碧生源控股有限公司

BESUNYEN HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 926)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

Results Highlights

For the six months ended 30 June 2011, the Group achieved a turnover of RMB512.3 million, representing an increase of 39.0% as compared to that for the same period of 2010. Gross profit increased by 38.7%, and reached RMB458.6 million. Gross profit margin slightly decreased from 89.7% in the first half of 2010 to 89.5%. Profit and total comprehensive income of the Group was RMB113.3 million, representing an increase of 436.9% from RMB21.1 million for the same period of 2010. The basic and diluted earnings per share were RMB0.07 and RMB0.07 respectively (for the same period of 2010: the basic and diluted earnings per share were RMB0.02 and RMB0.02 respectively).

Interim Dividends

The Board decided to distribute an interim cash dividend for 2011 at HK$0.02 per share, with dividend-payout ratio of approximately 24.4%, on or around 22 September 2011.

The board (the "Board") of directors (the "Directors") of Besunyen Holdings Company Limited (the "Company") is pleased to announce that the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2011 together with the comparative figures for the corresponding period in 2010 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(audited)
Turnover	*3*	**512,323**	368,684
Cost of sales		**(53,721)**	(37,962)
Gross profit		**458,602**	330,722
Other income (expenses)		**7,459**	(10,841)
Selling and marketing expenses		**(272,500)**	(186,686)
Administrative expenses		**(49,448)**	(28,633)
Research and development costs		**(6,571)**	(1,319)
Finance costs		**–**	(2,734)
Change in fair value on redeemable convertible preferred shares		**–**	(56,661)
Profit before taxation		**137,542**	43,848
Income tax expense	*4*	**(24,219)**	(22,740)
Profit and total comprehensive income for the period	*5*	**113,323**	21,108
Earnings per share			
Basic (RMB)	*7*	**0.07**	0.02
Diluted (RMB)		**0.07**	0.02

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**At 30 June 2011 RMB'000 (unaudited)**	At 31 December 2010 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**410,274**	272,145
Prepaid lease payments		**68,010**	68,767
Intangible assets		**19,801**	22,147
Non-current deposits		**10,016**	58,705
Deferred tax assets		**4,543**	8,408
Goodwill		**20,785**	20,785
		533,429	450,957
CURRENT ASSETS			
Inventories		**10,062**	5,669
Trade and notes receivables	*8*	**220,873**	152,803
Deposits, prepayments and other receivables	*9*	**161,393**	102,548
Bank balances and cash		**1,057,900**	1,170,469
		1,450,228	1,431,489
CURRENT LIABILITIES			
Trade payables	*10*	**13,387**	7,342
Other payables and accrued expenses	*11*	**89,961**	100,504
Amount due to a related party		**200**	1,000
Dividend payable		**48**	–
Taxation payable		**13,595**	17,142
		117,191	125,988
NET CURRENT ASSETS		**1,333,037**	1,305,501
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,866,466**	1,756,458
CAPITAL AND RESERVES			
Share capital		**95**	95
Reserves		**1,846,305**	1,735,600
		1,846,400	1,735,695
NON-CURRENT LIABILITIES			
Deferred government grant		**9,065**	9,459
Deferred tax liabilities		**11,001**	11,304
		20,066	20,763
		1,866,466	1,756,458

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard 34 "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations ("new or revised IFRSs") issued by International Accounting Standards Board ("IASB").

IFRSs (Amendments)	Improvements to IFRS issued in May 2010
IAS 24 (Revised)	Related Party Disclosures
IAS 32 (Amendment)	Classification of Rights Issues
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new or revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
IAS 19 (Revised 2011)	Employee Benefits[1]
IAS 27 (Revised 2011)	Separate Financial Statements[1]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 July 2012

The Directors anticipate that these new or revised standards will be adopted in the Group's financial statements for the year beginning on 1 January 2013. The Directors are in the process of assessing the potential impact of the adoption of the relevant standards.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the invoiced value of therapeutic tea products sold to customers by the Group less returns, discounts, rebates, and value-added tax.

The Group operates and manages its business as a single segment that includes primarily the manufacture and sales of therapeutic tea products. The Group's chief operating decision maker has been identified as the Company's Chairman and Chief Executive Officer, who reviews the revenue analysis by major products of the Group when making decisions about allocating resources and assessing performance of the Group. As no other discrete financial information is available for the assessment of performance of different products, no other segment information is presented.

The revenues attributable to the Group's major products are as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Detox tea	**242,632**	178,173
Slimming tea	**266,804**	187,493
Other tea products	**2,887**	3,018
	512,323	368,684

Major customers

No single customer contributed over 10% or more of total revenue of the Group during the six months ended 30 June 2011 and 2010.

Geographical disclosures

The Group operates in the People's Republic of China ("PRC"). All of the non-current assets of the Group are located in the PRC.

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
The charge comprises		
Current tax		
PRC income tax	**20,657**	27,837
Deferred tax		
Current period	**3,562**	(5,097)
	24,219	22,740

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Profit for the period has been arrived at after charging:		
Staff costs, including Directors' remuneration		
– salaries and other allowances	**76,437**	40,284
– retirement benefit scheme contributions	**3,406**	2,327
Total staff costs	**79,843**	42,611
Amortisation of intangible assets	**2,398**	1,607
Auditors' remuneration	**825**	447
Cost of inventories recognised as expense	**53,721**	37,962
Depreciation of property, plant and equipment	**12,324**	5,164
Loss on disposal of property, plant and equipment	**60**	177
Release of prepaid lease payments	**757**	399
Research and development costs	**6,571**	1,319
Net exchange loss (gain)	**4,615**	(993)

6. DIVIDEND

In respect of the financial year ended 31 December 2010, a final dividend of HK$0.01 per share (total dividend RMB14,062,000) was declared on 29 April 2011. In May 2011, the dividend of RMB14,014,000 was paid to the shareholders with RMB48,000 remaining as dividend payable.

In April 2010, a special cash dividend of an aggregate amount of the US dollar equivalent of RMB47,500,000 was declared. In May 2010, the dividend of RMB45,000,000 was paid by the Company to the shareholders.

Subsequent to the end of the interim period, the Directors have approved that an interim dividend of HK$0.02 per share (2010:Nil) will be paid to the shareholders of the Company.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	**113,323**	21,108

	Six months ended 30 June	
	2011	2010
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,681,106**	1,122,004
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**41,474**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,722,580**	1,122,004

For the six months ended 30 June 2010, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding redeemable convertible preferred shares since their exercise would result in an increase in earnings per share, nor does it assume the exercise of the Company's share options because the exercise prices of those share options were higher than the average fair value of shares of the Company.

8. TRADE AND NOTES RECEIVABLES

	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
Trade receivables	**120,246**	135,117
Notes receivables	**100,627**	17,686
	220,873	152,803

The Group allows a credit period of 60-180 days to its trade customers. The following is an aged analysis of trade and notes receivables presented based on the invoice date at the end of the reporting period.

	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
0 – 90 days	**200,847**	149,392
91 – 180 days	**5,854**	3,411
181 – 360 days	**14,172**	–
	220,873	152,803

Included in the Group's trade and notes receivables are debtors at 30 June 2011 with a carrying amount of RMB14,172,000 (2010: Nil) which were past due, for which the Group has not provided for an impairment loss. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired is as follows:

	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
181 – 360 days	**14,172**	–

The Group anticipates a full recovery of these amounts, and therefore no impairment has been recorded against these receivables.

9. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
Prepaid advertising	**131,736**	89,933
Other prepayments	**17,523**	6,165
Other receivables	**6,436**	4,023
Prepayment to suppliers	**4,251**	980
Prepaid lease payments	**1,447**	1,447
	161,393	102,548

10. TRADE PAYABLES

The following is an aged analysis of trade payables at the end of reporting period:

	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
0 to 90 days	**12,779**	7,342
91 to 180 days	**136**	–
181 to 360 days	**472**	–
	13,387	7,342

11. OTHER PAYABLES AND ACCRUED EXPENSES

	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
Advances from customers	**19,157**	9,911
Other tax payables	**15,533**	23,444
Other payables	**13,829**	12,691
Payable for land use right	**11,210**	11,210
Accrued sales rebate	**9,794**	18,851
Accrued payroll	**6,393**	15,268
Payable to former shareholders of Zhuhai Qi Jia Medical Industry Co. Ltd. ("Zhuhai Qi Jia")	**4,550**	4,550
Accrued expenses	**3,820**	1,493
Advertising expenses payable	**2,889**	300
Payable for acquisition of a subsidiary	**2,000**	2,000
Deferred government grant	**786**	786
	89,961	100,504

The amounts due to former shareholders of Zhuhai Qi Jia are unsecured, non-trade related, interest free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The year 2011 marks the beginning of China's Twelfth Five-year Plan for economic development. During the first half of 2011, China's economy faced a tight spot with serious inflation and noticeable slowdown of economic growth, for which the PRC Government has taken a series of resolute and flexible macro control measures to make sure that China's economy is evolving on the right track and at a steady and fast speed. According to the National Bureau of Statistics of China, China's GDP for the first half of 2011 increased by 9.6% to RMB20.4 trillion, while the total retail sales of consumer goods and the per capita disposable income of urban residents (net of price influences) increased by 16.8% and 7.6% to RMB8.6 trillion and RMB11,041 respectively, as compared with last year.

Benefiting from the stunning growth of China's economy, the continuous increase of disposable income of the Chinese residents and the significant growth in consumption arising from the changing of consumption patterns in addition to the public's increasing awareness of health and preference for health care products made of Chinese herbs, the therapeutic tea market in China has been growing at a steady pace.

As a leading provider of therapeutic tea in China, the Group has been striving to accomplish the following targets during the first half of 2011:

1. **Strengthening Management of Sales Network and Channels and Improving Efficiency of Retail Outlets**

   Following the completion of preliminary layout of our sales network and channels covering all of China's provinces, municipalities and autonomous regions in 2010, for the first half of 2011, the Group focused on the expansion of regional markets, in-depth channel exploitation and improvement of efficiency of retail sales outlets. First of all, in respect of expansion of regional markets, for the developed markets, while we strengthened our market position in the tier-1 cities, we focused on the in-depth exploitation of the tier-3 cities and county-level markets so as to increase the penetration of our sales network. For the developing markets, we focused on the in-depth exploration of the tier-2 cities and penetration of tier-3 cities so as to continuously increase our turnover. For the emerging markets, we focused on those key cities, and kept up radiation on the tier-2 and tier-3 cities through media advertisements so as to finalize the preliminary layout of our market exploration.

   As for channel management, we focused on optimization of the resources of existing distributors, and establishing a key customer strategic cooperation program under the distributor management system through distributor rating, so as to improve their operational and management efficiency. We have also been integrating our channels through continuous optimization. For example, the Group has adopted measures to reduce intermediate channel layers, to lean towards large-scale distributors, to further clarify channel segmentation and to remove from our list the distributors with malpractices. Although the number of our distributors dropped from 462 as at the end of 2010 to 429 as at 30 June 2011, the 429 distributors cover an aggregate of close to 123,000 retail outlets as at 30 June 2011 (including 119,680 retail pharmacies and about 3,260 supermarkets and hypermarkets), as compared with the approximately 119,000 retail outlets as at the end of 2010.

   Meanwhile, the Group strengthened the maintenance and management of retail outlets during the first half of 2011 and made it our top priority to increase the first-to-recommend ratio of the Besunyen Detox Tea and Besunyen Slimming Tea by shop assistants. In this regard, the Group took a series of promotional approaches such as staging competition of shop assistant recommendation and increasing the relevant appraisal weight which successfully increased the average first-to-recommend ratio of our products. Furthermore, the Group took advantage of the opportunities provided when our competitors' products were removed from the shelves as they contained Sibutramine and started the promotion of our health weight-scale that carries the Besunyen logo and successfully replaced around 25,000 weight-scales of our competitors, which enhanced the influences of Besunyen brandname among the retail outlets.

2. **Optimizing Marketing Resources to Improve the Recognition and Credibility of the "Besunyen" Brandname**

   During the first half of 2011, the Group rationally planned and applied our marketing resources including advertising, which in turn optimized the marketing effectiveness on brand enhancement and sales generation. In respect of media advertising, the Group increased our advertisement coverage on popular satellite TV channels and programmes in Mainland China. Meanwhile, the Group has also been actively exploring the strategy and impact of using online media in view of its increasing popularity.

In addition, in order to further promote our brand influence, the Group carefully selected a number of TV shows for title sponsorship, such as the Dancing Carnival (3rd Season) on Chengdu TV, the Invite You to Be Our Brand Ambassador on Qilu TV, the More Smart Talk, the More Happiness on Hunan Economic TV and the Follow the Road to Health on CCTV-10. We also participated in the Ninth University Advertisement Art Show (Academy Award) and collected creative works from college students on our new product Besunyen Mei An Granules, aiming at building Besunyen brand awareness among the young consumers and promoting our business concepts.

In the first half of 2011, we engaged Ms. Xu Jinglei, a famous Chinese female director and actress, as the spokesperson of our Besunyen Slimming Tea, aiming at promoting the new "Green, healthy and fashionable" image of Besunyen Slimming Tea. The press conference was held on 21 March 2011 in Hong Kong and attracted over 300 media from the mainland and 17 from Hong Kong, which remarkably increased the influence of our Besunyen brand and boosted the sales of its products. The results of a survey conducted by a third party we engaged on the promotional effect of the Xu Jinglei version Besunyen Slimming Tea commercial indicated that the consumers responded positively to our new advertisement and thought that it had a stronger persuasive effect and was a greater booster to our products in terms of market penetration and brand promotion. Meanwhile, our engagement of the Chinese comic stars Guo Dongling and Niu Li to represent our Besunyen Detox Tea at the beginning of the year also had a similar positive effect.

3. Striving for New Products Launch

Mei An Granules has shown its efficacy in improving sleep quality, which is its key selling point, as evidenced by the nationwide trial sale since November 2010. Based on the findings on efficacy of our products to the random samples of customers in two pilot markets, Jiangyin city and Changshu city, Jiangsu Province, the product can attain potency of 56.0% if one takes 2 boxes of Mei An Granules (i.e. a two-week trial term) or above, which reaches 75.6% for 3 boxes (i.e. a three-week trial term) or above.

In this respect, the Group has repositioned Mei An Granules in the second quarter of the year, and set up and fostered a strong trial sale team, aiming to enhance its efforts in the test campaign. Besides, in order to achieve expected trial sale effectiveness, we focused all of our sales activities at Jiangyin city and Changshu city, Jiangsu Province, as supported by mass advertising on TV from May this year. With that, we aim to obtain trial sale results which are truthful and complete. The Group expects that the trial sale of Mei An Granules will extend to Eastern China in the fourth quarter of this year and across the country in 2012.

In addition, the Group is going full steam ahead in the preliminary preparation for the launch of Maishuping, another new OTC medicine, which is helpful in stabilizing blood pressure. As of the first half of this year, Besunyen Pharmaceutical Co., Ltd.（碧生源藥業有限公司）was established and granted Drug Manufacturing Certificate and Business License. The Group has established the positioning and marketing strategies for Maishuping. Once the Group obtains the approval from the State Food and Drug Administration for the medicine certificate of post plant-relocation production of Maishuping, the Group will immediately commence for the production and sale of this new product.

4. Strengthening Efforts for New Products Research and Development and Strictly Controlling Product Quality

The Group has maintained our research and development focus on the sector of health beverages, mainly tea and herbal-based drinks, and in particular, pays attention to new types of safe and reliable products with sufficient health effects and higher technical barriers where there are strong market and consumer demands. As regards to new products research and development and declaration, the Group applied to Shanghai Disease Prevention and Control Centre, a test institution authorized by the State Food and Drug Administration, for reviewing a new product that helps relieve physical fatigue and improving memory in July 2010. This product has already passed the relevant tests on safety, efficacy and quality reliability in May 2011. The Group has completed the preparation of relevant data and documents for this product and has lodged an application to the State Food and Drug Administration.

The Group has also applied to Shanghai Disease Prevention and Control Centre in April 2011 for another new product (which targets to enhance skin condition and repair ageing skin caused by various oxidation factors). Such new product is under tests on product safety, efficacy and quality reliability. Furthermore, the Group's research and development department is also carrying out research and development of new products that help people clear and nourish throat, brighten eyesight and protect eyes, promote digestion, etc.

In addition to the above efforts, by leveraging its in-house technology edge in tea and Chinese herb medicine, the Group's research and development department also continues to seek for and undertake projects commissioned by international beverage and food companies for joint development. That enables the department to boost awareness in the relevant research field worldwide by means of ever increased research and development capabilities.

What's more, in respect of product safety and quality assurance, the Group has set up the Product Safety and Quality Assurance Center early this year. The center is running smoothly in the analysis and tests on the quality and safety of raw materials, semi-finished products and final products. Relying on our high-tech and large sophisticated analyzers and well-trained professionals, the Group is capable of carrying out safety tests on raw materials and products on a more timely, efficient and accurate basis, which ensures the compliance to the strict quality and safety standards of each batch of raw materials purchased or products produced.

5. Refining Corporate Management to Increase Operating Efficiency

Since our listing, the Group has been emphasizing the use of budgeting management system to guide our corporate development towards clear goals, and render its growth in a rational and controllable way. Through establishing and strengthening a budget management system with full staff participation, the management of revenue, cost and expense, capital expenditure and working capital have been enhanced, thereby achieving refined corporate management.

The Group also from time to time recruits talents and strengthens the functions of human resources, organization development, information technology planning and construction, etc.. The construction works of the human resources system have been well in progress, which include optimization of organizational structure, clarification of responsibilities and duties, better arrangement of posts, reform of remuneration packages and construction of core talents team.

The Group also engaged China's renowned management consulting institutions to analyze our information system construction and suggest plans, which have been provided to us in the form of detailed planning reports. In order to further implement those plans, the Group has preliminarily selected partners for cooperation and intends to commence the construction of specific projects, such as optimization of management process, office automation system and enterprise resources planning system as well as the rebuilding of network system in the second half of 2011.

Financial Review

1. Review of Interim Results for 2011

The following table sets forth interim results of the Group during the six months ended 30 June ("the first half of the year") as indicated:

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Turnover	**512,323**	368,684
Cost of sales	**(53,721)**	(37,962)
Gross profit	**458,602**	330,722
Other income (expenses)	**7,459**	(10,841)
Selling and marketing expenses	**(272,500)**	(186,686)
Administrative expenses	**(49,448)**	(28,633)
Research and development costs	**(6,571)**	(1,319)
Finance costs	**–**	(2,734)
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Profit before taxation	**137,542**	43,848
Income tax expense	**(24,219)**	(22,740)
Profit and total comprehensive income for the first half of the year	**113,323**	21,108
Earnings per share		
Basic (RMB)	**0.07**	0.02
Diluted (RMB)	**0.07**	0.02

Turnover

	For the six months ended 30 June			
	2011		2010	
	RMB'000	***Percentage of turnover***	*RMB'000*	*Percentage of turnover*
Turnover:				
Besunyen detox tea	**242,632**	**47.4%**	178,173	48.3%
Besunyen slimming tea	**266,804**	**52.1%**	187,493	50.9%
Other products	**2,887**	**0.5%**	3,018	0.8%
Total	**512,323**	**100.0%**	368,684	100.0%

The turnover of the Group increased by 39.0% from RMB368.7 million in the first half of 2010 to RMB512.3 million for the same period of 2011, mainly due to the rapid growth of the sales of the Group's Besunyen Detox Tea and Besunyen Slimming Tea. The turnover of Besunyen Detox Tea increased by 36.2% from RMB178.2 million in the first half of 2010 to RMB242.6 million for the same period of 2011, mainly due to the increase of sales volume from 116.6 million tea bags to 151.7 million tea bags. The turnover of Besunyen Slimming Tea increased by 42.3%, from RMB187.5 million in the first half of 2010 to RMB266.8 million for the same period of 2011, mainly due to the increase in sales volume from 179.1 million tea bags to 249.8 million tea bags. The growth of sales volume was mainly driven by the Group's efforts in developing and exploiting markets, as well as expanding the distribution network.

For the first half of 2011, the actual selling price of Besunyen Detox Tea and Besunyen Slimming Tea (turnover divided by sales volume) remained relatively stable, despite the significant sales volume increase of these two products. During the period, the actual selling price of Besunyen Detox Tea and Besunyen Slimming Tea were RMB1.60 per bag and RMB1.07 per bag respectively (compared to RMB1.53 per bag and RMB1.05 per bag respectively in the first half of 2010).

Cost of Sales and Gross Profit

	For the six months ended 30 June			
	2011		2010	
	RMB'000	***Percentage of turnover***	*RMB'000*	*Percentage of turnover*
Raw material costs	**9,293**	**1.8%**	6,876	1.9%
Packaging material costs	**30,689**	**6.0%**	20,254	5.5%
Labor costs	**4,161**	**0.8%**	3,655	1.0%
Manufacturing overhead	**9,578**	**1.9%**	7,177	1.9%
Total	**53,721**	**10.5%**	37,962	10.3%
Gross profit	**458,602**	**89.5%**	330,722	89.7%

The cost of sales of the Group increased by 41.5%, from RMB38.0 million in the first half of 2010 to RMB53.7 million for the same period of 2011, because the raw material costs, packaging material costs, labor costs, and manufacturing overhead all increased due to the Group's continuous expansion of its production level to fulfill growing demand for our products. The cost of sales accounted for 10.3% of turnover in the first half of 2010, and it rose to 10.5% in the first half of 2011. The main reasons for the increase in the cost of sales are as follows. The market prices of the major raw materials for producing the products of the Group increased; however, with a strong bargaining power of the Group, the raw materials costs as a percentage of turnover had a slight decrease. In respect of packaging material costs, the demand for packaging materials rose due to an increase in sales volume of our products. On the other hand, the Group was able to control the rise in the price of packaging materials effectively through introduction of new suppliers. In respect of manufacturing overhead, since the new plant is put into use and the Group increased the use of new equipment and facilities like the Italy-made automated tea bag packaging machines, expenses in water and energy consumption as well as asset depreciation has therefore increased. In addition, in respect of labor costs, the increased automation resulted from the utilization of new packaging machines caused the need to have more skilled labor even though at a reduced staff count, hence unit labor costs increased. On balance, benefiting from the proper planning of the Group, labor costs as a percentage of turnover decreased as compared with the first half of 2010.

Therefore, the gross profit of the Group increased by 38.7% from RMB330.7 million in the first half of 2010 to RMB458.6 million for the same period of 2011. The gross profit margin of the Group showed a slight decrease from 89.7% in the first half of 2010 to 89.5% for the same period of 2011.

Other Income (Expenses)

Other income of the Group in the first half of 2011 amounted to RMB7.5 million, while other expenses of the Group for the same period of 2010 was RMB10.8 million. The change was mainly caused by the interest income on the proceeds of initial public offering of the Company ("IPO") for the first half of 2011 which amounted to RMB7.3 million. Other income (expenses) was also affected by the appreciation of Renminbi against foreign currencies such as US Dollar and Hong Kong Dollar in the first half of 2011, such that the Group generated a loss of RMB4.6 million in foreign exchange for the first half of 2011. Other income (expenses) in the first half of 2011 also includes a relevant government grant of RMB4.3 million provided by the Chinese government to support the Group's operations and business in Fangshan District, Beijing.

Selling and Marketing Expenses

	For the six months ended 30 June			
	2011		2010	
	RMB'000	***Percentage of turnover***	*RMB'000*	*Percentage of turnover*
Advertising expenses	**165,410**	**32.3%**	117,140	31.8%
Other marketing and promotional expenses	**34,255**	**6.7%**	23,635	6.4%
Staff costs[(1)]	**48,853**	**9.5%**	32,607	8.8%
Others	**23,982**	**4.7%**	13,304	3.6%
Total	**272,500**	**53.2%**	186,686	50.6%

(1) Includes share-based compensation expenses of RMB1.3 million for the six months ended 30 June 2011.

The selling and marketing expenses of the Group increased by 46.0% from RMB186.7 million in the first half of 2010 to RMB272.5 million for the same period of 2011. The increase in advertising expenses was mainly due to the enlarged spending on television and other commercials, as well as brand sponsorship activities. The increase in other marketing and promotional expenses (including point-of-sale terminals expenses, promotional expenses and expenses in gifts, etc.) was mainly because of the expansion of point-of-sale terminals sales network and increased point-of-sale terminals sales activities conducted by the Group. Staff costs in relation to sales and marketing of the Group in the first half of 2011 increased, mainly because of an increase in the sales labor costs per head and the share-based compensation expense. The number of sales and marketing staff of the Group also rose from 2,234 as of 30 June 2010 (including 938 promotion staff employed through agencies) to 2,856 as of 30 June 2011 (including 1,146 promotion staff employed through agencies).

Administrative Expenses

	For the six months ended 30 June			
	2011		2010	
	RMB'000	***Percentage of turnover***	*RMB'000*	*Percentage of turnover*
Staff costs[(1)]	**26,830**	**5.3%**	16,435	4.5%
Office expenses	**9,105**	**1.8%**	5,349	1.5%
Professional fees	**2,059**	**0.4%**	1,963	0.5%
Travel and entertainment expenses	**3,675**	**0.7%**	2,800	0.7%
Others	**7,779**	**1.5%**	2,086	0.6%
Total	**49,448**	**9.7%**	28,633	7.8%

(1) Includes share-based compensation expenses of RMB9.8 million for the six months ended 30 June 2011.

The administrative expenses of the Group increased by 72.7% from RMB28.6 million in the first half of 2010 to RMB49.4 million for the same period of 2011, mainly driven by the additional employment of some experienced senior managers across divisions since 2010 for the purpose of meeting the business rapid growth needs, as well as the non-cash share-based compensation expenses paid to our executives which amounted to RMB9.8 million (for the first half of 2010: RMB6.8 million).

Research and Development Costs

	For the six months ended 30 June			
	2011		2010	
	RMB'000	***Percentage of turnover***	*RMB'000*	*Percentage of turnover*
Research and development costs	**6,571**	**1.3%**	1,319	0.4%

The Group's research and development costs increased by 398.2% from RMB1.3 million in the first half of 2010 to RMB6.6 million for the same period of 2011 because of the Group's efforts to enhance research and development capabilities and to improve production quality.

Finance Costs

Finance costs of the Group decreased from RMB2.7 million in the first half of 2010 to Nil for the same period of 2011, mainly because the Group did not have any interest-bearing loans for the first half of 2011.

Change in Fair Value on Redeemable Convertible Preferred Shares

Relevant charge related to the change in the fair value of the redeemable convertible Series A preferred shares of the Group in the first half of 2010 was RMB56.7 million. Owing to the conversion of the redeemable convertible preferred shares existing before the IPO last year into ordinary shares of the Company, which then became part of the shareholders' equities of the Company, the redeemable convertible preferred shares were no longer liabilities of the Company after the conversion. Thus, the Group no longer had any changes in the fair value of the redeemable convertible Series A preferred shares during the first half of 2011.

Income Tax Expense

Income tax expense of the Group increased by 6.5% from RMB22.7 million in the first half of 2010 to RMB24.2 million for the same period of 2011. This was mainly because the taxable income of the Group had increased.

Profit and Total Comprehensive Income

Due to the aforementioned factors, the profit and total comprehensive income of the Group for the first half of 2011 increased by 436.9% from RMB21.1 million for the same period of 2010 to RMB113.3 million.

2. Cash Flow, Financial Resources and Capital Commitment

During the first half of 2011, funds and capital expenditure required in the operation of the Group mainly came from cash flow generated from its internal operations as well as the proceeds from the IPO last year.

Cash Flow

The following table summarizes net cash flow of the Group during the first half of the year as indicated:

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Net cash from (used in) operating activities	**8,388**	(6,454)
Net cash used in investing activities	**(101,876)**	(79,872)
Net cash used in financing activities	**(14,466)**	(21,516)
Decrease in cash and cash equivalents	**(107,954)**	(107,842)

Net Cash from (Used in) Operating Activities

During the first half of 2011, net cash from operating activities of the Group was RMB8.4 million (for the same period of 2010: net cash used was RMB6.5 million), and profit before taxation was RMB137.5 million. The difference was mainly caused by an increase in trade and notes receivables amounted to RMB68.1 million, an increase in deposits, prepayments and other receivables (mainly prepaid advertisement expenses) amounted to RMB58.8 million, a decrease in other payables and accrued expenses amounted to RMB10.5 million (mainly caused by a decrease in accrued sales rebate of RMB9.0 million) and paid income taxes amounted to RMB24.2 million. Such amount was partly offset by the depreciation expenses of property, plant and equipment of the Group of RMB12.3 million and the non-cash expenses of RMB11.1 million as share-based compensation paid to staff (including the Directors).

Net Cash Used in Investing Activities

During the first half of 2011, net cash used in investing activities of the Group amounted to RMB101.9 million (for the same period of 2010: RMB79.9 million), mainly for the purchase of office buildings for East China headquarters in Shanghai and the construction of production and ancillary buildings and facilities in Fangshan District, Beijing.

Net Cash Used in Financing Activities

During the first half of 2011, net cash used in financing activities of the Group was RMB14.5 million (for the same period of 2010: RMB21.5 million), mainly due to the payment of 2010 final dividend of RMB14.0 million.

Cash and Bank Loans

As of 30 June 2011, the Group's bank balances and cash totalled RMB1,057.9 million (31 December 2010: RMB1,170.5 million), representing a decrease of RMB112.6 million as compared to 31 December 2010. Over 95.0% of the bank balances and cash of the Group was in Renminbi. In addition, as at 30 June 2011, the Group did not have any bank borrowings (31 December 2010: Nil). Also, as at 30 June 2011, the Group did not have any unused bank credit lines.

Capital Expenditure

During the first half of 2011, capital expenditure of the Group was RMB101.9 million (for the same period of 2010: RMB85.9 million), which mainly included the purchase of office buildings for East China headquarters in Shanghai and expenditure for purchasing and building properties, plants and equipment for production ancillary equipment. The following table sets forth capital expenditure of the Group during the six months ended 30 June as indicated:

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Land-use rights	**–**	9,546
Property, plant and equipment	**101,728**	75,987
Intangible assets	**218**	416
Total	**101,946**	85,949

In order to optimize the Group's operational efficiency and attract more talents from the job market in Beijing to join the Group, in July 2011, the Group purchased an under construction office project located at Linglong Tiandi Centre, No. 32 Wukesong Road, Haidian District, Beijing, PRC with a gross floor area of 10,592.63 sq. m.. The purpose of the acquisition is to secure office space for centralizing the operations of the Group in Beijing upon its completion and handover in mid-2012. The consideration of the entire project is RMB306.0 million, which will be satisfied as to approximately RMB123.7 million by the net proceeds from the IPO and remaining amount will be satisfied by internal financial resources of the Group. Please refer to the announcements of the Company dated 11 July 2011 and 22 July 2011 for details.

In addition, currently the Group expects that the capital expenditure for the second half of 2011 amounts to around RMB463.0 million, which will be mainly used to purchase land, properties, plants and equipment related to the building, installation and assembly of additional production and ancillary facilities in Fangshan, to increase investments in research and development equipment, and to purchase and upgrade IT facilities and functions. The Group expects to use our current cash balance, cash generated from our operations, and the proceeds from the IPO to fund the capital expenditure of the Group in the second half of 2011.

Use of the Net Proceeds from the IPO

The use of the net proceeds from the IPO during the first half of 2011 is as follows:

	Net Amount from the IPO			
			First half of	
		2010	2011	
	Available	**Used**	**Used**	**Unused**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Acquisition of new production equipment and building new production facilities	364,913	52,761	40,107	272,045
Setting up of the East China Headquarters*	150,000	–	74,763	75,237
Acquisition of the property located in Haidian District, Beijing*	123,664	N/A	N/A	123,664
Extension of sales and distribution network, channels and brand building	73,092	54,957	18,135	–
Design, R&D of new products	146,185	8,979	15,761	121,445
Improvement of ERP and overall IT system	43,855	408	1,649	41,798
Loan repayment	73,000	73,000	–	–
Working capital	58,474	58,474	–	–
Total	1,033,183	248,579	150,415	634,189

* Please refer to the announcements of the Company dated 11 July 2011 and 22 July 2011 for details on the acquisition of the property located in Haidian District, Beijing and the reallocation of the IPO proceeds use.

Inventories

The Group's inventories included raw materials and packaging materials, work in progress (semi-finished products), and finished goods.

The Group actively monitors our inventories level to ensure that the inventories volumes of raw materials, work in progress and finished goods remain at a rather low but sufficient level. Throughout the distribution and retail process, the Group monitors and evaluates sales performance and product trend, so as to better estimate inventories requirements.

The following table sets forth our inventory data as of the dates indicated:

	As of	
	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
Raw materials and packaging materials	**4,436**	4,159
Work in progress	**3,378**	1,354
Finished goods	**2,248**	156
Total	**10,062**	5,669

The following table sets forth our inventory turnover days analysis during the periods indicated:

	For the six months ended 30 June 2011 *days*	For the year ended 31 December 2010 *days*
Raw materials and packaging materials	**14.4**	14.2
Work in progress	**8.0**	8.8
Finished goods	**4.0**	1.1
Total	**26.4**	24.2

Trade and Notes Receivables

The Group generally requests distributors to pay before the delivery of products. For certain major distributors having a long-term cooperation relationship with the Group, the Group may allow more favorable payment and settlement provisions. For example, if those suppliers may provide effective proof of payment, such as acceptance bills issued by a bank, although such acceptance bills are listed as notes receivables in the balance sheet of the Group before its maturity date or before the Group has transferred them to a third party, and the Group deems such acceptance bills as low risk and regards the payment as settled, the Group would deliver new products. The Group usually monitors the sales contracts and provides a credit period of 60 days or a maximum of six months to a limited number of distributors. Those distributors are mainly reliable and reputable distributors providing wholesale to supermarkets and convenience store chains (general industry practice allows credit sales). For distributors not enjoying a credit period from the sales contract, they may apply for credit on an individual basis, and the Group would grant approval on an individual case basis considering marketing development needs, payment capabilities of the distributors and their past payment records.

The following table sets forth the Group's trade and notes receivables analysis as of the dates indicated:

	As of	
	30 June 2011 ***RMB'000***	31 December 2010 *RMB'000*
Trade receivables	**120,246**	135,117
Notes receivables	**100,627**	17,686
Total	**220,873**	152,803

The following table sets forth the turnover days analysis of trade and notes receivables of the Group during the periods indicated:

	For the six months ended 30 June 2011 *days*	For the year ended 31 December 2010 *days*
Trade and notes receivables turnover days	**65.6**	51.7
of which, trade receivables turnover days	**44.9**	36.4

Trade and notes receivables turnover days of the Group for the first half of 2011 increased. The main reasons were that the scale of the Group's business expanded, as well as the sales of the distributors (who the Group granted credit period) increased. Meanwhile, as the Chinese government has taken stronger macro-economic control measures this year, under the circumstance of tight funding in general, distributors may make their payments to the Group by more bank acceptance bills, which in turn increases notes receivables turnover days of the Group. However, as bank acceptance bills are issued by relevant banks and are secured by bank credit, the risk of having bad debts is rather low.

The following table summarizes the aging of the Group's trade and notes receivables as of the dates indicated:

	As of	
	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
0-90 days	**200,847**	149,392
91-180 days	**5,854**	3,411
181-360 days	**14,172**	–
Total	**220,873**	152,803

As of 30 June 2011, the Group had no bad and doubtful debt provision (31 December 2010: Nil). For the first half of 2011, the Group did not incur any bad and doubtful debt impairment (for the same period of 2010: Nil).

Trade Payables

The Group's trade payables mainly comprise payables by the Group to the suppliers of raw materials and packaging materials. Based on the long-term relationships with major suppliers of the Group, the Group generally enjoys favorable credit terms of up to 90 days.

The following table sets forth the Group's trade payables as of the dates indicated:

	As of 30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
Trade payables	**13,387**	7,342

The following table sets forth the analysis of turnover days of the Group's trade payables for the period as indicated:

	For the six months ended 30 June 2011 *days*	For the year ended 31 December 2010 *days*
Trade payables turnover days	**34.7**	35.8

The following table summarizes the aging of the Group's trade payables as of the dates indicated:

	As of 30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
0-90 days	**12,779**	7,342
91-180 days	**136**	–
181-360 days	**472**	–
Total	**13,387**	7,342

Deposits, Prepayments and Other Receivables

The following table sets forth a breakdown of the Group's deposits, prepayments and other receivables as of the dates indicated:

	As of 30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
Prepaid advertising	**131,736**	89,933
Other prepayments	**17,523**	6,165
Other receivables	**6,436**	4,023
Prepayments to suppliers	**4,251**	980
Prepaid lease payments	**1,447**	1,447
Total	**161,393**	102,548

Increase in the Group's prepaid advertising as of 30 June 2011 was mainly due to a number of factors: (i) the Group's advertising activities increased significantly; (ii) there were more media channels requesting prepaid advertising expenses (particularly television channels); and (iii) the Group decided to prepay expenses for more advertising so as to bargain for more advantageous television advertising fees, which would in turn reduces the impact of increased advertising expenses. The Group normally sets up agreements on prepaid advertising with television channels and other mass media platforms, or through their advertising agents (all of which are independent third parties).

Bank Borrowings and Gearing Ratio

As of 30 June 2011, the Group had no bank borrowings (31 December 2010: Nil), and the Group's gearing ratio of total debt to total assets was Nil (31 December 2010: Nil).

Risks in Foreign Exchange

The majority of sales income, costs and expenses of sales, as well as administrative expenses of the Group are denominated in Renminbi. Apart from some bank deposits that are held in Hong Kong dollar and US dollar, most assets and liabilities of the Group are valued in Renminbi. Since Renminbi is the functional currency of the Group, risks in foreign exchange mainly come from assets valued in Hong Kong dollar and US dollar.

For the six months ended 30 June 2011, the Group did not purchase any foreign exchange, interest rate derivative products or relevant hedging tools.

Pledge of Assets

As of 30 June 2011, the Group had no pledge of assets.

Contingent Liabilities and Guarantees

As of 30 June 2011, the Group had no material contingent liabilities or guarantees.

Off-Balance Sheet Commitments and Arrangements

As of 30 June 2011, the Group had no off-balance sheet commitments or arrangements.

Capital Commitment

As of 30 June 2011, the Group had a total of capital commitment of RMB1.6 million, mainly used to acquire equipment.

3. Human Resources Management

The Group regards high quality employees as its most important resources. As of 30 June 2011, the Group had about 3,408 employees in mainland China and Hong Kong (including 1,146 promotional staff employed by employment agents) (as of 31 December 2010: 2,711 staff members (including 751 promotional staff employed by employment agents)). For the six months ended 30 June 2011, the total staff costs (including Directors' remunerations and non-cash share-based compensation) were approximately RMB79.8 million. Staff compensation is formulated with reference to individual performance, work experience, qualification and current industry practices. Apart from basic salary and statutory pension welfare, staff welfare also includes discretionary bonus and stock options granted to eligible employees.

The Group values the recruitment, motivation and retention of suitable talents. Meanwhile, the Group invests sufficient efforts into continuous education and training for its staff members, so as to keep extending staff knowledge and skills, and to promote the spirit of teamwork. The Group often provides internal and external training courses to relevant staff based on various needs.

Prospect

As the leading brand and provider of therapeutic tea products in China, while the Group strives to maintain our leading position and business growth in the market with Besunyen Detox Tea and Besunyen Slimming Tea, the Group will continue to develop our business in the second half of 2011 by sticking to our established development strategy and work plan around the fundamental objectives for satisfying consumers' demand for pursuing health and healthy life-style. We will work hard to further enhance our sales network and distribution channels, to further improve the "Besunyen" brand, to strengthen our new product launch and success, and to improve our overall operation efficiency so as to maximize the enterprise value of the Group. Particularly, in order to speed up the launch of new products and growth of business, the Group not only has enhanced our ability in researching and developing new products for their successful launch, but also has made efforts to expand our business through merger and acquisition.

We believe our market-leading position, strong national brand name and nationwide distribution and sales network in China, coupled with our experience and knowledge of the strict PRC regulatory requirements for health food products, create strong barriers to entry in our markets. Our established market reputation, experienced product development team, extensive distribution network and pipeline of SFDA-approved products give us a competitive advantage in bringing new products to the market. The Group will continue to work with our broad customer base and business partners to further build the "Besunyen" brand into a famous household brand in the herbal tea-based health industry. At the same time, the Group strives to bring promising investment return to the shareholders of the Company.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 30 June 2011 except with the following deviations:

Code Provision A.2.1

Under code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of both Chairman and Chief Executive Officer are performed by Mr. Zhao Yihong. Mr. Zhao is a co-founder of the Group and has 21 years of experience in China's food and beverage industry. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies currently and in the foreseeable future. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

Code Provision A.4.1

Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Mr. Zhuo Fumin and Mr. Wang Bing, being non-executive Directors, and Mr. Huang Jingsheng, an independent non-executive Director, are not appointed for a specific term. However, all Directors (including executive and non-executive) are subject to retirement by rotation at least once every three years at the annual general meeting in accordance with article 16.18 of the articles of association of the Company. The Board believes that this retirement by rotation requirement serves the same purpose as that of code provision A.4.1.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Mr. Wong Lap Tat Arthur, a Director with the appropriate professional qualifications and serving as the chairman of the Audit Committee, Mr. Huang Jingsheng and Ms. Xin Katherine Rong. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls and financial reporting matters including the review of the unaudited consolidated interim results of the Group for the six months ended 30 June 2011.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the six months ended 30 June 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own securities dealing code for the Directors. Having made specific inquires of all Directors, all Directors confirmed that they complied with the required standard as set out in the Model Code during the six months ended 30 June 2011.

DIVIDENDS

The Board has approved an interim dividend of HK$0.02 per share for the six months ended 30 June 2011, with a dividend payout ratio of approximately 24.4%, to the shareholders of the Company whose names appear on the register of members of the Company on 9 September 2011. The interim dividend will be paid on or around 22 September 2011.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed by the Company from 7 September 2011 to 9 September 2011, both days inclusive. During such period, no transfer of shares of the Company will be registered. In order to qualify for entitlement to receive the interim dividend, 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 6 September 2011.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated financial statements of the Group for the six months ended June 30 2011 have been reviewed by Deloitte Touche Tohmatsu, the auditor of the Company, and the Audit Committee.

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

Hong Kong, 19 August 2011

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 Directors are Mr. Zhuo Fumin and Mr. Wang Bing; and the independent non-executive Directors are Mr. Huang Jingsheng, Mr. Wong Lap Tat Arthur and Ms. Xin Katherine Rong.