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 2012

Financial Highlights

The Group's revenue amounted to RMB475.2 million for 2012, representing a decrease of RMB365.2 million, or approximately 43.5%, as compared to RMB840.4 million for 2011.

The gross profit margin decreased to 82.5% for 2012 from 87.8% for 2011.

Total operating expenses amounted to RMB690.1 million, representing a decrease of RMB59.4 million, or approximately 7.9%, as compared to RMB749.5 million for 2011. The Group recognised a loss on disposal of a subsidiary of RMB6.7 million in 2012 (2011: Nil). In addition, there was an impairment loss of RMB8.8 million in 2012 (2011: Nil) in respect of intangible assets as well as impairment loss of RMB41.7 million in 2012 (2011: RMB962,000) in respect of property, plant and equipment.

The loss and total comprehensive expense for 2012 was RMB342.2 million, as compared to the loss and total comprehensive expense of RMB40.9 million for 2011.

The basic loss per share amounted to approximately RMB0.22 for 2012, as compared to the basic loss per share of approximately RMB0.02 for 2011.

No final dividend is proposed by the directors for the year ended 31 December 2012.

The board (the "Board") of directors (the "Directors") of Besunyen Holdings Company Limited (the "Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2012 together with the comparative figures for the corresponding period in 2011 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
Revenue	*2*	**475,182**	840,409
Cost of sales		**(83,063)**	(102,770)
Gross profit		**392,119**	737,639
Other income, gains and losses		**11,540**	21,415
Selling and marketing expenses		**(562,721)**	(619,744)
Administrative expenses		**(112,068)**	(110,299)
Research and development costs		**(15,279)**	(19,451)
Loss on disposal of a subsidiary		**(6,700)**	–
Impairment loss on goodwill		**–**	(15,480)
Impairment loss recognised in respect of intangible assets		**(8,844)**	–
Impairment loss recognised in respect of property, plant and equipment		**(41,744)**	(962)
Loss before tax	*3*	**(343,697)**	(6,882)
Income tax credit (expense)	*4*	**1,510**	(33,994)
Loss and total comprehensive expense for the year		**(342,187)**	(40,876)
Loss per share			
Basic *(RMB)*	*6*	**(0.22)**	(0.02)
Diluted *(RMB)*	*6*	**(0.22)**	(0.02)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2012	2011
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**473,531**	428,851
Prepaid lease payments		**61,554**	67,284
Investment properties		**267,393**	–
Intangible assets		**5,027**	17,062
Non-current deposits		**11,094**	324,319
Deferred tax assets		**15,237**	15,077
Goodwill		**–**	5,305
		833,836	857,898
CURRENT ASSETS			
Inventories		**8,108**	8,499
Trade and bills receivables	*7*	**49,882**	302,028
Deposits, prepayments and other receivables	*8*	**47,553**	129,195
Restricted cash		**–**	5,000
Bank balances and cash		**447,478**	602,541
		553,021	1,047,263
CURRENT LIABILITIES			
Trade payables	*9*	**2,750**	7,248
Other payables and accrued expenses	*10*	**127,402**	190,960
Tax payable		**5,614**	16,184
		135,766	214,392
NET CURRENT ASSETS		**417,255**	832,871
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,251,091**	1,690,769
CAPITAL AND RESERVES			
Share capital		**89**	95
Reserves		**1,235,421**	1,672,071
		1,235,510	1,672,166
NON-CURRENT LIABILITIES			
Deferred government grant		**7,898**	8,684
Deferred tax liabilities		**6,422**	9,919
Other non-current liabilities		**1,261**	–
		15,581	18,603
		1,251,091	1,690,769

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its holding company is Foreshore Holding Group Limited (incorporated in the British Virgin Islands). The address 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 Industrial Park, Doudian Town, Fangshan District, Beijing.

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

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

2. REVENUE AND SEGMENT INFORMATION

Revenue represents the invoiced value of therapeutic tea products sold to customers by the Group less returns, discounts, rebates, and sales related 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 segment information is presented other than entity-wide disclosures.

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Detox tea	**192,991**	417,847
Slimming tea	**268,311**	414,232
Other tea products	**13,880**	8,330
	475,182	840,409

Major customers

No single customer contributes over 10% or more of total revenue of the Group for the years ended 31 December 2012 and 2011.

Geographical disclosures

The Group operates in the PRC and all of its customers are located in the PRC. Substantially all of the non-current assets of the Group are located in the PRC.

3. LOSS BEFORE TAX

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Loss before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
– salaries and other allowances	**165,262**	179,279
– share-based compensation	**9,355**	14,802
– retirement benefit scheme contributions	**10,807**	8,729
Total staff costs	**185,424**	202,810
Gross rental income from investment properties	**(4,126)**	–
Less:		
Direct operating expense (including depreciation) incurred for investment properties that generated rental income during the year	**3,741**	–
Direct operating expense (including depreciation) incurred for investment properties that did not generate rental income during the year	**450**	–
	(65)	–
Amortisation of intangible assets (included in cost of sales)	**3,432**	5,716
Auditors' remuneration	**4,471**	3,815
Cost of inventories recognised as expense (include write-down of inventory amounted to RMB2,857,000 (2011: Nil))	**83,063**	102,770
Depreciation of property, plant and equipment	**32,950**	28,488
Depreciation of investment properties	**3,024**	–
Loss (gain) on disposal of property, plant and equipment	**1,742**	(56)
Release of prepaid lease payments	**1,445**	1,483

4. INCOME TAX (CREDIT) EXPENSE

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
The charge comprises		
Current tax:		
PRC income tax	**2,553**	42,048
Over provision in prior year:		
PRC income tax	**(1,184)**	–
	1,369	42,048
Deferred tax:		
current year	**(2,879)**	(8,054)
	(1,510)	33,994

The income tax (credit) expense for the year can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Loss before tax	**(343,697)**	(6,882)
Tax at PRC Enterprise Income Tax rate of 25% (2011: 25%)	**(85,924)**	(1,721)
Effect of tax exemption granted	**–**	(16,956)
Tax effect of tax loss/deductible temporary differences not recognised	**40,460**	19,688
Utilisation of tax loss previously not recognised	**(1,476)**	(1,662)
Tax effect of expenses not deductible for tax purposes	**49,741**	34,979
Over provision in prior year	**(1,184)**	–
Others	**(3,127)**	(334)
Tax (credit) charge for the year	**(1,510)**	33,994

The Company was incorporated in the Cayman Islands and Besunyen Investment (BVI) Co., Ltd. ("Besunyen BVI") was incorporated in the British Virgin Islands ("BVI") that are tax exempted under the tax laws of the Cayman Islands and the BVI.

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. Beijing Outsell applied the statutory rate of 25% for the year ended 31 December 2012.

Except for Beijing Outsell, the remaining PRC subsidiaries are subject to a unified Enterprise Income tax rate at 25% for the two years ended 31 December 2012.

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 respect of the financial year ended 31 December 2010, a final dividend of HK$0.01 per share (total dividend of RMB14,062,000) was declared on 29 April 2011 and paid to shareholders during the year ended 31 December 2011.

An interim dividend of HK$0.02 per share (total dividend of RMB27,569,000) in respect of the interim period ended 30 June 2011 was declared in August 2011 and paid during the year ended 31 December 2011.

No final dividend was proposed or paid for the year ended 31 December 2011 and 2012.

6. LOSS PER SHARE

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Loss attributable to owners of the company:		
Loss for the purpose of calculating basic and diluted loss per share	**(342,187)**	(40,876)

	Year ended 31 December	
	2012	2011
	'000	*'000*
Numbers of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**1,565,102**	1,682,275

The computation of diluted loss per share for both years ended 31 December 2011 and 2012 does not assume the exercise of the Company's outstanding share options as it would result in a decrease in loss per share.

The computation of diluted loss per share for the year ended 31 December 2012 does not consider the effect of non-vested under the employee share award scheme as it would result in a decrease in loss per share.

The weighted average number of ordinary shares shown above has been arrived at after adjusting the effect of shares repurchased by the Company and the shares held by the Company's restricted share award scheme under the Trust during the year ended 31 December 2012.

7. TRADE AND BILLS RECEIVABLES

	At 31 December	
	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**15,317**	19,176
Bills receivables	**34,832**	282,963
Less: allowance for doubtful debts	**(267)**	(111)
	49,882	302,028

The Group allows a credit period of 60-180 days to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the date of delivery of goods, which approximated the respective revenue recognition dates.

	At 31 December	
	2012	2011
	RMB'000	*RMB'000*
0 – 90 days	**47,759**	300,115
91 – 180 days	**1,858**	1,597
181 to 365 days	**265**	316
	49,882	302,028

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 bills receivables are debtors with an aggregate carrying amount of approximately RMB265,000 (2011: RMB316,000) which are past due at 31 December 2012, 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	
	2012	2011
	RMB'000	*RMB'000*
181 – 365 days	**265**	316

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

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
At 1 January	**111**	–
Impairment loss recognised on receivables	**156**	111
At 31 December	**267**	111

8. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2012	2011
	RMB'000	*RMB'000*
Prepaid advertising	**19,022**	103,964
Other prepayments	**14,523**	14,467
Prepayment to suppliers	**7,009**	4,703
Other receivables	**5,647**	4,614
Prepaid lease payments	**1,352**	1,447
	47,553	129,195

9. TRADE PAYABLES

	At 31 December	
	2012	2011
	RMB'000	*RMB'000*
Trade payables	**2,750**	7,248

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	
	2012	2011
	RMB'000	*RMB'000*
0 to 90 days	**2,570**	6,924
91 to 180 days	**180**	324
	2,750	7,248

10. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December	
	2012	2011
	RMB'000	*RMB'000*
Prepayments from customers	**45,773**	105,448
Accrued sales rebate	**19,288**	32,375
Accrued payroll	**17,955**	24,955
Other tax payables	**16,817**	4,178
Accrued expenses	**12,785**	2,624
Payable for land use right	**5,000**	11,210
Other payables	**4,838**	3,185
Payable for advertising expenses	**4,160**	–
Deferred government grant	**786**	786
Payable to former shareholders of Zhuhai Qi Jia Medical Industry Co., Ltd. ("Zhuhai Qi Jia")	**–**	4,199
Payable for acquisition of a subsidiary *(Note)*	**–**	2,000
	127,402	190,960

At 31 December 2011, the amounts due to former shareholders of Zhuhai Qi Jia were unsecured, non-trade related and interest free.

Note: This payable was transferred to the acquirer of Zhuhai Qi Jia as settlement of the consideration and therefore was derecognised during the year ended 31 December 2012.

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 2012, China's economy faced serious headwinds due to a number of negative factors, such as the fragility in the global economic recovery, strict property curbs and excessive production capacity. To buoy the slowing economy, the government rolled out an array of measures last year, including cutting benchmark interest rates twice, easing of banks' reserve requirements and giving green light to infrastructure projects worth more than RMB1 trillion (USD158.7 billion). However, according to the National Bureau of Statistics, China's GDP growth slowed to only 7.8% in 2012, the slowest year-on-year growth in the past 13 years. That compares with the 9.2% growth posted in 2011.

In a subdued environment, growth in demand for the Group's products from its distributors remained slow following a shrinkage in demand in the second half of 2011. The revenue of the Group in 2012 was RMB475.2 million, representing a decrease of 43.5% as compared to the revenue of RMB840.4 million in 2011. Gross profit decreased from RMB737.6 million to RMB392.1 million, showing a decrease of 46.8%. Meanwhile, the gross profit margin decreased from 87.8% in 2011 to 82.5% in 2012. On the other hand, the total operating expenses (including selling and marketing expenses, administrative expenses, research and development costs) of the Group in 2012 were RMB690.1 million, representing a decrease of 7.9% as compared with RMB749.5 million in 2011. The Group recognized a loss on the disposal of a subsidiary of RMB6.7 million in 2012 (2011: Nil). In addition, there was impairment loss of RMB8.8 million in 2012 (2011: Nil) in respect of intangible assets as well as impairment loss of RMB41.7 million in 2012 (2011: RMB962,000) in respect of property, plant and equipment. Due to these factors, the Group recorded a net loss of RMB342.2 million in 2012 as compared to a net loss of RMB40.9 million in 2011.

Despite such adversity, we remain confident in China's economic growth over the longer run, which we believe will continue to underpin demand for health food products. As the leading brand and provider of therapeutic tea products in China, we will continue to maintain and strengthen our long-term competitive advantages, such as strong national brand name, national distribution and sales network as well as innovative research and development. We will stick to our well-established business strategy and business objectives of satisfying consumers' demand for quality health food products.

Industry, Market and Competitions

The long-term growth in the market for health food products with laxative or slimming functions is in line with the increase in the number of people suffering from constipation or with weight problems. The aging population, the sub-health condition of young people and the middle-aged due to work-related stress, and the growing popularity of slimming products have fuelled the demand for the Group's products, which target urban health problems such as constipation and obesity. Consumers' growing awareness for food safety, green and herbal products also make Besunyen products the preferred choice since its products are purely made of herbal-based Chinese medicine and tea leaves.

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 Group-commissioned study of China Southern Medicine Economy Research Institute ("SMERI") released in February 2013, the Group continued to be the No. 1 leading provider of laxative products sold through retail pharmacies in 2012 in terms of retail sales value, enjoying a market share of 20.8%. In the market for slimming products sold through retail pharmacies, the Group also continued to be the No. 1 leading provider of slimming products sold through retail pharmacies in 2012 in terms of retail sales value, having a market share of 32.5%.

Business Review

During 2012, we had the following business development:

Steady pace in sales network expansion and streamline of distributors

Since 2010, the Group has continued to expand the sales network to include all provinces, autonomous regions and centrally administered municipalities in Mainland China. Capitalizing on its solid market position in first- and second-tier cities, the Group has been proactively deepening its market penetration to expand its network to lower tier cities. The Group has taken initiatives to streamline its distribution system by selecting large-scale distributors, to clarify channel segmentation and remove under-performing distributors from our list. As a result, the total number of distributors dropped from 420 as at 31 December 2011 to 384 as at 31 December 2012. Despite the decrease in the number of distributors, the number of retail outlets covered by our distributors increased moderately to approximately 131,000 as at 31 December 2012 (including about 124,000 retail pharmacies and about 7,000 supermarkets, hypermarkets and chain stores), compared with approximately 130,000 retail outlets as at 31 December 2011.

Ongoing development of e-commerce business

The Group has strategically developed e-commerce business as a new sales and distribution channel to complement its existing retail sales network. The online platform not only sells the Group's core products which are selling well in the physical stores, but also sells newly-launched products and those products specially designed for the online shoppers.

The Group's products are extensively sold on its own retail website 7cha.com and other major B2C websites, like Tmall.com, 360buy.com, Dangdang.com, Amazon.cn, yihaodian.com (一號店) and Lefeng.com (樂蜂網), etc. Sales revenue generated from 7cha.com increased significantly by over 100% in 2012 compared to that of 2011. On 11 November 2012, online sales revenue of Besunyen flagship store on Tmall.com reached RMB1.2 million, listing in the top 10 online stores in the health food market segment in Tmall.com that day.

Through the B2C website 7cha.com, the Group has a customer database of over 100,000 registered users to date. Apart from that, the on-line marketing campaigns in collaboration with traditional media have helped build up the brand awareness among the young shoppers.

The Group has been marketing and selling new series of teabag beverage "floral tea" and "herbal tea" through its e-commerce platform as one of the key sales channels to introduce the new products to our existing customers.

Fostering long-term brand building efforts

For the sake of long-term brand building and refreshing the public of the Besunyen brand, the Group has carried out various marketing and communication programs across a diversified range channels, including TV, direct marketing, print media, outdoor media and the internet. In particular, the Group focused its marketing efforts on the popular satellite TV channels, such as Jiangsu Satellite TV, Hunan Satellite TV and Dragon TV, etc. The Group sponsored a very popular match-making series "If you are the one" (非誠勿擾) on Jiangsu Satellite TV in the first half of 2012. The Group launched below-the-line activities "Happy, Seize and Enjoy" (幸福搶樂匯) to let more people who purchase the Besunyen products may get an entrance ticket to the live show of the programme. The Group sponsored "The Voice of China" (中國好聲音) on Zhejiang Satellite TV, "Talents in Life" (點事成金) on Heilongjiang Satellite TV and "You are the Best, Mom" (老媽看你的) on Liaoning TV. Since January 2013, the Group has sponsored "King Wang" (大王小王) on Hubei Satellite TV. To further enhance corporate image, the Group placed community-oriented advertisements and sponsored Mid-Autumn Festival evening show of year 2012 on CCTV channels.

In order to promote our products to future customers, the Group sponsored the University Advertisement Art Show-Academy Award (大學生廣告藝術節學院獎) and collected thousands of creative works from college students based on the theme of "Slimming Makes life more Wonderful" (減一減 生活更精彩). A series of roadshows were staged in 18 cities and 20 universities, which built up our image among young people and helped turn them into our future consumers.

In April 2012, the Group was awarded as one of the "Top 10 Credible Health Food Brands" for 2011 in the Fourth China Credible Health Food Forum (第四屆中國保健品公信力論壇) organized by China Health Care Association. Furthermore, at the 19th China International Advertising Festival in October 2012, the Besunyen brand received an accolade of "The Brand Trusted by Consumers" (消費者信賴品牌) for 2012 from the China Advertising Great-wall Awards (中國廣告長城獎). The awards underscore the country-wide recognition of the Besunyen products and its strong brand image as a leading health product supplier.

Foray into teabag beverage market

Compared with health food, food and beverage products enjoy a more substantial consumer group and higher frequency consumption. In addition, there are only a limited number of branded teabag beverage products in the market. Leveraging on its leading brand position in the therapeutic tea market and its innovation capabilities, in June 2012, the Group launched two new double-chamber teabag products – Chinese herbal tea series and floral tea series.

Besunyen's Chinese herbal tea series is a delicious and healthy teabag drink with therapeutic functions, using only the best tea leaves, resulting in a perfect blend of natural herbal benefits with wisdom of Chinese medicine. The Chinese herbal tea series has three flavors – lemon and ginger tea, ginger tea, chrysanthemum and goji tea, packaged in 12 bags or 20 bags a box. Besunyen's floral tea series is a perfect blend of choice tea leaves with quality petals. The series has two flavors – rose black tea and royal chrysanthemum green tea, packaged in 20 bags or 25 bags a box. Both herbal tea and floral tea have the specially-designed packages for e-commerce business.

By the end of year 2012, the products have expanded their footprint on major online sales platforms and across over 2,000 retail stores in eastern China. The retail network covers convenient stores, supermarkets and hypermarkets like C-Store, FamilyMart, RT-Mart & Walmart, etc. The products sold well especially in convenient stores compared to the similar traditional healthy beverage.

Product development pipeline

– Maishuping

The planned launch of Maishuping, an OTC medicine teabag which helps stabilize blood pressure, is on track. Maishuping obtained the approvals from the State Food and Drug Administration of China ("SFDA" 國家食品藥品監督管理局) in November 2011. Clinical trials undertaken in four large hospitals in China showed that the overall efficacy rate on blood pressure control reached 96% among 300 people who took the medicine. In February 2013, the Group has acquired the GMP certificate from SFDA for Maishuping's teabag production. Positioning and marketing strategies of Maishuping have been well in place.

– Other products

A product designed to alleviate physical fatigue and assist in improving memory has already passed all the tests as well as evaluation of the SFDA and is waiting for the certificate issuance.

Another product aiming to improve skin tone and repair ageing skin has also passed all the relevant tests on safety, efficacy and quality reliability set by the SFDA and application will be submitted to the SFDA soon.

Furthermore, the development of new products for the benefits of the throat, sights and digestion are well under way.

Prospects

The Chinese government announced that the GDP growth target for 2013 had been set at 7.5% year on year, which is expected to decelerate from the 7.8% annual growth achieved in 2012. Looking ahead, weak external demand due to a volatile global economy and structural imbalance between investment and consumption will continue to pose new challenges to China's economy. Given the lingering uncertainty in China's economic growth and the slow recovery in demand from our distributors in 2012, we remain cautious on the Group's performance in 2013. To maintain our long-term competitive advantages, we will continue to invest in our sales channels, brand building and development of new products at our own pace despite short-term volatility on sales. Meanwhile, we will closely monitor and control our expenditures to get the maximum benefit out of every penny we spend.

At the annual Central Economic Work Conference held in December 2012, the new leaders of the Chinese government set their key policy agenda for 2013, pledging to speed up reforms and urbanisation as the key medium- and long-term growth engine. We believe that this long-term trend of rapid urbanisation and increasing disposable income in China will escalate consumer demand for health and healthy lifestyle products, in turn offering better long-term market potential for detox and slimming as well as other new products of the Group. The Group will continue its effort on selling, producing and developing products that combine the modern way of tea brewing in teabags with the self-cure functionality of traditional Chinese herbs. We believe that our strong national brand recognition and well-established nationwide distribution and sales networks, coupled with our knowledge in the regulatory requirements necessary for the success of health food products, will put us in a unique position to compete with other market players. Our vision is to turn the Besunyen brand into a Chinese household name, promote its function in curing ailments of our customers, and instil the enjoyment of a green lifestyle among them.

FINANCIAL REVIEW

Operational Results

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

	For the year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Revenue	**475,182**	840,409
Cost of sales	**(83,063)**	(102,770)
Gross profit	**392,119**	737,639
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Selling and marketing expenses	**(562,721)**	(619,744)
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Impairment loss recognised in respect of intangible assets	**(8,844)**	–
Impairment loss recognised in respect of property, plant and equipment	**(41,744)**	(962)
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Loss per share		
Basic *(RMB)*	**(0.22)**	(0.02)
Diluted *(RMB)*	**(0.22)**	(0.02)

Revenue

	For the year ended 31 December			
	2012		2011	
	RMB'000	***Percentage of the total***	*RMB'000*	*Percentage of the total*
Revenue:				
Besunyen detox tea	**192,991**	**40.6%**	417,847	49.7%
Besunyen slimming tea	**268,311**	**56.5%**	414,232	49.3%
Other tea products	**13,880**	**2.9%**	8,330	1.0%
Total	**475,182**	**100.0%**	840,409	100.0%

The revenue of the Group decreased by 43.5% from RMB840.4 million in 2011 to RMB475.2 million in 2012.

Due to the challenging economic environment, there was a slow recovery in demand for the Group's products from distributors after the reduction of sales in the second half of 2011.

The revenue of Besunyen Detox Tea decreased by 53.8% from RMB417.8 million in 2011 to RMB193.0 million in 2012, mainly due to the decrease of sales volume from 271.6 million tea bags to 135.3 million tea bags. The revenue of Besunyen Slimming Tea decreased by 35.2%, from RMB414.2 million in 2011 to RMB268.3 million in 2012, mainly due to the decrease in sales volume from 406.7 million tea bags to 252.7 million tea bags.

In 2012, the average selling price ("ASP") of Besunyen Detox Tea and Besunyen Slimming Tea (revenue divided by sales volume) were RMB1.43 per bag and RMB1.06 per bag respectively (compared to RMB1.54 per bag and RMB1.02 per bag respectively in 2011). The ASP of Besunyen Detox Tea decreased by 7.1%, however the ASP of Besunyen Slimming Tea increased by 3.9%. The decrease of ASP of Besunyen Detox Tea was mainly due to the increase in free products and special rebates given to distributors in order to encourage their payments by cash instead of bank acceptance notes. The increase of ASP of Besunyen Slimming Tea was because of sales price increase in 2012, the effect of price increase was mitigated by the increase in free products and special rebates given to distributors.

Cost of Sales and Gross Profit

	For the year ended 31 December			
	2012		2011	
	RMB'000	***Percentage of revenue***	*RMB'000*	*Percentage of revenue*
Total cost of sales	**83,063**	**17.5%**	102,770	12.2%
Gross profit	**392,119**	**82.5%**	737,639	87.8%

Cost of sales of the Group decreased by 19.2%, from RMB102.8 million in 2011 to RMB83.1 million in 2012. Cost of sales as a percentage of revenue increased from 12.2% in 2011 to 17.5% in 2012. The increase was mainly due to the allocation of fixed manufacturing overhead costs over reduced production volume caused by the decrease in sales volume, thus unit cost of each tea bag increased. In addition, the increase in sales of other products, which have higher cost of sales ratios, also brought the increase of overall cost of sales ratios of the Group.

As a result of the decrease in revenue by 43.5% and decrease in cost of sales by 19.2% in 2012 compared to 2011, the gross profit of the Group decreased 46.8% from RMB737.6 million in 2011 to RMB392.1 million in 2012. The gross profit margin of the Group decreased 5.3% from 87.8% in 2011 to 82.5% in 2012.

Other Income, Gains and Losses

Other income in 2012 of RMB11.5 million (2011: RMB21.4 million) was mainly comprised of an interest income amounting to RMB10.0 million (2011: RMB13.3 million), a net exchange loss of RMB1.5 million (2011: RMB8.0 million), and a government grant of RMB5.7 million (2011: RMB16.5 million) provided by the Chinese government to support the Group's operations and business.

Selling and Marketing Expenses

	For the year ended 31 December			
	2012		2011	
	RMB'000	***Percentage of revenue***	*RMB'000*	*Percentage of revenue*
Advertising expenses	**311,782**	**65.6%**	343,370	40.9%
Other marketing and promotional expenses	**93,911**	**19.8%**	93,855	11.2%
Staff costs	**108,106**	**22.8%**	132,850	15.8%
Others	**48,922**	**10.3%**	49,669	5.9%
Total	**562,721**	**118.4%**	619,744	73.8%

The selling and marketing expenses of the Group decreased 9.2% from RMB619.7 million in 2011 to RMB562.7 million in 2012. Advertising expenses, staff costs and others decreased by 9.2%, 18.6% and 1.5% respectively in 2012 as compared with 2011. Other marketing and promotional expenses increased by 0.1% in 2012 as compared with 2011.

Although total selling and marketing expenses decreased by 9.2%, the selling and marketing expenses as a percentage of revenue increased substantially from 73.8% 2011 to 118.4% in 2012, as a result of the 43.5% decrease in revenue compared with 2011.

Advertising expenses remained high, largely because of spending on television and other commercials as well as brand sponsorship activities during the first half of 2012. The Group has sponsored a very popular match-making series "If You are the One" (非誠勿擾) on Jiangsu Satellite TV in the first half of 2012 and the show helped boost the brand awareness of "Besunyen" across the country. Advertising expenses, however, have been cut substantially in the second half of 2012.

The decrease in staff costs in relation to selling and marketing of the Group was mainly attributable to the enhancement of sales team.

The increase in other marketing and promotional expenses (including point-of-sale terminals expenses, promotional expenses and expenses on gifts, etc.) was mainly attributable to the increased sales activities in point-of-sale terminals conducted by the Group.

Administrative Expenses

	For the year ended 31 December			
	2012		2011	
	RMB'000	***Percentage of revenue***	*RMB'000*	*Percentage of revenue*
Staff costs	**53,869**	**11.3%**	55,834	6.6%
Office expenses	**27,610**	**5.8%**	16,860	2.0%
Professional fees	**19,767**	**4.2%**	10,362	1.2%
Travel and entertainment expenses	**6,198**	**1.3%**	11,357	1.4%
Others	**4,624**	**1.0%**	15,886	1.9%
Total	**112,068**	**23.6%**	110,299	13.1%

The administrative expenses of the Group increased 1.6% from RMB110.3 million in 2011 to RMB112.1 million in 2012. The administrative expenses as a percentage of revenue increased from 13.1% in 2011 to 23.6% in 2012 mainly due to the 43.5% decrease in revenue.

Research and Development Costs

	For the year ended 31 December			
	2012		2011	
	RMB'000	***Percentage of revenue***	*RMB'000*	*Percentage of revenue*
Research and development costs	**15,279**	**3.2%**	19,451	2.3%

The Group's research and development costs decreased by 21.4% from RMB19.5 million in 2011 to RMB15.3 million in 2012. The research and development costs as a percentage of revenue remained fairly stable in both years.

Loss on Disposal of a Subsidiary

	For the year ended 31 December			
	2012		2011	
	RMB'000	***Percentage of revenue***	*RMB'000*	*Percentage of revenue*
Loss on disposal of a subsidiary	**6,700**	**1.4%**	–	–

In the first half of 2012, the Group entered into a sale agreement to dispose of its 100% equity interest in Zhuhai Qi Jia, after transfer of the intellectual properties of Maishuping from Zhuhai Qi Jia to the Group. The disposal was completed on 28 June 2012, on which date the Group lost control of Zhuhai Qi Jia. Total loss on disposal of Zhuhai Qi Jia recognised in 2012 was RMB6.7 million (2011: Nil).

Impairment Loss on Goodwill

	For the year ended 31 December			
	2012		2011	
	RMB'000	***Percentage of revenue***	*RMB'000*	*Percentage of revenue*
Impairment loss on goodwill	**–**	**–**	15,480	1.8%

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. In 2011, the Group recognised an impairment loss of RMB15.5 million in relation to goodwill arising on acquisition of Jian Shi Xing Biotech Research and Development (Shanghai) Co., Ltd., given that the recoverable amount was less than the carrying amount of the cash generating unit.

Impairment Loss on Intangible Assets

	For the year ended 31 December			
	2012		2011	
	RMB'000	***Percentage of revenue***	*RMB'000*	*Percentage of revenue*
Impairment loss on intangible assets	**8,844**	**1.9%**	–	–

The Group tests intangible assets annually for impairment, or more frequently if there are indications that intangible assets might be impaired. In 2012, the Group recognised an impairment loss of RMB8.8 million (2011: Nil) in relation to intangible assets arising on acquisition of Jian Shi Xing Biotech Research and Development (Shanghai) Co., Ltd., given that the recoverable amount was less than the carrying amount of these assets after considering the long term business plan and results.

Impairment Loss on Property, Plant and Equipment

	For the year ended 31 December			
	2012		2011	
	RMB'000	***Percentage of revenue***	*RMB'000*	*Percentage of revenue*
Impairment loss on property, plant and equipment	**41,744**	**8.8%**	962	0.1%

The Group tests fixed assets annually for impairment or more frequently if there are indications that fixed assets might be impaired. During the year, the Group conducted a review of the cash-generating units including property, plant and equipment and determined that a number of those assets were impaired. Accordingly, impairment loss of RMB41.7 million (2011: RMB962,000) has been recognised in respect of property, plant and equipment. The recoverable amounts of the cash-generating units have been determined based on higher of its fair value less cost of disposal and value in use. The discount rates in measuring the amounts of value in use were 20% to 23% (2011: 19%) in relation to property, plant and equipment.

Taxation

Taxation expenses of the Group decreased from RMB34.0 million in 2011 to RMB1.5 million credit in 2012. This was mainly due to the decreased taxable income of the Group and deferred tax adjustments.

Loss and Total Comprehensive Expense of the Group for the Year

Due to the aforementioned factors, the loss and total comprehensive expense of the Group increased from loss of RMB40.9 million in 2011 to loss of RMB342.2 million in 2012.

Use of the Net Proceeds from the IPO

The net proceeds from the IPO amounted to RMB1,033.2 million. The use of proceeds has been consistent with the disclosure in the Prospectus, and the respective use of the net proceeds until 31 December 2012 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	193,420	171,493
Setup of the East China Headquarters	150,000	77,518	72,482
Beijing new office building	123,664	123,664	–
Extension of sales and distribution network, channels and brand building	73,092	73,092	–
Design, R&D of new products	146,185	45,589	100,596
Improvement of ERP and overall IT system	43,855	5,279	38,576
Loan repayment	73,000	73,000	–
Working capital	58,474	58,474	–
Total	1,033,183	650,036	383,147

Cash Flow and Capital Resources

In 2012, 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.

Cash Flow

The following table summarises the net cash flow of the Group for the years ended 31 December as indicated:

	For the year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Net cash from (used in) operating activities	**28,778**	(66,131)
Net cash used in investing activities	**(78,508)**	(455,306)
Net cash used in financing activities	**(103,824)**	(38,455)
Net decrease in cash and cash equivalents (before effect of foreign exchange rate changes)	**(153,554)**	(559,892)
Effect of foreign exchange rate changes	**(1,509)**	(8,036)
Decrease in cash and cash equivalents (after effect of foreign exchange rate changes)	**(155,063)**	(567,928)

In 2012, net cash from operating activities of the Group was RMB28.8 million (2011: RMB66.1 million cash outflow) and net loss was RMB342.2 million. The difference was mainly caused by a decrease in trade receivables and bills receivables amounting to RMB248.8 million, and a decrease in deposits, prepayments and other receivables amounting to RMB81.5 million, but offset by a decrease in other payables and accrued expenses amounting to RMB48.1 million. In addition, there was an impairment loss on property, plant and equipment amounting to RMB41.7 million (2011: RMB962,000). Net cash used in investing activities of the Group was RMB78.5 million (2011: RMB455.3 million), and it was mainly due to purchases of property, plant and equipment. Net cash used in financing activities of the Group was RMB103.8 million (2011: RMB38.5 million). It was mainly due to repurchase of shares in 2012 amounting to RMB64.5 million, and payments for shares under restricted share award scheme amounting to RMB39.3 million.

Cash and Bank Loans

As of 31 December 2012, the bank balance and cash totalled RMB447.5 million (as at 31 December 2011: RMB602.5 million), representing a decrease of RMB155.0 million as compared to the previous year. Over 92.2% of the bank balance and cash of the Group was in Renminbi. In addition, as at 31 December 2012, the Group did not have any bank borrowings (as at 31 December 2011: Nil) and any unused bank credit lines (as at 31 December 2011: Nil).

Capital Expenditure

In 2012, capital expenditure of the Group was RMB89.7 million (2011: RMB452.8 million), which mainly included purchases of properties, plants and production equipment as well as intangible assets. The following table sets forth capital expenditure by the Group for the years ended 31 December as indicated:

	For the year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Property, plant and equipment	**82,756**	451,848
Intangible assets	**770**	913
Land-use rights	**6,210**	–
Total	**89,736**	452,761

Investment properties

The following table sets forth the details of our investment properties as of the dates indicated:

	As of 31 December	
	2012	2011
	RMB'000	*RMB'000*
Investment properties	**267,393**	–

The Group owns certain office premises at Linglong Tiandi Center located in Haidian District, Beijing and Changcheng Building located in Shanghai. The Group will not fully use up all of the office space at these properties and has decided to lease the unused office space to independent third parties until the Group needs to take up the remaining office space as its operations expand in the future. The properties held for lease are classified as investment properties.

As at 31 December 2012, total investment properties amounted to RMB267.4 million (at 31 December 2011: Nil). These investment properties are measured using the cost model and depreciated on a straight-line basis over the estimated useful life of 30 years. As at 31 December 2012, the Group had estimated the fair value of the investment properties based on a valuation carried out by an independent valuer not connected with the Group and determined that the fair values were higher than the carrying values of these investment properties. As such, no impairment is considered required.

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	
	2012	2011
	RMB'000	*RMB'000*
Raw materials and packing materials	**4,205**	3,687
Work in progress	**784**	2,962
Finished goods	**3,119**	1,850
Total inventories	**8,108**	8,499

The turnover days of the Group's inventories in 2012 (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 during the period) was 36 days (2011: 25 days). 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 trends, so as to better estimate inventories requirements.

Trade and Bills 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 favourable payment and settlement terms. For example, if these distributors provide an effective proof of payment, such as acceptance bills issued by a reliable bank. Although such acceptance bills are listed as bills receivables before its maturity date or before the Group has transferred them to a third party, the Group deems such acceptance bills as low risk and regards the payment as settled, the Group would deliver the products. The Group usually provides a credit period of 60 days or a maximum of six months to a limited number of distributors. These are mainly reliable and reputable distributors providing wholesale services to supermarkets and convenience store chains (general industry practice allows credit sales). For distributors not enjoying a credit period in the sales contract, they may apply for credit on an individual basis, and the Group would grant approval on a case by 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 bills receivables analysis as of the dates indicated:

	As of 31 December	
	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**15,317**	19,176
Bills receivables[1]	**34,832**	282,963
Less: allowance for doubtful debts	**(267)**	(111)
Total	**49,882**	302,028

(1) As at 31 December 2012, the Group received advance payments from distributors amounting to RMB13.3 million (as at 31 December 2011: RMB94.3 million), in the form of acceptance bills and therefore included in the balance of bills receivables.

The following table sets forth the turnover days of trade receivables and bills 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 during the period):

	For the year ended 31 December	
	2012	2011
Trade and bills receivables turnover days[1]	**94**	78
of which, trade receivables turnover days	**13**	33

(1) Since the advance payment from distributors amounting to RMB13.3 million in the form of bills receivables as at 31 December 2012 (as at 31 December 2011: RMB94.3 million) will be recognised as turnover only when the products are made and shipped to the distributors after 31 December 2012, the amount was deducted from the year end balance of bills receivables in calculation of the turnover period.

Trade and bills receivables turnover days of the Group increased from 78 days in 2011 to 94 days in 2012. It was mainly due to the large amount of bills receivables as at 31 December 2011 and the lower sales in 2012. Since 2012, the Group encourages more cash settlements and only accepts payments from its distributors in the form of bank acceptance bills issued by reliable banks, which resulted in the amount of bills receivables of the Group decreased by RMB248.2 million from RMB283.0 million as of 31 December 2011 to RMB34.8 million as of 31 December 2012. In the meantime, the Group adopted a more prudent credit policy and the trade receivables turnover days decreased from 33 days for the year ended 31 December 2011 to 13 days for the year ended 31 December 2012.

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

	As of 31 December	
	2012	2011
	RMB'000	*RMB'000*
0-90 days	**47,759**	300,115
91-180 days	**1,858**	1,597
181-365 days	**265**	316
Total	**49,882**	302,028

Included in the Group's trade and bills receivables are debtors with an aggregate carrying amount of approximately RMB265,000 (2011: RMB316,000) which are past due at 31 December 2012, for which the Group has not provided for an impairment loss. The Group does not hold any collateral over these balances.

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 favourable 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	
	2012	2011
	RMB'000	*RMB'000*
Trade payables	**2,750**	7,248

The following table sets forth the turnover of trade payables of the Group for the year 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 during the period):

	For the years ended 31 December	
	2012	2011
Trade payables turnover days	**22**	26

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

	As of 31 December	
	2012	2011
	RMB'000	*RMB'000*
0-90 days	**2,570**	6,924
91-180 days	**180**	324
Total	**2,750**	7,248

Risks in Foreign Exchange

The majority of sales income, costs and expenses of sales, as well as administrative expenses of the Group are calculated 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 year ended 31 December 2012, the Group did not purchase any foreign exchange, interest rate derivative products or relevant hedging tools (2011: Nil).

Pledge of Assets

As of 31 December 2012, the Group had no pledge of assets (31 December 2011: Nil).

Contingent Liabilities and Guarantees

As of 31 December 2012, the Group had no material contingent liabilities or guarantees (31 December 2011: Nil).

Off-Balance Sheet Commitments and Arrangements

As of 31 December 2012, the Group had no off-balance sheet commitments or arrangements (31 December 2011: Nil).

Capital Commitments

As of 31 December 2012, the Group had a total capital commitment of RMB32.5 million (31 December 2011: RMB67.8 million), mainly used in building new manufacturing facilitates, acquiring manufacturing and other equipments.

Human Resources Management

The Group regards high-quality employees as its most important resources. As at 31 December 2012, the Group had about 2,085 employees in mainland China and Hong Kong (including 384 promotional staff employed by employment agents) (2011: 3,153 staff members (including 826 promotional staff employed by employment agents)). For the year ended 31 December 2012, the total labour costs (including Directors' remunerations and non-cash share-based compensation) was approximately RMB185.4 million (2011: RMB202.8 million). Staff remuneration 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 places emphasis in 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 work hard to enhance the value and foster better long-term development of the Group. In November 2012, the Company has also adopted a restricted share award scheme to grant restricted shares to eligible employees.

The Group invests sufficient efforts into continuous education and training for its staff members, so as to keep enhancing 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.

DIVIDENDS

The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2012.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed by the Company from 8 May 2013 to 10 May 2013, both days inclusive. During such period, no transfer of shares of the Company will be registered. The record date for determining the eligibility to attend the forthcoming annual general meeting ("AGM") of the Company will be on 10 May 2013. In order to be eligible for attending the AGM, all completed transfer forms accomplished by the relevant share 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 7 May 2013.

CORPORATE GOVERNANCE

The Code on Corporate Governance Practices (the "Former CG Code") as set out in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") was amended and renamed as the Corporate Governance Code (the "New CG Code") on 1 April 2012.

The Company has applied the principles and complied with the code provisions of the Former CG Code during the period from 1 January 2012 to 31 March 2012 and the New CG Code during the period from 1 April 2012 to 31 December 2012, except code provisions A.2.1 of the Former CG Code and the New CG Code, A.4.1 of the Former CG Code and the New CG Code and A.6.7 of the New CG Code.

Code provision A.2.1 of both the Former CG Code and the New CG Code

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 23 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 of both the Former CG Code and the New CG Code

Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Mr. Wong Lap Tat Arthur, Mr. Zhang Fenglou and Ms. Xin Katherine Rong (the then independent non-executive Director) are appointed for a term of 3 years. Mr. Zhuo Fumin, Mr. Wang Bing (the then non-executive Director) and Mr. Huang Jingsheng are not appointed for a specific term during the period from 1 January 2012 to 15 March 2012. 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 AGM 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. Nevertheless, to promote good corporate governance practice, the Company entered into an appointment letter with each of Mr. Zhuo, Mr. Wang and Mr. Huang for a term of 3 years on 16 March 2012.

Code provision A.6.7 of the New CG Code

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Zhuo Fumin, Mr. Wang Bing (the then non-executive Director), Mr. Huang Jingsheng and Ms. Xin Katherine Rong (the then independent non-executive Director) did not attend the AGM and the extraordinary general meeting (the "EGM") of the Company held on 11 May 2012 and 20 August 2012 respectively due to their other commitments. However, the Board believes that the presence of Mr. Zhao Yihong, Ms. Gao Yan and Mr. Wong Lap Tat Arthur (an independent non-executive Director) at the 2012 AGM and the presence of Mr. Zhao and Mr. Wong at the EGM allowed the Board to develop a balanced understanding of the views of shareholders.

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

During the year ended 31 December 2012, the trust set up for the restricted share award scheme of the Company purchased 61,000,000 shares of the Company on the Stock Exchange in a total net consideration of HK$48,291,000 for the restricted share award scheme.

During the year ended 31 December 2012, the Company made the following repurchase of shares on the Stock Exchange:

Month/Year	Number of shares repurchased	Price per share Highest	Price per share Lowest	Aggregate consideration
		HK$	*HK$*	*HK$'000*
March 2012	10,312,000	0.74	0.68	7,341
April 2012	34,570,000	0.74	0.64	23,733
May 2012	15,806,000	0.69	0.57	10,118
June 2012	39,795,000	0.84	0.67	30,193
August 2012	4,174,000	0.70	0.64	2,811
September 2012	650,000	0.64	0.62	415
December 2012	10,000,000	0.50	0.465	4,796
Total	115,307,000			79,407

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company's 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 Mr. Zhang Fenglou. 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 2012.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company (http://ir.besunyen.com) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2012 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, 15 March 2013

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