碧 生 源 控 股 有 限 公 司

BESUNYEN HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 926)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

Financial Highlights

The Group's revenue amounted to RMB874.2 million for 2010, representing an increase of RMB227.7 million, or approximately 35.2% as compared to RMB646.5 million for 2009.

The gross profit margin slightly increased to 89.6% for 2010 from 89.4% for 2009.

The profit attributable to owners of the Company and total comprehensive income for 2010 was RMB59.7 million, representing a decrease of RMB82.1 million, or approximately 57.9% as compared to RMB141.7 million for 2009. The decrease was primarily due to a RMB121.4 million non-cash charge related to change in fair value on the Series A Preferred Shares, RMB33.5 million of expenses related to the initial public offering ("IPO") and RMB36.6 million of non-cash share-based compensation expenses.

The basic earnings per share attributable to owners of the Company amounted to approximately RMB0.05 for 2010, as compared to approximately RMB0.13 for 2009.

The Board recommended payment of a final dividend of HK$0.01 per share for 2010.

The board (the "**Board**") of directors of Besunyen Holdings Company Limited (the "**Company**") is pleased to announce that audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2010	2009
	Notes	***RMB'000***	*RMB'000*
Turnover	*2*	**874,216**	646,535
Cost of sales		**(91,135)**	(68,401)
Gross profit		**783,081**	578,134
Other (expenses) income		**(32,090)**	13,338
Selling and marketing expenses		**(423,314)**	(343,808)
Administrative expenses		**(96,810)**	(27,800)
Finance costs		**(8,360)**	(8,654)
Change in fair value on redeemable convertible preferred shares		**(121,361)**	(33,497)
Profit before taxation	*3*	**101,146**	177,713
Taxation	*4*	**(41,491)**	(36,006)
Profit and total comprehensive income for the year		**59,655**	141,707
Earnings per share			
Basic (RMB)	*6*	**0.05**	0.13
Diluted (RMB)	*6*	**0.05**	0.13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2010	2009
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property plant and equipment		**272,145**	130,935
Prepaid lease payments		**68,767**	18,025
Intangible assets		**22,147**	7,138
Non-current deposits		**58,705**	93,056
Deferred tax assets		**8,408**	976
Goodwill		**20,785**	–
		450,957	250,130
CURRENT ASSETS			
Inventories		**5,669**	6,397
Trade and notes receivables	*7*	**152,803**	94,723
Deposits, prepayments and other receivables	*8*	**102,548**	44,506
Amounts due from related parties		**–**	20
Pledged bank deposits		**–**	1,955
Bank balances and cash		**1,170,469**	168,777
		1,431,489	316,378
CURRENT LIABILITIES			
Trade payables	*9*	**7,342**	10,512
Other payables and accrued expenses	*10*	**100,504**	31,981
Amount due to a related party		**1,000**	–
Taxation payable		**17,142**	13,436
Bank borrowings		**–**	50,000
		125,988	105,929
NET CURRENT ASSETS		**1,305,501**	210,449
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,756,458**	460,579

		At 31 December	
		2010	2009
	Notes	***RMB'000***	*RMB'000*
CAPITAL AND RESERVES			
Paid in capital/share capital		**95**	63
Reserves		**1,735,600**	299,451
		1,735,695	299,514
NON-CURRENT LIABILITIES			
Bank borrowings		**–**	15,000
Deferred government grant		**9,459**	3,944
Deferred tax liabilities		**11,304**	6,200
Redeemable convertible preferred shares		**–**	135,921
		20,763	161,065
		1,756,458	460,579

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands on 5 August 2009 as an exempted company under the Cayman Companies Law. The addresses of the registered office is the Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands, and the principal place of business of the Company is No. 1 Qiushi Industry Park, Doudian Town, Fangshan District, Beijing.

The Company underwent the group reorganisation (the "Reorganisation") which included the following steps:

(a) Prior to the Reorganisation, Mr. Cui Shan held the entire shareholding of Beijing Outsell Health Product Development Co., Ltd. ("Beijing Outsell") on trust for Mr. Zhao Yihong. Pursuant to the sales and purchase agreement dated 1 September 2009, Mr. Cui Shan agreed to transfer the entire equity interest in Beijing Outsell to Besunyen (Hong Kong) Co., Limited ("Besunyen HK") in exchange for all of the share of Besunyen HK.

(b) Besunyen Investment (BVI) Co. Ltd. ("Besunyen Investment") was incorporated in the British Virgin Islands ("BVI") with limited liability on 11 August 2009 and was owned by Mr. Zhao Yihong. On 25 September 2009, 100% of equity interest owned by Mr. Zhao Yihong in Besunyen Investment was transferred to the Company.

(c) Besunyen HK was incorporated in Hong Kong with limited liability on 10 June 2009 and was owned by Mr. Cui Shan. On 5 October 2009, 100% of equity interest owned by Mr. Cui Shan was transferred to Besunyen Investment in exchange for one share at par value of US$1 pursuant to a share transfer agreement. Thereafter, the Company has become the holding company of the Group since 5 October 2009.

(d) Besunyen Food and Beverage Co., Ltd. ("Besunyen Food and Beverage") was established on 29 June 2007 and the beneficial owner is Mr. Zhao Yihong. On 9 October 2009, Beijing Outsell acquired 100% of equity interest of Besunyen Food and Beverage from Besunyen Investment Co., Ltd., a company owned by Mr. Zhao Yihong, for a consideration of RMB2,200,000. Such consideration was accounted for as a distribution to the shareholder.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group which has been prepared by applying the principles of merger accounting, as if the group structure had been in existence throughout the year presented, or since their respective dates of incorporation/establishment where this is a shorter period.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the manufacture and sales of therapeutic tea products.

2. 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:

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Detox tea	**566,222**	373,135
Slimming tea	**304,186**	265,706
Other tea products	**3,808**	7,694
	874,216	646,535

Major customers

No single customers contribute over 10% or more of the turnover of the Group for the years ended 31 December 2010 and 2009.

Geographical disclosures

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

3. PROFIT BEFORE TAXATION

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
– salaries and other allowances	**142,104**	54,267
– retirement benefit scheme contributions	**6,475**	5,748
Total staff costs	**148,579**	60,015
Amortisation of intangible assets	**4,102**	1,807
Auditors' remuneration	**3,921**	1,088
Cost of inventories recognised as expense	**91,135**	68,401
Depreciation of property, plant and equipment	**15,690**	4,081
Loss on disposal of property, plant and equipment	**152**	642
Impairment loss on property, plant and equipment	**1,528**	–
Release of prepaid lease payments	**1,125**	368
Research and development costs	**8,185**	1,946
Impairment loss on trade receivables	**–**	(323)

4. TAXATION

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
The charge comprises		
PRC income tax	**49,515**	30,369
Deferred taxation		
– current year	**(8,024)**	5,637
	41,491	36,006

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Profit before taxation	**101,146**	177,713
Tax at PRC Enterprise Income Tax rate of 25% (2009: 25%)	**25,286**	44,428
Effect of tax exemption granted	**(35,301)**	(27,320)
Tax effect of tax loss not recognised	**2,426**	1,359
Utilisation of tax loss previously not recognised	**(1,838)**	(986)
Tax effect of income not taxable for tax purposes	**–**	(233)
Tax effect of expenses not deductible for tax purposes	**48,196**	12,558
Withholding tax on undistributed earnings	**2,722**	6,200
Tax charge for the year	**41,491**	36,006

The Company was incorporated in the Cayman Islands and Besunyen Investment was incorporated in the BVI that are tax exempted under the tax laws of the Cayman Islands and the BVI.

Starting from 1 January 2008, Beijing Outsell applied the statutory rate of 25% due to the change of the PRC Income Tax Laws. Beijing Outsell is exempted from PRC income tax for two years starting from its first profit making year, followed by a 50% reduction for the next three years. Beijing Outsell was exempted from PRC income tax in 2007 and 2008, and entitled to 50% reduction in PRC income tax in 2009, 2010 and 2011.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Except for Beijing Outsell, the remaining PRC subsidiaries are subject to a unified tax rate at 25% from 1 January 2008 onwards.

The EIT rate for entities operating in the PRC, other than Beijing Outsell, was 25% in 2010 (2009: 25%).

According to a joint circular of Ministry of Finance and the State Administration of Taxation, Cai Shui No. 1 of 2008, only the profits earned by foreign-investment enterprise prior to 1 January 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Whereas, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% and withheld by the PRC entity, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Details Implementation Rules. By the Tax Arrangement for Avoidance of Double Taxation between China and Hong Kong (China-HK TA), a Hong Kong resident company should be entitled to preferential tax rate of 5% when receiving dividend from its PRC subsidiary. Beijing Outsell received approval from national tax bureau on 5 August 2010 stating that its immediate holding company can enjoy the preferential tax rate of 5% on dividend received from the PRC subsidiary.

During the year ended 31 December 2010, deferred tax liabilities have been accrued at the tax rate of 5% on the expected dividend of about 25% of profit for the year which is determined by the directors of the Company.

No provision for Hong Kong Profits Tax has been made as the Group's operations in Hong Kong had no assessable profit in Hong Kong for either year.

5. DIVIDENDS

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

The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

In respect of the financial year ended 31 December 2010, the directors propose a final dividend of HK$0.01 per share. The dividend is subject to approval by shareholders at the forthcoming Annual General Meeting.

6. EARNINGS PER SHARE

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

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	**59,655**	141,707

	Year ended 31 December	
	2010	2009
	'000	*'000*
Numbers of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,276,841**	1,114,560
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**37,230**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,314,071**	1,114,560

The weighted average number of ordinary shares for the purpose of calculating the basic earnings per share for either year has been retrospectively adjusted for the Reorganization and assuming that the Reorganisation had been effective on 1 January 2009, and the 120-for-one share sub-division that became effective on 10 September 2010.

The computation of diluted earnings per share for the year ended 31 December 2009 did 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.

7. TRADE AND NOTES RECEIVABLES

	At 31 December	
	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**135,117**	39,428
Notes receivables	**17,686**	55,295
	152,803	94,723

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.

	At 31 December	
	2010	2009
	RMB'000	*RMB'000*
0 – 90 days	**149,392**	93,150
91 – 180 days	**3,411**	1,502
181 to 365 days	**–**	71
	152,803	94,723

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines credit limits by customer internally. Limits and scoring attributed to customers are reviewed every year.

Included in the Group's trade and notes receivables are debtors with an aggregate carrying amount of approximately RMB1,524,000 (2010: RMBNil) which are past due at 31 December 2009, 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:

	At 31 December	
	2010	2009
	RMB'000	*RMB'000*
91 – 180 days	**–**	1,453
181 – 365 days	**–**	71
	–	1,524

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

No interest is charged on trade receivables. Allowances on trade receivables are made based on estimated irrecoverable amounts from the sales of goods by reference to past default experience and objective evidences of impairment determined by the difference between the carrying amount and the present value of the estimated future cash flow discounted at the original effective interest rate.

Movement in the allowance for doubtful debts

	At 31 December	
	2010	2009
	RMB'000	*RMB'000*
Balance at beginning of the year	**–**	323
Amounts reversed during the year	**–**	(323)
Balance at end of the year	**–**	–

8. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2010	2009
	RMB'000	*RMB'000*
Prepaid advertising	**89,933**	37,050
Other prepayments	**6,165**	5,223
Other receivables	**4,023**	1,392
Prepaid lease payments	**1,447**	388
Prepayment to suppliers	**980**	349
Staff advances	**–**	104
	102,548	44,506

9. TRADE PAYABLES

	At 31 December	
	2010	2009
	RMB'000	*RMB'000*
Trade payables	**7,342**	10,512

The credit period granted by suppliers is 60-90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe. The following is an aged analysis of trade payables presented based on invoiced date at the end of the reporting period:

	At 31 December	
	2010	2009
	RMB'000	*RMB'000*
0 to 90 days	**7,342**	10,512

10. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December	
	2010	2009
	RMB'000	*RMB'000*
Other tax payables	**23,444**	14,326
Accrued sales rebate	**18,851**	–
Accrued payroll	**15,268**	6,354
Other payables	**12,691**	632
Payable for land use right	**11,210**	–
Prepayment from customers	**9,911**	5,528
Payable to former shareholders of Zhuhai Qi Jia	**4,550**	–
Payable for acquisition of a subsidiary	**2,000**	–
Accrued expenses	**1,493**	3,033
Deferred government grant	**786**	136
Advertising expenses payable	**300**	1,855
Accrued interest expenses	**–**	117
	100,504	31,981

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

BUSINESS REVIEW AND PROSPECTS

Overview

The Group is a leading provider of therapeutic tea products in China, engaging in the development, production, sales and marketing of therapeutic tea and other health food products. Produced using proprietary blends of high quality Chinese medicinal herbs and tea leaves, products are designed and marketed as effective, safe, affordable and convenient-to-use health food products for people with mild chronic or recurring health problems, as well as those seeking to maintain a healthy body and lifestyle. The Group believes that the "Besunyen" brand is a leading therapeutic tea brand in China.

In 2010, even though the economic recoveries of major developed countries in the world were full of uncertainty, China's economy maintained steady but rapid growth. China's gross domestic product ("GDP") for the year reached RMB39,798 billions, showing a year-over-year growth rate of 10.3% and 1.1% higher than the growth rate for 2009. Meanwhile, the Chinese government is reforming the Chinese economy structure by encouraging economic growth through way of increasing domestic consumptions.

In 2010, benefited by various factors including the strong growth of China's economy, continuous increase of the general consumers' disposable income, strong consumption growth resulted from a change of consumption patterns, ever growing health problems resulted from work, daily life stresses and living habit changes, rising health consciousness, as well as the general public's reinforced habit of drinking Chinese tea and other Chinese herbal-based health food for maintaining or improving health condition and for preventing from worsening of personal health, the entire therapeutic tea market maintained continuous steady growth.

As the leading provider of therapeutic tea products in China, the Group promptly grasped the business development opportunities and achieved continuous rapid growth in 2010 through planning and implementing development strategy measures including the following:

- the Group completed the expansion and positions of its nation-wide its sales network and distribution channels. It expanded the supermarket and hypermarket distribution channel business as well;

- the Group strengthened "Besunyen" brand's recognition and reputation as the leading therapeutic tea brand by deploying multimedia advertisement coverage, naming right activities as well as versatile marketing and promotion activities all over China;

- through introducing advanced Italy-made production equipment, the Group substantially improved the product quality, thus enhanced the market image and competitiveness of Besunyen products.

In 2010, the Group achieved a turnover of RMB874.2 millions, representing an increase of 35.2% as compared to the turnover of RMB646.5 millions in 2009. Gross profit increased from RMB578.1 millions to RMB783.1 millions, showing an increase of 35.4%. Meanwhile, the gross profit margin slightly increased from 89.4% in 2009 to 89.6% in 2010. In 2010, the profit for the year and the comprehensive income of the Group was RMB59.7 millions. Compared to RMB141.7 millions in 2009, decreased by 57.9%, primarily due to a RMB121.4 million non-cash charge related to change in fair value of the Series A Preferred Shares of the Group in 2010, RMB33.5 millions of expenses related to the IPO and RMB36.6 million non-cash share-based compensation expenses.

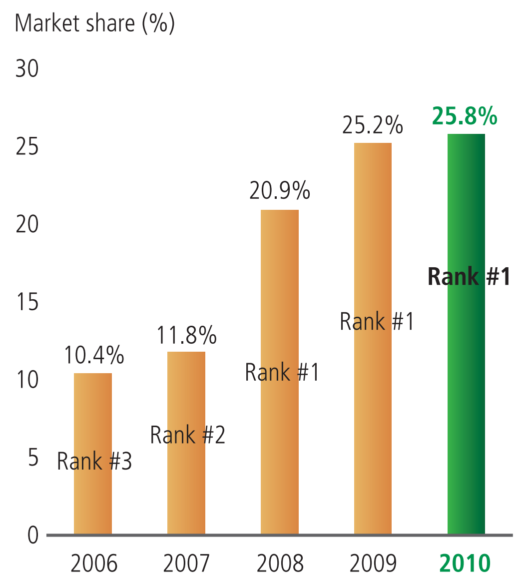
On 29 September 2010, the shares of the Company were successfully listed on The Stock Exchange of Hong Kong Limited. The IPO received extensive interest and support from and was oversubscribed by many individual investors in Hong Kong as well as institutional investors all over the world. Public listing has strengthened recognition of the "Besunyen" brand among consumers, and has also attracted people joining us as management personnel and general staff.

Industry, Market and Competition

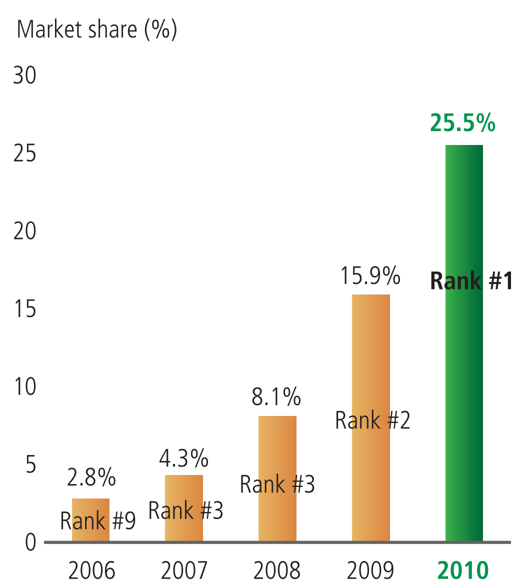
The markets for health food products with laxative or slimming functions have grown recently along with the increased population who suffer constipation or weight problems. According to a study conducted by Euromonitor International Plc. ("Euromonitor") and commissioned by the Group, sales of health food products with laxative function are expected to increase to RMB8.5 billions in 2014, representing a compound annual growth rate of 10.8% from 2009 to 2014. Sales of health food products with slimming function are expected to increase to RMB9.5 billions in 2014, representing a compound annual growth rate of 10.6% from 2009 to 2014.

The Group's Besunyen Detox Tea and Besunyen Slimming Tea compete with other laxative and slimming products, including health food products, over-the-counter ("OTC") drugs and other products, in particular those products sold in retail pharmacies. According to the SMERI Study and commissioned by us ("SMERI Study"), the Group was the No. 1 leading provider of laxative products sold through retail pharmacies in 2010 in terms of retail sales value, enjoying a market share of 25.8%. In the market for slimming products sold through retail pharmacies, the Group was also the No. 1 leading provider of sliming products sold through retail pharmacies in 2010 in terms of retail sales value, having a market share of 25.5%.

Market share and ranking of Besunyen Detox Tea among laxative products sold through retail pharmacies in the China market(Note) (calculated based on retail sales value)

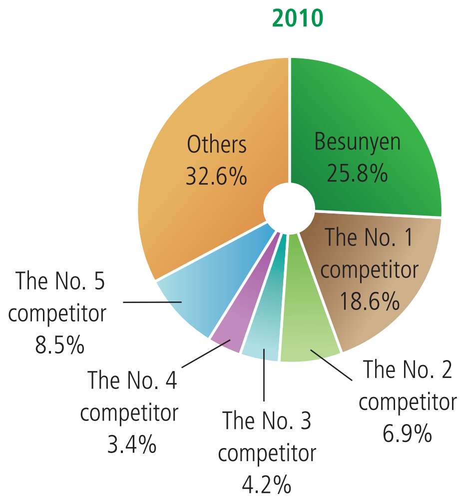


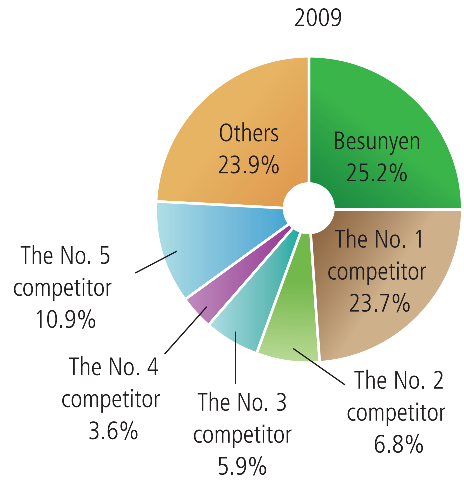
Market share and ranking of Besunyen Slimming Tea among slimming products sold through retail pharmacies in the China market(Note) (calculated based on retail sales value)



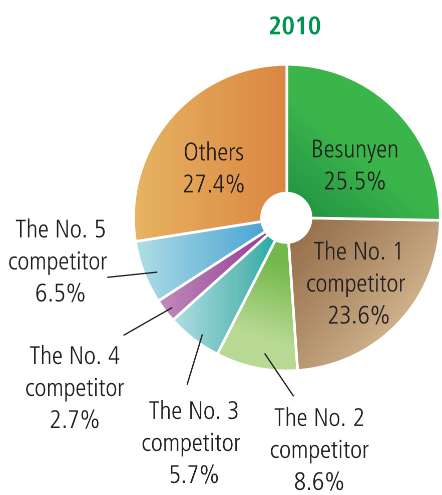
Note: China market refers to the Chinese market excluding Hong Kong, Macau and Taiwan
Source: SMERI Study, February 2011

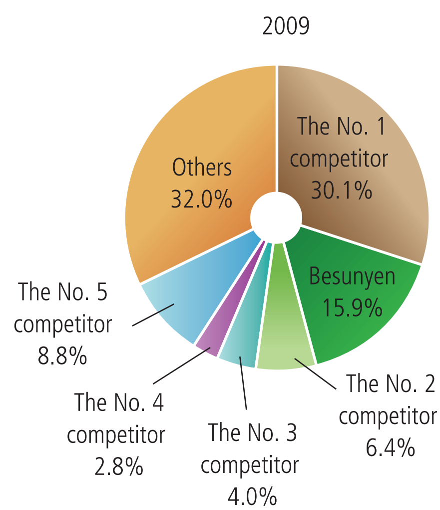
Market share and ranking of Besunyen Slimming Tea among slimming products sold through retail pharmacies in the China market(Note) (calculated based on retail sales value)





Market share and ranking of Besunyen Detox Tea among laxative products sold through retail pharmacies in the China market(Note) (calculated based on retail sales value)





Note: China market refers to the Chinese market excluding Hong Kong, Macau and Taiwan
Source: SMERI Study, February 2011

In October 2010, the State Food and Drug Administration of China ("SFDA") was of the view that using Sibutramine may increase the risk of serious cardiovascular problems, thus decided to terminate in China the production, sales and usage of 15 pharmaceutical preparations and active ingredients which contain Sibutramine. Drugs being sold in the market had to be recalled and destroyed by the manufacturing enterprises. Such decision would bring promising business opportunities to the Group which promote healthy, safe and effective slimming philosophy.

According to the SMERI Study, retail sales of therapeutic tea products with laxative function grew from 27.3% of all laxative products sold in retail pharmacies in 2006 to 44.9% in 2010. The retail sales of slimming tea grew from 8.2% of all slimming products sold in retail pharmacies in 2006 to 31.1% in 2010. This growth trend is expected to continue, with the percentage of those markets attributable to therapeutic teas increasing to 63.6% of the laxative product market and 42.1% of the slimming product market, respectively, in 2015.

Business Review

Expanding Nationwide Distribution Network and Channels

The geographical expansion of the Group's operation in 2010 would have a profound and positive impact to its business development. Apart from Hong Kong, Macau and Taiwan, the Group has completed its OTC market distribution network establishment in all the provinces, autonomous regions and centrally administered municipalities in Mainland China. Through many years of hard work in developing the channels, the Group has established a nationwide distribution network and direct and good working relationships with 462 reputable distributors and 161 sub-distributors. Through this powerful distribution network and channels, the Group is able to supply its products to reach around 119,000 retail outlets (among which over 95% were retail pharmacies).

Meanwhile, to take full benefit of the Group's "Besunyen" as the No. 1 leading brand name in the Chinese therapeutic tea market and to further expand its market share, the Group broadened the sales channels in supermarkets and hypermarkets. Apart from the original coverage of Watson's and Walmart, the Group has also set up sales channels to reach Carrefour, Tesco, RT-Mart, Auchan, Century Lianhua, Hualian Mall, Nong Gong Shang Supermarkets, and E-Mart, so as to foster further growth of the Group's business. Furthermore, the Group has also been actively exploring business model for e-commerce.

Establishing Satellite TV-Centered Multimedia Marketing Programs

In 2010, in order to support the build-up of its brand name, the expansion of its distribution network and channels towards the whole nation and further into tier-2 and tier-3 cities all over China, the Group increased its advertisement coverage and expenditure with satellite TV stations in China while it gradually reduced its advertisement expenditure with provincial and city levels local TV stations. The Group had cooperation with over 14 satellite TV stations during the year. Meanwhile, as part of its media advertisement strategy, the Group combined activity-based naming rights with TVC (television advertisements), and achieved its targeted effectiveness. The Group actively participated in sponsorships and obtained naming rights with some top-tier media programs including exclusive naming rights with Zhejiang Satellite TV's Shanghai Expo Miss Etiquette Contest (世博美麗滙) regarding Shanghai Expo, Do You Remember (我愛記歌詞), and I am the One (非同凡嚮), exclusive naming rights with Southern Television Station's (南方電視台) New Silk Road Model Contest (新絲路模特大賽) (for four consecutive years), as well as exclusive naming rights with Chengdu TV Station's Dancing Carnival (舞動嘉年華活動) (for two consecutive years). These marketing activities not only helped to improve the recognition of the "Besunyen" brand, but also enhanced the credibility of the Group products, which had a positive impact of the increase of its product sales.

Improving Marketing and Brand

To align with the business scale and development needs of the Group, the Group decided to appoint brand spokespersons so as to further enhance the impact of the "Besunyen" brand. After a rigorous selection process, in November 2010, the Group appointed Mr. Guo Donglin and Ms. Niu Li, a pair of famous comedians in China with strong family influence, to be the spokespersons of Besunyen Detox Tea. The new commercial has been broadcast widely since January 2011. In addition in February 2011, the Group further appointed Ms. Xu Jinglei, a famous Chinese movie director and actress, to be the brand spokesperson for Besunyen Sliming Tea. Ms. Xu is a well-recognized and highly popular, healthy-look, fashionable and personable celebrity with a positive image. She is very suitable to represent the image of the "Besunyen" brand. The Besunyen Slimming Tea commercial with Ms. Xu Jinglei as spokesperson had obtained the approval from SFDA and commenced broadcast in major TV stations in China since 5 March 2011.

Strengthening the Research and Development Capabilities

To ensure its sustainable new product development capability, in May 2010, the Group successfully acquired Jianshixing Biotech Research & Development (Shanghai) Co., Ltd., a company with strong research and development capabilities in herbal-based therapeutic tea, and subsequently use it as the Group's Research and Development Center (the "Research and Development Center"). As a result, the Group's research and development capability has been substantially strengthened. At present, the Group's new product development focus is mainly on the fine market of herbal-based health food drinks. The Group focuses on developing products with significant market potential and consumer demand, proven health efficacy as well as relatively high technical entry barrier. Meanwhile, in July 2010, the Group's submitted a product candidate designated to alleviate physical fatigue and assist in improving memory to Shanghai Disease Prevention and Control Center (上海疾病控制中心), a SFDA-authorized testing institution, to conduct testing on this product's efficacy and safety. Furthermore, the Research and Development Center has also coordinated to set up a Product Safety and Quality Assurance Center at our production base, therefore, to fundamentally ensure that the Group has its own, convenient and timely quality and safety detection function on the raw materials acquired and the products manufactured by the Group.

Launching New Packaging of Detox Tea and Slimming Tea

As the production equipment had been upgraded from the domestically made Nanfeng tea bag packaging machines to the Italy-imported IMA fully automated packaging equipment, the Group has subsequently raised the product entry barrier and product quality. The inside packing of the new package has changed from having an ordinary single-compartment filter to a double-compartment filter design so as to allow quicker release of tea essence and to have a better drinking effectiveness. The new packaging also has a a nicer design and more convenient to carry around by consumers. Moreover, with the upgraded product quality brought with the new packaging, the Group has effectively further enhanced the "Besunyen" brand image.

Trial Launching the Mei An Granules

Since November 2010, the Group has launched on a trial basis the Mei An Granules new product in 9 trial cities including Beijing, Wenzhou, Wuhan, Shenzhen and Guangzhou. As of 31 December 2010, Mei An Granules have been sold on a trial basis in over 1,000 retail pharmacies and several dozens of terminal shops in supermarkets and hypermarkets. The Group expects to expand the sale of Mei An Granules to the whole country in June this year.

Prospects

Looking back at 2010, with the Group's achieving its nation-wide distribution network across China, the Group diversified its distribution channel expansion. It further strengthened the impact of the "Besunyen" brand, and its communications with consumers have become more personal and diversified. The Group achieved expected progress in its launching of new products as well as in research and development. At the same time, the Group's business was growing rapidly.

The Chinese economy in the next decade will see a golden age in consumption. Consumption is expected to exceed investment and export to become the pillar driving force for the nation's economic growth. Together with the strong consumption growth, structural changes within consumption will also take place. The Group expects to see that expenditure on health products and services is to grow and to account for a larger proportion in consumption, and products with a healthcare concept will be fully embraced by consumers.

As the leading brand and provider of therapeutic tea products in China, while the Group strives to maintain its leading position and business growth in the market with Besunyen Detox Tea and Besunyen Slimming Tea, the Group will continue to develop its business in 2011 around the fundamental objectives for satisfying consumers' demand for pursuing health and healthy life-style. It will work hard to further enhance its sales network and distribution channels, to further improve the "Besunyen" brand, to strengthen its new product launch and success, and to improve its overall operation efficiency so as to maximize the enterprise value of the Group. Specifically, for 2011, the Group will focus its efforts on the tasks including the following:

- The Group will further develop its sales network and distribution channels, including expanding the OTC distribution channels towards tier-2 and tier-3 cities, further expansion of distribution channels into supermarkets and hypermarkets, and actively develop business through e-commerce platform.

- The Group will further improve the brand of "Besunyen". With the appointment of famous celebrities as its brand spokespersons and related brand promotion activities, the Group aims to further improve the brand recognition and reputation. With newly launched TV commercials, it intends to promote new concept of health, to reinforce "herbal", "healthy", "safe", and "effective" characteristics of its products, and to enhance consumers' fondness of its brand, and as a result, to further stimulate the Group's sales growth. Moreover, through the launch of "Sunshine Family Scheme" (陽光家庭計劃) and marketing and sales expansion through distribution channels, the Group intends to promote consumers' long-term passion and loyalty towards "Besunyen" brand.

- The Group will strive to ensure successful launch of new products. The Group has trial launched Mei An Granules in selected cities in China and it expects to expand the sales to the whole country in June this year. Its Maishuping OTC blood pressure reduction tea (脉舒平OTC降壓茶) is now completing step-by-step the government approval processes for securing all the permits and certificates for production, quality assurance, sales, etc. and the Group strives to launch the product as soon as possible within this year.

- The Group will speed up the research and development of new products and submit for approvals: the Group's research and development team plans to have one to two product candidate(s) to be submitted for approval applications every year, and will try the best to have one to two new products to be approved by SFDA every year as well. Meanwhile, with its distribution channel expanding into supermarkets and hypermarkets, the Group has also commenced to study the launch of herbal tea products in the general food category, so as to enrich its product lines and offers and to reinforce the "healthy" image of the "Besunyen" brand.

Being a responsible corporate citizen has always been one of the objectives of the Group. The Group will play a more proactive role in participating in community work. In this year, it will adopt measures in energy savings so as to build a corporate image of low carbon, green and being environmentally friendly.

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. We believe it is difficult for other market participants to replicate our success within a short period of time due to the significant investment and time required to establish strong brand awareness, a long safety record and a nationwide distribution and sales network. Furthermore, obtaining SFDA approval for health food products can take up to two years and we expect the regulatory approval process to become more stringent for new entrants as China's health food product standards and testing regime continue to develop. 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 its broad customer base and business partners to further build the "Besunyen" brand into a famous household Chinese 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.

FINANCIAL REVIEW

Operational Results

The following table sets forth operational results of the Group during the years ended 31 December as indicated:

	For the years ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Turnover	**874,216**	646,535
Cost of Sales	**(91,135)**	(68,401)
Gross profit	**783,081**	578,134
Other (expense) income	**(32,090)**	13,338
Selling and marketing expenses	**(423,314)**	(343,808)
Administrative expenses	**(96,810)**	(27,800)
Finance costs	**(8,360)**	(8,654)
Changes in the fair value of the convertible redeemable Series A Preferred Shares	**(121,361)**	(33,497)
Profit before taxation	**101,146**	177,713
Taxation	**(41,491)**	(36,006)
Profit and total comprehensive income for the year	**59,655**	141,707
Earnings per share		
Basic (RMB)	**0.05**	0.13
Diluted (RMB)	**0.05**	0.13

Turnover

	For the years ended 31 December			
	2010		2009	
	RMB'000	***Percentage of the Total***	*RMB'000*	*Percentage of the Total*
Turnover:				
Besunyen detox tea	**566,222**	**64.8%**	373,135	57.7%
Besunyen slimming tea	**304,186**	**34.8%**	265,706	41.1%
Other products	**3,808**	**0.4%**	7,694	1.2%
Total	**874,216**	**100.0%**	646,535	100.0%

The turnover of the Group increased 35.2% from RMB646.5 millions in 2009 to RMB874.2 millions for the year ended 31 December 2010, 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 51.7% from RMB373.1 millions in 2009 to RMB566.2 millions in 2010, mainly due to the increase of sales volume from 235.2 million tea bags to 371.0 million tea bags. The turnover of Besunyen Slimming Tea increased 14.5%, from RMB265.7 millions in 2009 to RMB304.2 millions in 2010, mainly due to the increase in sales volume from 216.8 million tea bags to 292.9 million tea bags. The growth of sales volume was mainly driven by the Group's efforts in developing new markets and expanding the distribution network.

The Group has expanded its sales and distribution network to covering 31 provinces, autonomous regions and centrally administered municipalities in the year ended 31 December 2010. In 2010, the Group has also substantially strengthened its efforts in mass media (especially television) advertising, brand sponsorship and appointing brand spokespersons, as well as organizing more local marketing and promotion activities. The sales and distribution network under local marketing operation led by the Group's sales teams increased from having 409 distributors in the year ended 31 December 2009 to having 462 distributors in the year ended 31 December 2010. Meanwhile, as on 31 December 2010, apart from the original coverage in Watsons and Walmart, the Group has also set up sales network channels in supermarkets and hypermarkets such as Carrefour, Tesco, RT-Mart, Auchan, Century Lianhua, Hualian Mall, Nong Gong Shang Supermarkets, and E-Mart, so as to foster further growth in the business of the Group.

In 2010, 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 2010, the actual selling price of Besunyen Detox Tea and Besunyen Slimming Tea were RMB1.53 per bag and RMB1.04 per bag respectively (compared to RMB1.59 per bag and RMB1.23 per bag respectively in 2009). The decline in actual retail selling price of Besunyen Slimming Tea was mainly due to the Group's shift to utilization of more advanced Italy-made packaging machines in late 2009 and new package contains 25 bags per box instead of 20 bags.

Cost of Sales and Gross Profit

	For the years ended 31 December			
	2010		2009	
	RMB'000	***Percentage of turnover***	*RMB'000*	*Percentage of turnover*
Raw material costs	**29,719**	**3.4%**	20,269	3.1%
Packing material costs	**38,416**	**4.4%**	34,293	5.3%
Labor costs	**7,172**	**0.8%**	4,887	0.8%
Manufacturing overhead	**15,828**	**1.8%**	8,952	1.4%
Total cost of sales	**91,135**	**10.4%**	68,401	10.6%
Gross profit	**783,081**	**89.6%**	578,134	89.4%

The cost of sales of the Group increased by 33.2%, from RMB68.4 millions in 2009 to RMB91.1 millions in 2010, mainly 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. The cost of sales accounted for 10.6% of turnover in 2009, and it slightly dropped to 10.4% in 2010. On one hand, this is because the new plant is put into use and the Group started to use new equipment and facilities like the Italy-made automated tea bag packaging machines, which in turn has increased expenses in water and energy consumption as well as asset depreciation. Furthermore, inspection fees incurred in the process of product manufacturing also increased. As a result, the cost of manufacturing as percentage of turnover increased from 1.4% in 2009 to 1.8% in 2010. Another factor was 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. In general, labor costs as a percentage of turnover almost remained the same in 2010 as compared to 2009. Furthermore, although the market prices of the major raw materials for the Group increased, with a strong bargaining power of the Group, the raw materials costs as a percentage of turnover only had a relatively mild increase. After the Group started using new equipment, the packaging specification for products also changed from 20 bags per box to 25 bags, which drove down the packaging materials cost.

As such, the factors driving cost of sales up was more than offset by other factors listed above. Therefore, the gross profit of the Group increased 35.4% from RMB578.1 millions in 2009 to RMB783.1 millions in 2010. The gross profit margin of the Group showed a slight increase from 89.4% in 2009 to 89.6% in 2010.

Other (Expenses) Income

Other expenses of the Group in 2010 amounted to RMB32.1 millions, while other income of the Group in 2009 was RMB13.3 millions. The change was mainly caused by IPO related expenses amounted to RMB33.5 millions. Other income (expense) was also affected by the appreciation of Chinese Renminbi against foreign currencies such as US Dollar and Hong Kong Dollar in 2010, such that the Group generated a loss of RMB11.7 millions in foreign exchange. The reduced portion in other (expense) income has been offset by a government grant of RMB12.0 millions provided by the Chinese government to support the Group's operations and business in Fangshan District, Beijing.

Sales and Marketing Expenses

	For the years ended 31 December			
	2010		2009	
	RMB'000	***Percentage of turnover***	*RMB'000*	*Percentage of turnover*
Advertising expenses	**250,105**	**28.6%**	196,694	30.4%
Other marketing and promotional expenses	**60,256**	**6.9%**	47,099	7.3%
Staff costs[(1)]	**83,512**	**9.6%**	70,014	10.8%
Others	**29,441**	**3.3%**	30,001	4.6%
Total	**423,314**	**48.4%**	343,808	53.1%

(1) Includes share-based compensation expenses of RMB4.3 millions for the year ended 31 December 2010.

The sales and marketing expenses of the Group increased 23.1% from RMB343.8 millions in 2009 to RMB423.3 millions in 2010. The main cause was that advertising expenses in 2009 increased 27.2% from RMB196.7 millions to RMB250.1 millions in 2010; and other marketing and promotional expenses (including point-of-sale terminals expenses, promotional expenses and expenses in gifts, etc.) increased 27.9% from RMB47.1 millions to RMB60.3 millions in 2010. The increase in advertising expenses was mainly due to the enlarged spending on television and other commercials, brand sponsorship and appointing brand spokespersons. The increase in marketing and promotional expenses 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. Excluding the share-based compensation expenses of RMB4.3 millions, labor costs in relation to sales and marketing of the Group in 2010 was RMB79.3 millions, showing an increase of 13.2% as compared to RMB70.0 millions in 2009. This was mainly because of an increase in the sales labor costs per head. The number of sales and marketing staff of the Group slightly dropped from 2,279 as of 31 December 2009 (including 916 promotion staff employed through agencies) to 2,221 as of 31 December 2010 (including 751 promotion staff employed through agencies).

Administrative Expenses

	For the years ended 31 December			
	2010		2009	
	RMB'000	***Percentage of turnover***	*RMB'000*	*Percentage of turnover*
Staff costs[(1)]	**57,895**	**6.6%**	9,508	1.5%
Office expenses	**11,917**	**1.4%**	6,697	1.0%
Professional fees	**4,942**	**0.6%**	3,304	0.5%
Travel and entertainment expenses	**6,640**	**0.8%**	3,452	0.5%
Research and development costs	**8,185**	**0.9%**	1,946	0.3%
Others	**7,232**	**0.8%**	2,893	0.4%
Total	**96,810**	**11.1%**	27,800	4.2%

(1) Includes share-based compensation expenses of RMB32.4 millions for the year ended 31 December 2010.

The administrative expenses of the Group increased 248.2% from RMB27.8 millions in 2009 to RMB96.8 millions in 2010, mainly driven by the employment of some experienced senior managers across divisions for the purpose of IPO and meeting the business rapid growth needs, as well as the Group incurred non-cash share-based compensation expenses paid in form of share options to its executives amounted to RMB32.4 millions (2009: Nil). Meanwhile, the Group's research and development costs increased by 320.6% from RMB1.9 millions in 2009 to RMB8.2 millions in 2010 due to the Group's efforts in improving production quality and enhancing research and development capabilities. Moreover, the Group's office expenses as well as travel and entertainment expenses increased primarily due to business development and IPO preparation.

Finance Costs

Finance costs of the Group slightly reduced from RMB8.7 millions in 2009 to RMB8.4 millions in 2010. In 2010, interest expenses from bank loans and bank financings after the portion of capitalization increased from RMB1.3 millions in 2009 to RMB8.4 millions.

Changes in the Fair Value of the 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 2010 was RMB121.4 millions, compared to RMB33.5 millions in 2009. This was due to the increased fair value of the Series A Preferred Shares issued in October 2009. Increase in fair value was mainly due to: (i) in May 2010, according to the profit adjustment and anti-dilution protection stipulated in the Series A preferred shares, the Group issued an additional 144,572 shares of the Series A Preferred Shares; and (ii) increase in the Group's recognition led to a decrease in the risk for future operations. During the period just before the IPO, the liquidity of its shares increased, so that the Group's corporate value before the listing increased as well. The Series A Preferred Shares were converted into ordinary shares of the Company before the IPO, and became part of the shareholders' equities of the Company. After the conversion, Series A Preferred Shares were no longer liabilities of the Company.

Taxation

Taxation expenses of the Group increased 15.2% from RMB36.0 millions in 2009 to RMB41.5 millions in 2010. This was mainly due to the taxable income of the Group increased.

Profit and Total Comprehensive Income for the Year of the Group

Due to the aforementioned factors, the profit and total comprehensive income of the Group for 2010 reduced 57.9% from RMB141.7 millions in 2009 to RMB59.7 millions in 2010. The reduction of the profit and total comprehensive income of the Group was mainly caused by the impact of non-cash expenses of RMB121.4 millions resulting from the change in fair value of preferred shares of the Group in 2010, the IPO related expenses amounted to RMB33.5 millions and share-based compensation expense amounted to RMB36.6 millions.

Use of the Net Proceeds from the IPO

The net proceeds from the IPO amounted to RMB1,033.2 millions. The use of proceeds has been consistent with the disclosure in the prospectus of the Company dated 16 September 2010, and the respective use of the net proceeds until 31 December 2010 is as follows:

	Net Amount from IPO		
	Available	**Used**	**Unused**
	RMB'000	*RMB'000*	*RMB'000*
Acquisition of new production equipment and building new production facilities	364,913	52,761	312,152
Setup the East China Headquarters	273,664	–	273,664
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	137,206
Improve ERP and overall IT system	43,855	408	43,447
Loan repayment	73,000	73,000	–
Working capital	58,474	58,474	–
Total	1,033,183	248,579	784,604

Cash Flow and Capital Resources

In 2010, funds and capital expenditure required in the operation of the Group mainly came from cash flow generated from its internal operations, and financings of bank loans and the Company's issuance of ordinary shares.

Cash Flow

The following table summarizes net cash flow of the Group during the year ended 31 December as indicated:

	For the years ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Net cash from (used in) operating activities	**181,302**	96,564
Net cash used in investing activities	**(142,681)**	(131,735)
Net cash (used in) from financing activities	**975,795**	115,870
Increase (decrease) in cash and cash equivalents	**1,014,416**	80,699
Cash and cash equivalents at end of the year	**1,170,469**	168,777

Net Cash from (Used in) Operating Activities

In 2010, net cash from (used in) operating activities of the Group was RMB181.3 millions (2009: RMB96.6 millions), and profit before taxation was RMB101.1 millions. The difference was mainly caused by an increase in trade receivables and notes receivables amounted to RMB58.1 millions, an increase in deposits, prepayments and other receivables (mainly prepaid advertisement expenses) amounted to RMB54.3 millions, an increase in other payables and accrued expenses amounted to RMB48.6 millions (mainly caused by accrued expenses and payables to prepay lease payments after acquiring land) and prepaid income tax amounted to RMB45.8 millions. Part of this amount was offset by the non-cash expenses of RMB121.4 millions related to the change in fair value of the Series A Preferred Shares, and by the non-cash expenses of RMB36.6 millions as compensation paid to staff (including Directors) of the Group through shares options.

Net Cash Used in Investing Activities

In 2010, Net cash used in investing activities amounted to RMB142.7 millions (2009: RMB131.7 millions). This was mainly caused by the purchase of properties, plants and equipment payment amounted to RMB139.5 millions for the building, installation and assembly of production facilities and purchase of the Italy-made automated tea bag packaging machines in Fangshan District, Beijing, and the further acquisition of land in Fangshan District, Beijing involving the payment of RMB13.5 millions.

Net Cash (Used in) from Financing Activities

In 2010, net cash (used in) from financing activities of the Group was RMB975.8 millions (2009: RMB115.9 millions), mainly due to the amount raised from the IPO amounted to RMB1,131.4 millions, and bank loans amounted to RMB50.0 millions; where some of such cash was offset by the special dividend payment amounted to RMB47.5 millions, repayment of bank loans amounted to RMB115.0 millions, and IPO-related expenses which were charged against equity amounted to RMB51.6 millions.

Cash and Bank Loans

As of 31 December 2010, the bank balance and cash totaled RMB1,170.5 millions (31 December 2009: RMB168.8 millions), representing an increase of RMB1,001.7 millions as compared to the previous year. Over 77.3% of the bank balance and cash of the Group was in Renminbi. In addition, as at 31 December 2010, the Group did not have any bank borrowings (31 December 2009: bank borrowings was RMB65.0 millions). Also, as at 31 December 2010, the Group did not have any unused bank credit lines.

Capital Expenditure

In 2010, capital expenditure of the Group was RMB152.3 millions (2009: RMB149.1 millions), which mainly included acquisition of land-use rights and expenditure for purchasing properties, plants and equipment for production equipment. The following table sets forth capital expenditure by the Group during the years ended 31 December as indicated:

	For the years ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Land-use rights	**13,546**	994
Property, plant and equipment	**139,499**	142,518
Intangible assets	**1,255**	3,602
Deposit refunded for acquisition of a subsidiary	**(2,000)**	–
Deposit paid for acquisition of a subsidiary	**–**	2,000
Total	**152,300**	149,114

Currently the Group expects that the capital expenditure for 2011 to be amounted to around RMB498.8 millions, which will be mainly used to purchase land properties, plants and equipment related to the building, installation and assembly of additional production facilities in Fangshan, to increase investments in research and development equipment, to purchase and upgrade IT facilities and functions, and to set up the East China Headquarters in Shanghai. The Group expects to use its current cash balance, cash generated from its operations, and the net proceeds from the IPO to fund the capital expenditure of the Group in 2011.

Inventories

The Group's inventories included raw materials and packaging materials, work in progress, and finished goods. The following table sets forth the inventory analysis as of the dates indicated:

	As of 31 December	
	2010	2009
	RMB'000	*RMB'000*
Raw materials and packing materials	**4,159**	2,943
Work in progress	**1,354**	3,042
Finished goods	**156**	412
Total inventories	**5,669**	6,397

The Group's inventories as a percentage of cost of sales in 2010 continued to drop as compared to 2009. The turnover days of the Group's inventories (calculated by dividing the average amount of inventories balances at the beginning and the end of the period by the cost of sales of the period, then multiplying the number of days in the period) reduced from 35 days in 2009 to 25 days in 2010. The Group actively monitors its 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.

Trade Receivables 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 clearance 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 before its maturity date or before the Group has transferred them to a third party, if 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 31 December	
	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**135,117**	39,428
Notes receivables	**17,686**	55,295
	152,803	94,723

The following table sets forth the turnover period of trade receivables and notes receivables of the Group during the periods indicated (calculated by dividing the average amount between the amount at the beginning and the end of the period by the turnover of the period, then multiplying the number of days in the period):

	For the years ended 31 December	
	2010	2009
Trade and notes receivables turnover days	**52**	29
Of which, trade receivables turnover days	**37**	13

Trade and notes receivables turnover days of the Group for the year ended 31 December 2009 was 29 days, and was 52 days for the year ended 31 December 2010. 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, so that the Group's trade receivables increased from RMB39.4 millions in 31 December 2009 at RMB135.1 millions as at 31 December 2010.

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

	As of 31 December	
	2010	2009
	RMB'000	*RMB'000*
0-90 days	**149,392**	93,150
91-180 days	**3,411**	1,502
181-365 days	**–**	71
Total	**152,803**	94,723

As of 31 December 2010, the Group had no bad and doubtful debt provision (31 December 2009: nil). In 2010, the Group did not incur any bad and doubtful debt impairment (2009: 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 analysis as of the dates indicated:

	As of 31 December	
	2010	2009
	RMB'000	*RMB'000*
Trade payables	**7,342**	10,512

The following table sets forth the turnover of trade payables of the Group for the years ended 31 December as indicated (calculated by dividing the average amount of the trade payables balance at the beginning and end of the period by the cost of sales of the period, then multiplying the number of days in the period):

	For the years ended 31 December	
	2010	2009
Trade payables turnover days	**36**	41

Trade payables turnover days reduced from 41 days in 2009 to 36 days for the year ended 2010. The main reason was because of the increase in price of raw materials and packaging materials, in order to stabilize procurement cost, the Group reduced the credit period to its suppliers.

The following table summarizes the age of the Group's trade payables during the years ended 31 December as indicated:

	As of 31 December	
	2010	2009
	RMB'000	*RMB'000*
0-90 days	**7,342**	10,512

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 31 December	
	2010	2009
	RMB'000	*RMB'000*
Prepaid advertising	**89,933**	37,050
Other prepayments	**6,165**	5,223
Other receivables	**4,023**	1,392
Prepaid lease payments	**1,447**	388
Prepayments to suppliers	**980**	349
Staff advances	**–**	104
Total	**102,548**	44,506

Increase in the Group's prepaid advertising as of 31 December 2010 was 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 reduce the impact of increased advertising expenses. The Group normally sets up agreements on prepaid advertising with television channels and other mass media platform, or through their advertising agents (all of which are independent third parties).

Other Payables and Accrued Expense

The table below lists an analysis of the Group's other payables and accrued expenses as of the dates indicated:

	As of 31 December	
	2010	2009
	RMB'000	*RMB'000*
Other tax payables	**23,444**	14,326
Accrued sales rebate	**18,851**	–
Accrued payroll	**15,268**	6,354
Other payables	**12,691**	632
Payables for land-use right	**11,210**	–
Advances from customers	**9,911**	5,528
Payable to former shareholders of Zhuhai Qijia	**4,550**	–
Payable for acquisition of a subsidiary	**2,000**	–
Accrued expenses	**1,493**	3,033
Deferred government grant	**786**	136
Advertising expenses payable	**300**	1,855
Accrued interest expense	**–**	117
	100,504	31,981

Changes in the Group's other payables and accrued expenses as of 31 December 2010 are mainly due to changes in payables for land-use rights, other tax payable, accrued payroll, accrued sales rebate and other payables. Payables on land-use rights of the Group as of 31 December 2010 was related to the Group's acquisition of land for production purpose in Fangshan District, Beijing. Increase in other tax payables of the Group in 2010 was mainly because increased Group's turnover led to an increase in value added tax and income tax payable. Increase in accrued payroll of the Group in 2010 was mainly because of an increase in senior management staff of the Group and an increase in salary per head, hence increasing the accrued bonus at year end. Increase in accrued sales rebate was mainly because the Group started to follow the policy of sales rebate from the year of 2010, and thus at the year end, there was sales rebate yet to be realized. Increase in other payables is mainly because of accrued expenses for IPO.

Risks in Foreign Exchange

The majority of sales income, costs and expenses of sales, as well as administrative expenses of the Group are calculated based on 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 year ended 31 December 2010, the Group did not purchase any foreign exchange, interest rate derivative products or relevant hedging tools.

Pledge of Assets

As of 31 December 2010, the Group had no pledge of assets.

Contingent Liabilities and Guarantees

As of 31 December 2010, the Group had no material contingent liabilities or guarantees.

Off-Balance Sheet Commitments and Arrangements

As of 31 December 2010, the Group had no off- balance sheet commitments or arrangements.

Capital Commitment

As of 31 December 2010, the Group had a total of capital commitment of RMB16.1 millions, mainly used to acquire equipment and expansion for the Research and Development Center.

Human Resources Management

The Group regards high quality employees as its most important resources. As at 31 December 2010, the Group had about 2,711 employees in mainland China and Hong Kong (including 751 promotional staff employed by employment agents) (2009: 2,693 staff members (including 916 promotional staff employed by employment agents)). As at 31 December 2010, the total labor costs (including Directors' remunerations and non-cash share-based compensation) was approximate RMB148.6 millions. Staff Compensation is formulated with reference to individual performance, work experience, qualification and current industry practice. Apart from basic salary and statutory pension welfare, staff welfare also includes discretionary bonus and stock options.

The Group values the recruitment, motivation and retention of suitable talents. Directors and some of the senior and middle management executives enjoy share options based on the pre-IPO share option scheme adopted by the Company. On the other hand, the employee's share options scheme aims at giving staff members an incentive, to encourage them to keep working hard to enhance the value of the Group and foster better long-term development of the Group.

The Group invest 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.

Changes after the Closing Date of the Report

The Directors hereby acknowledge that since 31 December 2010, the Group has no major change in debt or contingent liabilities.

DIVIDENDS

The board recommends to pay a final dividend of HK$0.01 per share for the year ended 31 December 2010, with a dividend payout ratio of approximately 23.8%.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed by the Company from 27 April 2011 to 29 April 2011, both days inclusive. During such period, no transfer of shares of the Company will be registered. In order to qualify for entitlement to attend the forthcoming annual general meeting of the Company and, if applicable, to receive a final dividend for the year ended 31 December 2010, 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 4:00 p.m. on 26 April 2011. The record date for the determination of entitlement to the final dividend will be on 29 April 2011.

CORPORATE GOVERNANCE

The Company has complied with the code provisions, except code provisions A.2.1 and A.4.1, of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited from the listing date of the Company on 29 September 2010 to 31 December 2010 ("Review Period").

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 Group 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, non-executive Directors of the Company, and Mr. Huang Jingsheng, an independent non-executive Director of the Company, are not appointed for a specific term. However, all Directors (including executive and non-executive) of the Company 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 the code provision A.4.1.

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 year ended 31 December 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry to all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the Review Period.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company has established an audit committee comprising 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 primary duties of the audit committee are to assist the Board in providing an independent view and supervision of the effectiveness of the financial reporting process, internal control and risk management system of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2010.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company (www.besunyen.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2010 will be dispatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 11 March 2011

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