

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

---

### RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering, Foreshore will own 65.09% of our Company's outstanding issued share capital (assuming no exercise of the Over-allotment Option and excluding any Shares that may be issued pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme). In addition, immediately following completion of the Global Offering, our founder, Chairman and Chief Executive Officer, Mr. Zhao Yihong, through his controlling interest in Foreshore, will control more than 30% of our Company's issued share capital. None of the Controlling Shareholders or our Directors carries on or is otherwise interested in any other business which competes, or is likely to compete, either directly or indirectly, with our business.

#### **No Competition**

Foreshore is an investment holding company whose principal asset is its shareholding in our Company. Other than its shareholding in our Company, Foreshore does not own any other material assets. Accordingly, there is no competition between our business and that of Foreshore.

Apart from his indirect shareholding in our Group and his equity interest in BSYI, Mr. Zhao Yihong does not have any other material business interests. BSYI is an investment holding company incorporated under the laws of PRC with limited liability. Mr. Zhao Yihong and his son, Mr. Zhao Yimeng, hold in aggregate the entire equity interest in BSYI. BSYI's principal assets comprise property units situated in a commercial building in Haidian District, Beijing. In contrast, our principal business is the development, manufacture and sales of therapeutic tea products in China. Accordingly, our businesses are different and there is no competition between our business and that of BSYI. In 2004, we acquired the formula of our Besunyen Slimming Tea from Beijing Ruipule, a company controlled by Mr. Zhao Yihong, for a one-time transfer fee of RMB10,000 and commenced the production and sale of Besunyen Slimming Tea in the same year. As Beijing Ruipule was deregistered in December 2007, Beijing Ruipule does not and will not compete with the business of the Company.

#### **Non-Compete Undertaking**

Each of the Controlling Shareholders has entered into a deed of non-competition in favor of our Company, pursuant to which each of the Controlling Shareholders has undertaken, subject to the exceptions mentioned below, that he/it would not, and would procure that neither he/it nor his/its associate or companies controlled by him/it (other than the Group) directly or indirectly be interested in or engaged in any business which competes or is likely to compete directly or indirectly with the Group's business as set out in this prospectus, in the PRC and any other area in which the Group carries on business (each, a "Restricted Activity").

The aforesaid undertakings do not apply with respect to the holding of or interests in shares or other securities in any company which conducts or is engaged in any Restricted Activity, provided that, in the case of such shares, they are listed on a recognized stock exchange and:

- the total number of the shares held by the Controlling Shareholders or their associates does not amount to more than 5% of the issued shares of the company; and
- the Controlling Shareholders or their associates are not entitled to appoint a majority of the directors or management of that company.

The non-competition undertaking and the rights and obligations thereunder are subject to and conditional upon the Global Offering becoming unconditional as specified under the section headed "Structure of the Global Offering" in this prospectus.

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

---

The obligation of the Controlling Shareholders under the deed of non-competition will remain in effect until:

- (i) the date on which the Shares cease to be listed on the Hong Kong Stock Exchange; or
- (ii) the date on which the Controlling Shareholders and their associates cease to own 5% or more of the then issued share capital of the Company directly or indirectly,

whichever occurs first.

Each of the Controlling Shareholders undertakes to our Company that he/it would, during the term of the deed of non-competition indemnify and keep indemnified our Company and our Group against any loss suffered by our Company or our Group (as relevant) arising out of any breach of any of his/its undertaking under the deed of non-competition.

### **Corporate Governance Measures**

In order to prevent any potential competition between our Group and Mr. Zhao Yihong, Foreshore or entities controlled by Mr. Zhao Yihong, we have amended our Articles of Association to prohibit a Director from voting on (or from being counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which he or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), except in respect of any of the following matters:

- (i) the giving to such Director or his associates of any security or indemnity in respect of money lent or obligations incurred by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal concerning any other company in which the Director or his associates is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director or any of his associates is/are beneficially interested in shares of that company, provided that, the Director and any of his associates are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his associates is derived) or of the voting rights;
- (v) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including:
  - (a) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or his associates may benefit; and

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

---

- (b) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director, or his associates, any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
  
- (vi) any contract or arrangement in which the Director or his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company.

### **Independence from Controlling Shareholders**

Having considered the following factors, we are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their respective associates after the completion of the Global Offering.

#### *Management independence*

Our Board consists of seven Directors. Other than Mr. Zhao Yihong and his wife, Ms. Gao Yan, who are both executive Directors, there are two non-executive Directors and three independent non-executive Directors. Each of our Directors is aware of his/her fiduciary duties as director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a director and his/her personal interests.

In addition, the articles of association of our Company provide that where one of our Directors is also a director of one of our connected persons or is otherwise interested in a transaction, such Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution relating to any transactions between the Company and such connected person or any transaction in which such Director has an interest, and such Director will absent themselves from board meetings when such matters are discussed unless expressly requested to attend by a majority of the independent non-executive Directors. However, this prohibition shall not apply to any of the matters listed in part A, paragraph 2B(f)(i)-(vi) of Appendix V “Summary of the Constitution of the Company and Cayman Companies Law.” Finally, following the Listing, our Board will be required to comply with the Listing Rules, including provisions thereunder relating to corporate governance, which require (among other things) that a Director shall not vote on any Board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest, nor shall he be counted in the quorum for the meeting.

The Group has employed a chief financial officer and also appointed other senior management staff responsible for the daily management and operations of the Group, who are all independent from Mr. Zhao Yihong and his associates.

Other than Mr. Zhao Yihong, none of the other Directors or senior management members of our Company holds any executive position in, or otherwise participates in any way in the management or operations of, Foreshore or BSYI.

Based on the reasons described above, our Directors consider that our management team is capable of managing our business independently from our Controlling Shareholders and their associates after the Global Offering.

---

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

---

### *Operational independence*

The Board as a whole has full rights to make all decisions on, and to carry out our business operations independently. Although Mr. Zhao Yihong and his wife, Ms. Gao Yan, are our executive Directors, in addition to the other five Directors (which include three independent non-executive Directors), the daily management and operations of our Group are carried out by our experienced management team, who are independent of the Controlling Shareholders and their respective associates and have substantial experience in their respective business departments. Our management team is able to run our respective business departments independently.

Further, we have independent access to our customers and suppliers who are independent third parties of our Group. None of our Controlling Shareholders and their associates has any interest in any of our suppliers of raw materials and other supplies required for our operations. For procuring new customers, we have our own sales and marketing departments which are led by our senior management, and we have our own sourcing, marketing, distribution and customer relationship operations which are operated independently from our Controlling Shareholders and their associates. None of our Controlling Shareholders and their associates has any interest in any of our corporate customers. Accordingly, we do not rely on our Controlling Shareholders or their associates for procurement of raw materials or access to customers.

We have entered into one exempted continuing connected transaction with respect to the lease of commercial premises in Haidian District, Beijing from Ms. Gao Yan, and one non-exempted continuing connected transaction with respect to the lease of commercial premises in Haidian District, Beijing from BSYI, an associate of Mr. Zhao Yihong. Such leases are not material to our business or operations as a whole. For details of such leases, please refer to the section titled “Connected Transactions” below. We are not parties to any other leasing agreements or arrangements with our Controlling Shareholders or their associates. We also own our corporate headquarters and our manufacturing and administrative facilities located in Fangshan District, Beijing. Accordingly, we do not consider that any reliance will be made on our Controlling Shareholders or their associates in leasing properties for our operations.

### *Financial independence*

All the amounts due to and from our Controlling Shareholders and their associates, and all guarantees, indemnities and other securities provided to and by our Controlling Shareholders and their associates for the benefit of our Group, were fully settled or released before the Listing Date. Other than the aforesaid amounts due, guarantees, indemnities and other securities which have been released, our Controlling Shareholders and their respective associates do not provide us with any direct or indirect financing for our operations. Moreover, our Directors are of the view that the Group is capable of sourcing its own financing from debt and equity financing without reliance on our Controlling Shareholders and their associates.

## CONNECTED TRANSACTIONS

Beijing Outsell, an indirect wholly owned subsidiary of our Company, has entered into transactions with BSYI, an associate of Mr. Zhao Yihong and Ms. Gao Yan. We expect these transactions to continue following our listing on the Hong Kong Stock Exchange.<sup>(1)</sup>

<sup>(1)</sup> During the Track Record Period, the Group had entered into transactions with Guangzhou Benefit Trading Co., Ltd, Beijing Baicaochangqing Science Development Co., Ltd. and Beijing Changqingxingda Science Development Co., Ltd., each of which was controlled by Mr. Zhao Yihong, our controlling Shareholder, executive Director and Chief Executive Officer. Each of these transactions has been completed prior to the completion of the Global Offering, and will not subsist as of the completion of the Global Offering. In addition, each of Guangzhou Benefit Trading Co., Ltd., Beijing Baicaochangqing Science Development Co., Ltd. and Beijing Changqingxingda Science Development Co., Ltd. was deregistered with effect from March 4, 2010, December 13, 2007 and December 22, 2009, respectively, and is not in existence as of the completion of the Global Offering.

---

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS**

---

Mr. Zhao Yihong is our controlling Shareholder, executive Director and Chief Executive Officer. Ms. Gao Yan is our executive Director and the wife of Mr. Zhao Yihong. For so long as Mr. Zhao Yihong remains our Substantial Shareholder, executive Director or Chief Executive Officer, and for so long as Ms. Gao Yan remains our executive Director, transactions between our Group and Mr. Zhao Yihong, Ms. Gao or their associates will constitute connected transactions for us under the Listing Rules.

### **EXEMPT CONTINUING CONNECTED TRANSACTION**

Beijing Outsell leases the commercial premises located at Rooms 101 and 110 of 11<sup>th</sup> floor, Taiyueyuan, Haidian District, Beijing (the “Taiyueyuan Properties”) for use as offices from Ms. Gao Yan. Pursuant to a commercial premises lease agreement dated June 15, 2008 and a supplemental lease agreement dated January 10, 2010 (together, the “Taiyueyuan Lease Agreements”), the lease for the Taiyueyuan Properties is effective from June 15, 2008 to December 31, 2012. Pursuant to the terms of the Taiyueyuan Lease Agreements, no rental payments have been made by us to Ms. Gao Yan for each of the financial years ended December 31, 2008 and December 31, 2009, and no rental payments will be made by us to Ms. Gao Yan for each of the financial years ended December 31, 2010, December 31, 2011 and December 31, 2012, in respect of the lease for the Taiyueyuan Properties.

The Taiyueyuan Lease Agreements may be terminated at the option of Beijing Outsell at any time prior to the expiry of such agreements. As such, we enjoy the flexibility to relocate to another site or premise at any time should we consider the Taiyueyuan Properties no longer suitable for our use. Based on factors such as the prevailing market rental for similar premises in comparable locations in the PRC, the location of the properties which may affect rental rates and the Group’s use of the Taiyueyuan Properties, our Directors consider that the lease for the Taiyueyuan Properties is not material to our Group’s business operations.

As the lease for the Taiyueyuan Properties is granted to us at nil consideration, based on the projected performance, total assets and market capitalization of our Group, each of the applicable percentage ratios on an annual basis falls below 0.1% in respect of such lease. Therefore, such transaction will be exempt from the reporting, announcement, annual review and independent shareholders’ approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules, as they fall within the de minimis threshold under Rule 14A.33 of the Listing Rules.

The lease for the Taiyueyuan Properties is renewable at the option of Beijing Outsell by giving three months notice to Ms. Gao Yan prior to its expiry. In the event that we renew the lease for the Taiyueyuan Properties, we will ensure that we comply with the applicable provisions under Chapter 14A of the Listing Rules.

### **NON-EXEMPT CONTINUING CONNECTED TRANSACTION**

#### **Lease of Commercial Properties from BSYI**

Pursuant to a commercial premises lease agreement dated January 10, 2010 and a supplemental lease agreement dated August 9, 2010 (together, the “BSYI Lease Agreements”), Beijing Outsell agreed to lease (the “BSYI Lease”) from BSYI the premises located at Rooms 1811, 1813, 1815 and 1817 of No. 9, Si Huan Xi Road North, Haidian District, Beijing (the “Haidian Properties”) for use as offices.

Beijing Outsell leased the Haidian Properties from January 1, 2008 to December 31, 2008 pursuant to a lease agreement dated January 1, 2008 and renewed the BSYI Lease from January 1, 2009 to December 31, 2009 pursuant to a lease agreement dated January 1, 2009. Pursuant to the BSYI Lease Agreements, the term of the BSYI Lease is effective from January 1, 2010 to December 31, 2012 and the rental per annum was RMB1.2 million, such rental payable in full by the end of August every year and is fixed throughout the term of

---

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS**

---

the BSYI Lease. The Directors are of the view that the rental per annum is in line with current market standards in the Beijing commercial property rental market. The aggregate amount of rental payments made by us to BSYI for the lease of the Haidian Properties for each of the financial years ended December 31, 2008 and December 2009 was RMB1.2 million. As of June 30, 2010, no rental for the year 2010 was paid and the full rental payment of RMB1.2 million has been paid on August 24, 2010 pursuant to the BSYI Lease.

The BSYI Lease may be terminated at the option of Beijing Outsell at any time prior to its expiry. As such, we enjoy the flexibility to relocate to another site or premise at any time should we consider the BSYI Leased Properties no longer suitable for our use or no longer cost-competitive.

Our Directors estimate that the annual rental payable by Beijing Outsell to BSYI for each of the three years ending December 31, 2012 will not exceed the annual cap of RMB1.2 million. In arriving at the proposed annual caps, our Directors have considered, among other matters, the prevailing market rental for similar premises in comparable locations in the PRC, the overall commercial property market conditions in the PRC and the location of the properties which may affect the rental rates. The proposed annual caps are based on an estimated rental price per square meter that is approximately at the level of the current rental prices of comparable properties.

Based on the performance, total assets and projected market capitalization of our Group, in respect of the Lease, each of the applicable percentage ratios on an annual basis is expected to be more than 0.1% but less than 5%. Therefore, the BSYI Lease will be subject to the reporting, announcement and annual review requirements, but will be exempt from the independent shareholders' approval requirements, applicable to continuing connected transactions under Chapter 14A of the Listing Rules.

The Company has applied and the Hong Kong Stock Exchange has granted the waiver pursuant to Rule 14A.42(3) of the Listing Rules from strict compliance with the announcement requirement under the Listing Rules on the condition that the Company will comply with all relevant requirements under Chapter 14A of the Listing Rules with respect to the non-exempt continuing connected transaction of the Group, and in the event of any renewal of, or any future amendments to the Listing Rules imposing more stringent requirements than those as of the date of the prospectus on, such continuing connected transaction, the Company will take immediate steps to ensure compliance with such requirements.

The BSYI Lease is renewable at the option of Beijing Outsell by giving three months notice to BSYI prior to its expiry. In the event that we renew the BSYI Lease, we will ensure that we comply with the applicable provisions under Chapter 14A of the Listing Rules.

Savills, the independent property valuer to the Company, has reviewed the aggregate rental payable pursuant to the BSYI Lease Agreements and confirms that the rental payments to be made by us to BSYI contemplated therein are consistent with the market rates of comparable properties in the relevant region, and are fair and reasonable (at the date of commencement of each agreement), and that the terms of each of the BSYI Lease Agreements, including the duration of the BSYI Lease, are on normal commercial terms.

### **Confirmation from Our Directors**

Our Directors, including our independent non-executive Directors, are of the opinion that the non-exempt continuing connected transaction described above has been entered into on normal commercial terms and in the ordinary and usual course of our business, and are fair and reasonable and in the interests of our Shareholders as

---

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS**

---

a whole. Our Directors, including our independent non-executive Directors, are also of the view that the proposed annual caps for the non-exempt continuing connected transaction described above are fair and reasonable and in the interests of our Shareholders as a whole.

### **Confirmation from the Joint Sponsors**

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by us relating to the non-exempt continuing connected transaction described above and have also conducted due diligence by discussing with us and our advisers and have obtained the necessary representations and information from us. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that the non-exempt continuing connected transaction described above has been entered into in the ordinary and usual course of our business, on normal commercial terms that are fair and reasonable and in the interests of our Shareholders as a whole, and the respective annual caps set for the non-exempt continuing connected transaction are fair and reasonable and in the interests of our Shareholders as a whole.