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碧生源控股有限公司

BESUNYEN HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 926)

REVISION OF ANNUAL CAP AMOUNTS FOR CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Prospectus and the Announcements in respect of the Previous Transactions.

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

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

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

Due to reasons as set out in this announcement, the Board expects that the Existing Annual Caps for certain of the aforementioned transactions will no longer be sufficient, and therefore the Board has proposed to revise the Existing Annual Caps to the Revised Annual Caps. In addition, in connection with the revision of the Existing Annual Caps to the Revised Annual Caps, the Group entered into the Further Revised Agreements. Accordingly, the Company is seeking approval from the Independent Shareholders to revise the Existing Annual Caps to the Revised Annual Caps and to enter into the Further Revised Agreements.

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

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

The Company will convene the EGM at which an ordinary resolution will be proposed to approve the Revised Annual Caps and the Further Revised Agreements. A circular containing, amongst others, information on (i) the Revised Annual Caps; (ii) the Further Revised Agreements; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders with regard to the Revised Annual Caps and the Further Revised Agreements; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders with regard to the Revised Annual Caps and the Further Revised Agreements; and (v) the notice of the EGM is expected to be despatched to the Shareholders by no later than 2 August 2012.

THE BSYI LEASE AGREEMENTS, THE DISTRIBUTION AGREEMENT, THE LEASE AGREEMENT, THE STRUCTURE CONTRACTS, THE AMENDED DISTRIBUTION AGREEMENT, THE SUPPLEMENTAL LEASE AGREEMENT AND THE FURTHER REVISED AGREEMENTS

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

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

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

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

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

Supplemental BSYI Lease Agreement

Date:

12 July 2012

Parties:

Lessor: BSYI
Lessee: Beijing Outsell

Subject Matter:

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

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

New Distribution Agreement

Date:

12 July 2012

Parties:

Vendor: Beijing Outsell
Distributor and purchaser: Pincha

Subject Matter:

The Distribution Agreements are superseded by the New Distribution Agreement.

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

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

Further Supplemental Lease Agreement

Date:

12 July 2012

Parties:

Lessor: Beijing Outsell

Lessee: Pincha

Subject Matter:

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

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

Supplemental Structure Contract

Date:

12 July 2012

Parties:

Beijing Outsell

Pincha

Mr. Zhao

Subject Matter:

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

HISTORICAL AMOUNTS

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

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

REVISED ANNUAL CAPS

Details of the Revised Annual Caps are set out as follows:

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

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

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

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

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

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

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

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

REASONS FOR REVISING THE ANNUAL CAPS FOR THE TRANSACTIONS

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

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

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

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

The Directors (other than the independent non-executive Directors whose views are reserved pending the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders) are of the view that:

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

LISTING RULES IMPLICATIONS

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

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

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

EGM

The Company will convene the EGM at which an ordinary resolution will be proposed to approve the Revised Annual Caps and the Further Revised Agreements.

To the best of the Directors' knowledge, information and belief, as at the date of this announcement, save for Mr. Zhao, being an executive Director and the sole shareholder of Pincha, and Ms. Gao Yan, being an executive Director and the spouse of Mr. Zhao, and their associates, no Shareholders are required to abstain from voting in respect of the resolution to be proposed at the EGM.

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

A circular containing, amongst others, information on (i) the Revised Annual Caps; (ii) the Further Revised Agreements; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders with regard to the Revised Annual Caps and the Further Revised Agreements; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders with regard to the Revised Annual Caps and the Further Revised Agreements; and (v) the notice of the EGM is expected to be despatched to the Shareholders by no later than 2 August 2012.

INFORMATION ON THE GROUP, PINCHA AND BSYI

Information on the Group

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

Information on Pincha

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

Information on BSYI

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

DEFINITIONS

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

“Amended Distribution Agreement”	the amended agreement dated 28 March 2011 for the sale and distribution of the Products entered into between Beijing Outsell and Pincha
“Announcements”	the announcements of the Company dated 28 March 2011 and 27 September 2011 relating to the Previous Transactions
“associate”	has the meaning ascribed to it in the Listing Rules
“Beijing Outsell”	Beijing Outsell Health Product Development Co., Ltd. (北京澳特舒爾保健品開發有限公司), a company incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors

“BSYI”	碧生源投资有限公司 (Besunyen Investment Co., Ltd.*), a company incorporated under the laws of PRC with limited liability and controlled by Mr. Zhao
“BSYI Lease Agreements”	collectively, a commercial premises lease agreement dated 10 January 2010 and a supplemental lease agreement dated 9 August 2010 both entered into between Beijing Outsell and BSYI
“China” or “PRC”	the People’s Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, references in this announcement to “China” and the “PRC” do not include Taiwan, the Macau Special Administrative Region and Hong Kong
“Company”	Besunyen Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Distribution Agreement”	the agreement dated 30 September 2010 for the sale and distribution of the Products entered into between Beijing Outsell and Pincha
“Distribution Agreements”	the Distribution Agreement and the Amended Distribution Agreement
“EGM”	an extraordinary general meeting of the Company to be convened or any adjournment thereof
“Equity Interests Pledge Agreement”	the agreement dated 28 March 2011 entered into between Beijing Outsell, Pincha and Mr. Zhao pursuant to which the entire registered capital of Pincha has been pledged to Beijing Outsell
“Exclusive Business Cooperation Agreement”	the agreement dated 28 March 2011 entered into between Beijing Outsell and Pincha pursuant to which Beijing Outsell has the exclusive right to provide certain technical consulting and management services to Pincha
“Exclusive Purchase Agreement”	the agreement dated 28 March 2011 entered into between Beijing Outsell, Pincha and Mr. Zhao pursuant to which Beijing Outsell are entitled to, as and when permitted by applicable PRC laws and regulations, acquire all of the equity interest of Pincha
“Existing Annual Caps”	the existing aggregate annual caps for the Previous Transactions
“Fangshan Property”	the premises located at 1st to 4th floors, Office Building, No. 1 Qiushi Industry Park, Doudian Town, Fangshan District, Beijing

“Further Supplemental Lease Agreement”	the further supplemental agreement dated 12 July 2012 for the lease of commercial premises by Beijing Outsell to Pincha
“Further Revised Agreements”	the Supplemental BSYI Lease Agreement, the New Distribution Agreement, the Further Supplemental Lease Agreement and the Supplemental Structure Contract
“Group”	the Company and its subsidiaries from time to time
“Haidian Properties”	the premises located at Rooms 1811, 1813, 1815 and 1817 of No. 9, Si Huan Xi Road North, Haidian District, Beijing, covering a total floor area of 579.69 sq. m.
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Huang Jingsheng, Mr. Wong Lap Tat Arthur and Ms. Xin Katherine Rong
“Independent Shareholders”	Shareholders who are not prohibited from voting at the EGM
“Independent Financial Adviser” or “Sommerley”	Sommerley Limited, a licensed corporation under the SFO for carrying out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions
“Lease Agreement”	the agreement dated 30 September 2010 for the lease of commercial premises by Beijing Outsell to Pincha
“Lease Agreements”	the Lease Agreement and the Supplemental Lease Agreement
“Linglong Tiandi Property”	the premises located at 6th to 10th floors, Block D, Linglong Tiandi Centre, No. 32 Wukesong Road, Haidian District, Beijing
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhao”	Mr. Zhao Yihong, Chairman, Chief Executive Officer and executive Director of the Company
“New Distribution Agreement”	the amended agreement dated 12 July 2012 for the sale and distribution of the Products entered into between Beijing Outsell and Pincha
“Pincha”	北京品茶在綫電子商務有限公司 (Beijing Pincha Online e-Commerce Co., Ltd.*), a company incorporated in the PRC on 18 June 2010 and wholly-owned by Mr. Zhao

“Power of Attorney”	the power of attorney dated 28 March 2011 signed by Mr. Zhao
“Previous Transactions”	the transactions contemplated under the Distribution Agreements, the Lease Agreements, the BSYI Lease Agreements and the Structure Contracts
“Products”	the products to be sold to Pincha under the New Distribution Agreement, including but not limited to, those products under the “Besunyen” and “VS Series” brands
“Prospectus”	the prospectus of the Company dated 16 September 2010
“Revised Annual Caps”	(A) in the case of the Supplemental BSYI Lease Agreement, the proposed revised annual cap for the year ending 31 December 2012 and the proposed annual caps for the two years ending 31 December 2014 and (B) in the case of the other Further Revised Agreements, the proposed revised annual caps for the two years ending 31 December 2013 and the proposed annual caps for the year ending 31 December 2014
“RMB”	Renminbi yuan, the lawful currency of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.00000833333 each in the capital of the Company
“Shareholders”	the holders of the Shares
“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structure Contracts”	collectively, the Exclusive Business Cooperation Agreement, the Equity Interests Pledge Agreement, the Exclusive Purchase Agreement and the Power of Attorney
“Substitute Properties”	the Linglong Tiandi Property or the Fangshan Property as the case may be
“Supplemental BSYI Lease Agreement”	the supplemental agreement dated 12 July 2012 for the lease of the Haidian Properties by BSYI to Beijing Outsell
“Supplemental Lease Agreement”	the supplemental agreement dated 28 March 2011 for the lease of commercial premises by Beijing Outsell to Pincha

“Supplemental Structure Contract”	the supplemental contract dated 12 July 2012 in respect of the Structure Contracts, entered into between Beijing Outsell, Pincha and Mr. Zhao
“Transactions”	the transactions contemplated under the Distribution Agreements, the Lease Agreements, the BSYI Lease Agreements, the Structure Contracts and the Further Revised Agreements
“%”	per cent

* *For identification purposes only*

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

Hong Kong, 12 July 2012

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