500,000 ^{(5)(L)}	600,000 ^{(5)(L)}	0.07%

Name of Director/Chief Executive	Nature of interest	Number of Shares/options	Number of options granted under the Pre-IPO Share Option Scheme	Number of options granted under the Share Option Scheme	Approximate percentage of total issued Shares (%) ⁽⁸⁾
Mr. WANG Jing	Beneficial owner	600,000 ^{(6)(L)}	—	600,000 ^{(6)(L)}	0.04%
Mr. REN Guangming	Beneficial owner	600,000 ^{(7)(L)}	—	600,000 ^{(7)(L)}	0.04%

(1) Mr. Zhao Yihong, executive Director, beneficially owns 24,000,000 options granted under the Pre-IPO Share Option Scheme, 4,000,000 options granted under the Share Option Scheme and 1,741,000 Shares directly. Mr. Zhao is also deemed or taken to be interested in the following Shares/options for the purposes of the SFO:

- (i) 949,880,600 Shares which are beneficially owned by Foreshore Holding Group Limited, a company which is controlled by Mr. Zhao;
- (ii) 13,755,040 Shares which are beneficially owned by Better Day Holdings Limited, a company which is controlled by Mr. Zhao; and
- (iii) 12,000,000 options granted under the Pre-IPO Share Option Scheme and 1,000,000 options granted under the Share Option Scheme, which are beneficially owned by Ms. Gao Yan, Mr. Zhao's spouse.

(2) Ms. Gao Yan, executive Director, beneficially owns 12,000,000 options granted under the Pre-IPO Share Option Scheme and 1,000,000 options granted under the Share Option Scheme. Ms. Gao is also deemed or taken to be interested in the following Shares/options for the purposes of the SFO:

- (i) 1,741,000 Shares beneficially owned by Mr. Zhao Yihong, Ms. Gao's spouse;
- (ii) 949,880,600 Shares which are deemed to be beneficially owned by Mr. Zhao, as controlling shareholder of Foreshore Holding Group Limited;
- (iii) 13,755,040 Shares which are deemed to be beneficially owned by Mr. Zhao as controlling shareholder of Better Day Holdings Limited; and
- (iv) 24,000,000 options granted under the Pre-IPO Share Option Scheme and 4,000,000 options granted under the Share Option Scheme, which are beneficially owned by Mr. Zhao.

(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 options granted under the Pre-IPO Share Option Scheme and 600,000 options granted under the 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 options granted under the Pre-IPO Share Option Scheme and 600,000 options granted under the Share Option Scheme.
- (6) Mr. Wang Jing, independent non-executive Director, beneficially owns 600,000 options granted under the Share Option Scheme.
- (7) Mr. Ren Guangming, independent non-executive Director, beneficially owns 600,000 options granted under the Share Option Scheme.
- (8) This is calculated based on 1,569,421,820 Shares, being the number of Shares in issue as at the Latest Practicable Date. The percentage of interest in the columns includes the options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.
- * 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 other interests or short positions in any Shares or underlying Shares or 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 total issued Shares (%) ⁽³⁾
Foreshore Holding Group Limited ⁽¹⁾	949,880,600 ^(L)	60.52%
KCS Trust Limited ⁽¹⁾	949,880,600 ^(L)	60.52%
Sea Network Holdings Limited ⁽¹⁾	949,880,600 ^(L)	60.52%
GGV III Entrepreneurs Fund L.P. ⁽²⁾	102,788,640 ^(L)	6.55%
Granite Global Ventures III L.L.C. ⁽²⁾	102,788,640 ^(L)	6.55%
Granite Global Ventures III L.P. ⁽²⁾	102,788,640 ^(L)	6.55%

- (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. Mr. Zhao, executive Director, is a director of Foreshore Holding Group Limited.
 - (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. Mr. Zhuo Fumin, non-executive Director, is a partner of GGV Capital, which manages GGV III Entrepreneurs Fund L.P., Granite Global Ventures III L.L.C. and Granite Global Ventures III L.P.
 - (3) This is calculated based on 1,569,421,820 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 Director or the chief executive of the Company, there was no other person (other than a Director or chief executive of the Company) 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, direct or indirect, in any assets which have been, since 31 December 2013 (being the date to which the latest published audited accounts of the Group 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 2013, being the date to which the latest published audited accounts of the Group 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
Everbright	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the above expert did not have any shareholding, 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 2013, 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, 17th Floor, 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 place of business in Hong Kong at Room 1303, 13/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the New Structure Contracts;
- (b) the New Distribution Agreement;
- (c) the New Lease Agreement;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 31 and 32 of this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 33 to 56 of this circular; and
- (f) the written consent from the Independent Financial Adviser referred to in paragraph 8 of this appendix.



碧生源控股有限公司
BESUNYEN HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 926)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Besunyen Holdings Company Limited (the “**Company**”) will be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 10:30 a.m. on 15 December 2014 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 New Structure Contracts, the New Distribution Agreement and the New Lease Agreement (as defined and described in the circular of the Company date 17 November 2014 (the “**Circular**”)) set out in the Circular (a copy of the Circular marked “A” together with a copy of each of the New Structure Contracts, the New Distribution Agreement and the New Lease Agreement marked “B” are tabled before the Meeting and initialed by the chairman of the Meeting for identification purpose) and the transactions as described in the Circular and the implementation thereof, be and are hereby approved, ratified and confirmed;
- (b) the respective annual caps for the continuing connected transactions contemplated under the above-mentioned New Structure Contracts, New Distribution Agreement and New Lease Agreement for the three years ending 31 December 2017, 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/she/they may in his/her/their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or to give effect to the New Structure Contracts, the New Distribution Agreement and the New Lease Agreement 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, 17 November 2014

Notes:

- (1) A member entitled to attend and vote at the Meeting 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, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the Meeting or any adjournment thereof.
- (3) The register of members of the Company will be closed from 11 December 2014 to 15 December 2014, 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 Meeting will be on 15 December 2014. In order to be eligible for attending the Meeting, 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, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 10 December 2014.
- (4) A form of proxy for use at the Meeting is enclosed herewith.