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 2011

Financial Highlights

The Group's revenue amounted to RMB840.4 million for 2011, representing a slight decrease of RMB33.8 million, or approximately 3.9%, as compared to RMB874.2 million for 2010.

The gross profit margin slightly decreased to 87.8% for 2011 from 89.6% for 2010.

Total operating expenses amounted to RMB749.5 million, representing an increase of RMB229.4 million, or approximately 44.1%, as compared to RMB520.1 million for 2010. In addition, there was an impairment loss of RMB15.5 million in 2011 (2010: Nil) in relation to goodwill of a subsidiary company.

The loss and total comprehensive expense for 2011 attributable to owners of the Company was RMB40.9 million, as compared to the profit and total comprehensive income of RMB59.7 million for 2010.

The basic loss per share attributable to owners of the Company amounted to approximately RMB0.02 for 2011, as compared to the basic earnings per share of approximately RMB0.05 for 2010.

No final dividend is proposed by the directors for the year ended 31 December 2011.

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 2011 together with the comparative figures for the corresponding period in 2010 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
Turnover	2	**840,409**	874,216
Cost of sales		**(102,770)**	(91,135)
Gross profit		**737,639**	783,081
Other income (expenses)		**20,453**	(32,090)
Selling and marketing expenses		**(619,744)**	(423,314)
Administrative expenses		**(110,299)**	(88,625)
Research and development costs		**(19,451)**	(8,185)
Finance costs		**–**	(8,360)
Impairment loss on goodwill		**(15,480)**	–
Change in fair value on redeemable convertible preferred shares		**–**	(121,361)
(Loss) profit before taxation	3	**(6,882)**	101,146
Taxation	4	**(33,994)**	(41,491)
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company		**(40,876)**	59,655
(Loss) earnings per share			
Basic *(RMB)*	6	**(0.02)**	0.05
Diluted *(RMB)*	6	**(0.02)**	0.05

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property plant and equipment		**428,851**	272,145
Prepaid lease payments		**67,284**	68,767
Intangible assets		**17,062**	22,147
Non-current deposits		**324,319**	58,705
Deferred tax assets		**15,077**	8,408
Goodwill		**5,305**	20,785
		857,898	450,957
CURRENT ASSETS			
Inventories		**8,499**	5,669
Trade and notes receivables	*7*	**302,028**	152,803
Deposits, prepayments and other receivables	*8*	**129,195**	102,548
Restricted cash		**5,000**	–
Bank balances and cash		**602,541**	1,170,469
		1,047,263	1,431,489
CURRENT LIABILITIES			
Trade payables	*9*	**7,248**	7,342
Other payables and accrued expenses	*10*	**190,960**	100,504
Amount due to a related party		**–**	1,000
Taxation payable		**16,184**	17,142
		214,392	125,988
NET CURRENT ASSETS		**832,871**	1,305,501
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,690,769**	1,756,458
CAPITAL AND RESERVES			
Share capital		**95**	95
Reserves		**1,672,071**	1,735,600
		1,672,166	1,735,695
NON-CURRENT LIABILITIES			
Deferred government grant		**8,684**	9,459
Deferred tax liabilities		**9,919**	11,304
		18,603	20,763
		1,690,769	1,756,458

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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 parent company is Foreshore Holding Group Limited (incorporated in the British Virgin Islands). 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, PRC.

The principal activities of 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. 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 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	
	2011	2010
	RMB'000	*RMB'000*
Detox tea	**417,847**	566,222
Slimming tea	**414,232**	304,186
Other tea products	**8,330**	3,808
	840,409	874,216

Major customers

No single customer contributes over 10% or more of total revenue of the Group for the years ended 31 December 2011 and 2010.

Geographical disclosures

The Group operates in the People's Republic of China ("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) PROFIT BEFORE TAXATION

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
(Loss) profit before taxation has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
– salaries and other allowances	**179,279**	105,461
– share-based compensation	**14,802**	36,643
– retirement benefit scheme contributions	**8,729**	6,475
Total staff costs	**202,810**	148,579
Amortisation of intangible assets (included in cost of sales and administrative expenses)	**5,716**	4,102
Auditors' remuneration	**3,815**	3,921
Cost of inventories recognised as expense	**102,770**	91,135
Depreciation of property, plant and equipment	**28,488**	15,690
(Gain) loss on disposal of property, plant and equipment	**(56)**	152
Impairment loss on property, plant and equipment (included in other expenses)	**962**	1,528
Release of prepaid lease payments	**1,483**	1,125

4. TAXATION

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
The charge comprises		
PRC income tax	**42,048**	49,515
Deferred taxation		
– current year	**(8,054)**	(8,024)
	33,994	41,491

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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
(Loss) profit before taxation	**(6,882)**	101,146
Tax at PRC Enterprise Income Tax ("EIT") rate of 25% (2010: 25%)	**(1,721)**	25,286
Effect of tax exemption granted	**(16,956)**	(35,301)
Increase in opening deferred tax asset resulting from an increase in applicable tax rate	**(334)**	–
Tax effect of tax loss not recognised	**19,688**	2,426
Utilisation of tax loss previously not recognised	**(1,662)**	(1,838)
Tax effect of expenses not deductible for tax purposes	**34,979**	48,196
Withholding tax on undistributed earnings	**–**	2,722
Tax charge for the year	**33,994**	41,491

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

Beijing Outsell Health Product Development Co., Ltd. ("Beijing Outsell") applied the statutory rate of 25%. 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.

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 2011.

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 tax 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 were provided at the tax rate of 5% on the expected dividend stream of 25% of profit for the year which was 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 declared. The dividend was paid by the Company to the shareholders during the year ended 31 December 2010.

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) was declared in August 2011 and paid during the year ended 31 December 2011.

No final dividend is proposed by the directors for the year ended 31 December 2011.

6. (LOSS) EARNINGS PER SHARE

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

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
(Loss) earnings attributable to owners of the company:		
(Loss) earnings for the purpose of calculating basic and diluted (loss) earnings per share	**(40,876)**	59,655

	Year ended 31 December	
	2011	2010
	'000	*'000*
Numbers of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	**1,682,275**	1,276,841
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 (loss) earnings per share	**1,682,275**	1,314,071

The weighted average number of ordinary shares for the purpose of calculating the basic (loss) earnings per share for 2010 has been retrospectively adjusted for the 120-for-one share sub-division that became effective on 10 September 2010.

The computation of diluted earnings per share 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 for the year ended 31 December 2010.

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

7. TRADE AND NOTES RECEIVABLES

	At 31 December	
	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**19,176**	135,117
Notes receivables	**282,963**	17,686
Less: allowance for doubtful debts	**(111)**	–
	302,028	152,803

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

	At 31 December	
	2011	2010
	RMB'000	*RMB'000*
0 – 90 days	**300,115**	149,392
91 – 180 days	**1,597**	3,411
181 to 365 days	**316**	–
	302,028	152,803

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 RMB316,000 (2010: Nil) which are past due at 31 December 2011, 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	
	2011	2010
	RMB'000	*RMB'000*
181 – 365 days	**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.

8. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2011	2010
	RMB'000	*RMB'000*
Prepaid advertising	**103,964**	89,933
Other prepayments	**14,467**	6,165
Prepayment to suppliers	**4,703**	980
Other receivables	**4,614**	4,023
Prepaid lease payments	**1,447**	1,447
	129,195	102,548

9. TRADE PAYABLES

	At 31 December	
	2011	2010
	RMB'000	*RMB'000*
Trade payables	**7,248**	7,342

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	
	2011	2010
	RMB'000	*RMB'000*
0 to 90 days	**6,924**	7,342
91 to 180 days	**324**	–
	7,248	7,342

10. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December	
	2011	2010
	RMB'000	*RMB'000*
Prepayments from customers	**105,448**	9,911
Accrued sales rebate	**32,375**	18,851
Accrued payroll	**24,955**	15,268
Payable for land use right	**11,210**	11,210
Payable to former shareholders of Zhuhai Qi Jia Medical Industry Co., Ltd. ("Zhuhai Qi Jia")	**4,199**	4,550
Other tax payables	**4,178**	23,444
Other payables	**3,185**	12,691
Accrued expenses	**2,624**	1,493
Payable for acquisition of a subsidiary	**2,000**	2,000
Deferred government grant	**786**	786
Advertising expenses payable	**–**	300
	190,960	100,504

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.

2011 was a year of uncertainties with the euro-zone sovereign debt crisis and US recession plaguing the world economy. China was, however, able to maintain the momentum of economic growth. According to the National Bureau of Statistics of China, China's 2011 GDP increased by 9.2% to RMB47.2 trillion. The total retail sales of consumer goods increased by 17.1% to RMB18.1 trillion, a growth rate slightly lower than that of 2010, but still 2.1% higher than the average of the ten consecutive years since 2001.

Though China's economy is relatively in better shape than most other countries, the 8.9% GDP growth of the fourth quarter of 2011 year-on-year marked a steady slowdown from the growth of the three previous quarters in 2011 (9.7% growth of the first quarter, 9.5% of the second quarter and 9.1% of the third quarter). Inflation remained stubbornly high with 2011's CPI up by 5.4% year-on-year despite a series of interest rate increases and tightening of monetary policies, which have made it difficult for small and medium enterprises to secure bank borrowings to meet working capital needs.

Under such sophisticated circumstances, turnover of the Group in 2011 was RMB840.4 million, representing a decrease of 3.9% as compared to the turnover of RMB874.2 million in 2010. Gross profit decreased from RMB783.1 million to RMB737.6 million, down 5.8%. Meanwhile, the gross profit margin slightly decreased from 89.6% in 2010 to 87.8% in 2011. On the other hand, the total operating expenses (include selling and marketing expenses, administrative expenses, research and development cost) of the Group in 2011 were RMB749.5 million, representing an increase of 44.1% as compared to RMB520.1 million in 2010. In addition, there was an impairment loss of RMB15.5 million in 2011 (2010: Nil) in relation to goodwill of a subsidiary company. Due to the slight decrease in turnover and gross profit but a substantial increase in total operating expenses and impairment loss on goodwill of a subsidiary company, the Group recorded a net loss of RMB40.9 million in 2011 as compared to the net profit of RMB59.7 million in 2010. The deterioration in the financial performance of the Group in 2011 was mainly attributable to the following reasons:

(i) Most of the Group's distributors were small and medium enterprises. In 2011, the slowdown of the macro-economy and tighter credit environment affected market sentiment and impacted on their business outlook, making it difficult for them to secure sufficient working capital. In such hostile market conditions and slowing trend in 2011, our distributors became more prudent in making orders and purchasing the products from the Group in the second half of 2011;

(ii) It was the continuous effort of the Group to explore the sales of existing products in new markets in the eastern cities of China and through new channels such as supermarkets and hypermarkets, but the sales generated from these efforts in 2011 did not meet our expectations;

(iii) Although the trial launch of our new product, Mei An Granules, achieved certain progress in 2011, the official launch was behind schedule; and

(iv) The Group plans its selling and marketing expenses each year according to its sales growth target and long-term brand building plan. In the first half of 2011, the Group increased its selling and marketing expenses by 46.0% as compared to the same period in 2010, which was mainly in line with the 39.0% growth in turnover in the first half of 2011 year-on-year. The spending of selling and marketing expenses in the second half of 2011 continued the trend of first half of 2011, representing an increase of 46.7% as compared to the second half of 2010. However, the Group suffered an unexpected substantial decline in sales in the second half of 2011. For long-term brand-building, the Group did not substantially cut back on selling and marketing expenses in the second half of 2011.

Although we faced strong headwinds in the second half of 2011, we believe that the long-term growth of China's economy and strong demand for health food products remain unchanged. As the leading brand and provider of therapeutic tea products in China, we will continue to maintain and enhance our competitive advantages, such as a strong national brand name, nationwide distribution and sales network as well as innovative research and development, to further strengthen our market-leading position. We will stick to our well-established business strategy and business objectives of satisfying consumers' demand for quality health food products.

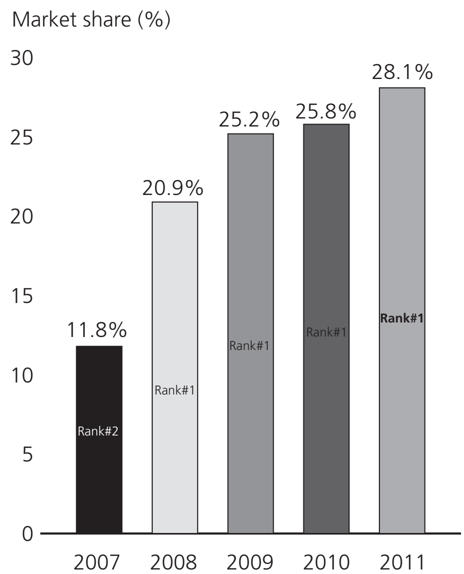
Industry, Market and Competition

The 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. According to a study conducted by Euromonitor International Plc. ("Euromonitor") in July, 2010 commissioned by the Group, sales of health food products with laxative function are expected to increase to RMB8.5 billion 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 billion in 2014, representing a compound annual growth rate of 10.6% from 2009 to 2014.

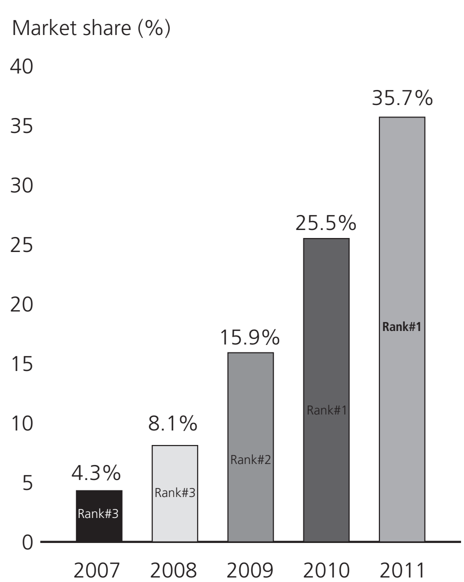
The aging population, the sub-health condition of young people and the middle-aged due to work-related stress, and the growing popularity of slimming products have fuelled the demand for the Group's products, which target urban health problems such as constipation and obesity. Consumers' growing awareness 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, 2012, the Group continued to be the No. 1 leading provider of laxative products sold through retail pharmacies in 2011 in terms of retail sales value, enjoying a market share of 28.1%. 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 2011 in terms of retail sales value, having a market share of 35.7%. Despite the decrease in purchase orders from the Group's distributors in the second half of 2011, the study demonstrated that the Group's products still has a strong demand at the retail level.

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)



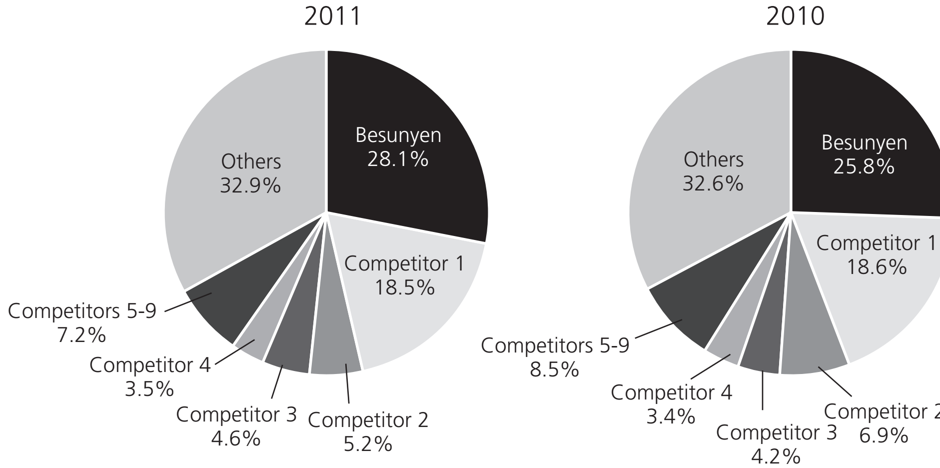
Market share and ranking of Besunyen
Slimming Tea among slimming products sold
through retail pharmacies in the China market(Note)
(calculated based on retail sales value)



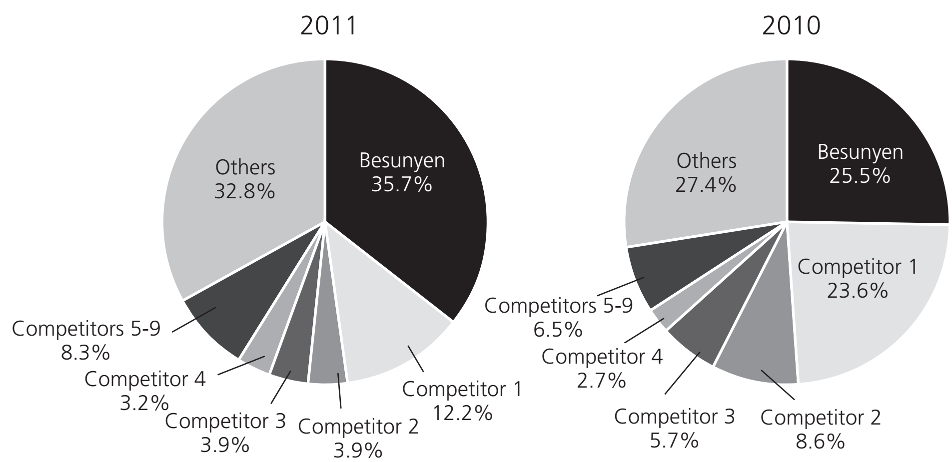
Note: China market refers to the Chinese market excluding Hong Kong, Macau and Taiwan

Source: SMERI, February 2012.

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, February 2012.

ACNielsen, an international market research company, issued a quantitative research report in September, 2011 on the slimming products market in China. It conducted an online survey of first-tier mainland cities, including Beijing, Shanghai, Guangzhou and Chengdu, to analyze the market landscape and understand consumers' knowledge and usage level of different brands of slimming products.

According to ACNielsen's survey results, the Brand Equity Index (BEI) of Besunyen Slimming Tea reached 4.7, which was well above the average value of 2.3 for fast-moving consumer products. Among 1,442 respondents of the survey aged between 18 and 40 years old, the brand recognition level for Besunyen Slimming Tea was 92%, and 66% of the 500 respondents aged between 30 and 34 years old have used Besunyen Slimming Tea in the past year. Both numbers indicated much stronger brand recognition and higher usage than other comparative products. In addition, 61% of the 1,324 respondents, who were aware of Besunyen Slimming Tea, were able to identify the ”detox” function of the product, 73% the “laxative” function, and 56% the “natural herbal” nature of the product, again indicating strong brand image of the product.

Business Review

Although the Group faced serious challenges in 2011, it still maintained its leading position in the therapeutic tea market and achieved the following in the year:

Extending the Sales Network into Low Tier Cities and Optimizing the Management of Distribution Channels

Since 2010, the Group has continued to expand the sales network to include all provinces, autonomous regions and centrally administered municipalities in Mainland China. From the Group's solid market position in first- and second-tier cities, it has been proactively deepening market penetration to expand its network to lower tier cities. In 2011, the Group adopted measures to streamline the distribution system by selecting large-scale distributors, to clarify channel segmentation and remove under-performing distributors from our list. As a result, the number of distributors dropped from 462 as at 31 December 2010 to 420 as at 31 December 2011. Despite the decrease in the number of distributors, the number of retail outlets covered by our distributors increased to approximately 130,000 as at 31 December 2011 (including about 124,500 retail pharmacies and about 5,500 supermarkets, hypermarkets and chain stores), compared with approximately 119,000 retail outlets as at 31 December 2010.

The traditional developed markets of the Group are southern China (eg Guangdong province) and north-western China (eg Shaanxi province). The highly urbanized eastern region (eg Zhejiang province and Jiangsu province) is relatively new market for the Group with huge potential. In addition, retail pharmacies are long-established sales channel of the Group while supermarkets, hypermarkets and chain stores are new channels developed by the Group only in recent years. It is the long-term strategy of the Group to achieve a higher growth in sales of existing products in new markets and through new channels. However, the business environment and practices in the new markets and new channels are quite different from the traditional ones. In 2011, the sales growth in the new markets and new channels did not meet our expectations mainly due to inappropriate set up of new sales organization and team. We learned a good lesson in 2011 and we will adjust our internal sales organization and deploy our sales teams accordingly in developing new markets and using new sales channels.

The Group continued to strengthen the management of our sales teams in 2011. We initiated a system that we could manage our sales teams across China through specified software in their cell phones, enhancing the efficiency of our sales teams.

Leveraging the trend of shopping online by urban residents and accommodating the demand from customers in remote areas, the Group had begun development of its e-commerce channel since end-2010. Apart from the Group's own e-commerce website www.7cha.com, it also supplied other popular e-commerce platforms, such as Taobao, 360buy, Dangdang, Amazon etc with its products. The sales volume in Tmall.com increased dramatically by approximately 300% in 2011 compared to that of 2010, unrivalled by other internet therapeutic tea stores. In October 2011, the sales of Besunyen products ranked No. 2 among thousands of healthcare brands in Tmall.com.

Enhancing Brand Image and Implementing Various Marketing Programs

In 2011, the Group rationally planned and applied its marketing resources according to its long-term brand building strategy. The Group increased its advertisement coverage on popular satellite TV channels and programs in Mainland China. The Group also actively participated in sponsorships and obtained naming rights with some top-tier TV programs including the third season of "Dancing Carnival"舞動嘉年華) on Chengdu TV, "Compendium of MateriaMedica" (本草綱目) on Hubei Satellite TV and "the More Smart Talk, the More Happiness" (越策越開心) on Hunan Economic TV. We attended the Ninth University Advertisement Art Show Academy Award (第九屆大學生廣告藝術(學院獎)活動) and collected creative works from college students for our new product Besunyen Mei An Granules, aiming at building the Besunyen brand among younger consumers and promoting our business concepts.

To enhance its brand image, the Group engaged celebrities as spokespersons for its two core products: The Group engaged Ms. Xu Jinglei, a famous movie director and actress, as the spokesperson for Besunyen Slimming Tea in the first half of 2011. Ms. Xu, with her fame, popularity and healthy image, appealed to the young office ladies' market. Meanwhile, the Group also engaged Mr. Guo Donglin and Ms. Niu Li, a pair of famous comedians popular with family appeal, as the spokespersons of Besunyen Detox Tea, achieving great marketing success.

In the second half of 2011, the Group achieved a new milestone that sales of Besunyen Detox Tea reached an accumulated volume of 1.37 billion teabags in the past 11 years. This equals one Besunyen detox tea bag for each person in China and reinforces the Group's position in the therapeutic herbal teas market. A series of marketing campaign were launched accordingly to enhance the recognition of the "Besunyen" brand and credibility of the Group's products.

Striving for New Products Launch

Mei An Granules

Since the second quarter of 2011, the Group had focused on the trial sales of Mei An Granules at Jiangyin City and Changshu City, Jinagsu Province, supported by marketing campaign with the theme of "Looking for Urban Sleeping Beauties"(尋找都市睡美人) along with TV commercials in these pilot cities. The main purpose of trial sales in pilot cities was to collect data from end-users to determine the positioning of Mei An Granules in the marketing campaign (including package design, selling price and marketing plan) to prepare for the nationwide launch.

Mei An Granules has been shown to improve sleep quality based on the findings on efficacy of our products to the random samples of customers in two pilot markets, Jiangyin City and Changshu City, Jiangsu Province. It can attain potency rate of 56% and 75.6% if one takes for two weeks and three weeks respectively. However, its function is very different from our other existing products and the use of this kind of product to improve sleep quality is a relatively new concept to the public. Thus, we spent more time than expected to educate the end-users in the pilot cities and obtain their feedback. Positioning of Mei An Granules was finalized at early 2012 and the product has been launched across the country in March 2012.

Maishuping

The Group is also speeding up its pace in the launch of its OTC medicine teabag product named Maishuping, which helps to stabilize blood pressure. Maishuping already obtained the approvals from the State Food and Drug Administration of China ("SFDA") in November 2011. A clinical trial 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.

As a final step before product launch, the Group is now in the process of applying for the GMP certificate for Maishuping's teabag production and targets to obtain the certificate by the third quarter of 2012. Both the positioning and marketing strategies for Maishuping are in place. Once the Group obtains the GMP certificate, the Group will commence the production and sale of Maishuping immediately.

Robust New Product Pipeline under Research and Development and Strictly Controlling Product Quality

The Group has developed a number of new product pipelines with the dedicated work of its own Research and Development Center. The Group focuses on developing products with significant market potential and consumer demand, proven health efficacy as well as a relatively high technical entry barrier. A product designated to alleviate physical fatigue and assist in improving memory has already passed the relevant tests on safety, efficacy and quality reliability by the SFDA and is waiting for the final approval. Another product aiming to enhance skin condition and repair ageing skin has passed the tests on product safety, efficacy, quality reliability and is now undergoing clinical trials.

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

The Group set up its Product Safety and Quality Assurance Center early this year. The center conducts analysis and tests on the quality and safety of raw materials, semi-finished products and final products. The advanced equipment and well-trained professionals in the center are capable of carrying out safety tests on raw materials and products in a timely, efficient and accurate manner, which ensures the compliance with higher national quality and safety standards in China.

Prospects

Since 2011, China has taken various measures to boost domestic consumption to achieve restructuring of its economy. Per capita annual disposable income of urban residents' income in 2011 reached RMB21,810 with a year-on-year increase ratio as 8.4%. The Chinese government also endeavored to monitor inflation and implement macro-economic control measures. All the above factors will be positive for China's long-term retail market.

Over the long term, the Group will continue to benefit from China's economy especially in view of stronger domestic consumption. Substantial consumer demand on health and healthy life-style gives rise to tremendous long-term market potential for detox and slimming products. The Group will focus 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. This will make the Group unique among its competitors.

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 2012 around the fundamental objectives for satisfying consumers' demand for pursuing health and healthy life-styles. It will also work hard to further enhance its sales network and distribution channels, to further improve the "Besunyen" brand, to strengthen its new product launch, and to improve its overall operation efficiency so as to maximize the enterprise value of the Group. Specifically, for 2012, the Group will focus its efforts on the following:

- The Group will further develop its sales network and distribution channels, including expanding the OTC distribution channels in low-tier cities, sales in supermarkets and hypermarkets, and developing the e-commerce platform. Meanwhile, the Group will adopt new incentive measures for sales staff, and monitor the retail terminals more closely.

- The Group will integrate marketing activities and make every penny count. The Group has sponsored the popular TV series "If You are the One" (非誠勿擾) on Jiangsu Satellite TV since the beginning of this year. The program is one of the hottest TV shows in recent years and attracts a wide audience across China. In association with it, the Group will carry out on-site marketing activities such as university academy award to impose more brand influence on different groups. The Group has extended its advertising activities from product-oriented in satellite TV channels to corporate image and community-oriented in CCTV channels in 2012 as well.

- The Group has unveiled the new package for Mei An Granules and launched the nationwide sales in March 2012. There are two forms in the new packaging: 7 teabags and 21 teabags, offering choices to end-users. The data collected in Eastern China have further affirmed Mei An Granules' efficacy, reinforcing our marketing campaign that quality sleep also improves skin tone and boosts one's over-all well-being.

- The Group will accelerate the launch of new product Maishuping. The OTC blood pressure reduction tea is now completing the GMP certificate for production, quality assurance, sales, etc. and will be ready for sale in the second half of 2012 once the certificate is obtained. The Group's existing sales network in OTC pharmacies offered a perfect platform for the sale of Maishuping. An experienced sales team was set up with the task of promoting this new product.

- Although the Group plans its selling and marketing expenses each year according to its sales growth target and long-term brand building plan, 2011 taught us that an unexpected volatility on turnover with an unadjusted expenditure plan could have huge impact on our profitability. In 2012, the Group will closely monitor and control the expenses-to-turnover ratio. We will adopt a more flexible approach in optimizing the effectiveness of selling by keeping a lid on marketing expenses, to ensure a stable operating margin.

In early 2012, the Group increased the recommended retail price of Besunyen Slimming Tea from RMB39.8 per box to RMB45.0 per box, representing a 13.1% increase. The Group received tremendous feedback and orders from our distributors near the year-end of 2011. Advance payments of these orders amounted to around RMB105.4 million as at the end of 2011,which will be booked as turnover once the products were delivered at early 2012. This demonstrated our distributors continued to have confidence in our products.

The Chinese government recently announced the GDP growth target of 2012 to be 7.5%, which is less than the actual 9.2% achieved in 2011(note). This may indicate further slowdown in China's economic growth which will somehow affect consumers' sentiments. Meanwhile the overall health food market in China is competitive and rapidly evolving. The volatile economic backdrop and keen market competition will bring challenges to the Group. Nevertheless, facing the fragmented health food markets in China, 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 regulatory requirements for health food products, create strong barriers to entry in our markets. We are aiming to build the Besunyen brand as a Chinese household brand, to promote its function in curing ailments of our customers and instill the enjoyment of a green lifestyle among them.

Note: Actual economic data of China's GDP, CPI, the total retail sales of consumer goods, per capita annual disposable income of urban resident sources from National Bureau of Statistics of China. GDP growth target of 2012 sources from the government work report delivered by Premier Wen Jiabao at the parliament's annual session on 5 March 2012.

FINANCIAL REVIEW

Operational Results

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

	For the years ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Turnover	**840,409**	874,216
Cost of Sales	**(102,770)**	(91,135)
Gross profit	**737,639**	783,081
Other income (expenses)	**20,453**	(32,090)
Selling and marketing expenses	**(619,744)**	(423,314)
Administrative expenses	**(110,299)**	(88,625)
Research and development costs	**(19,451)**	(8,185)
Finance costs	**–**	(8,360)
Impairment loss on goodwill	**(15,480)**	–
Changes in the fair value of the convertible redeemable Series A Preferred Shares	**–**	(121,361)
(Loss) profit before taxation	**(6,882)**	101,146
Taxation	**(33,994)**	(41,491)
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company	**(40,876)**	59,655
(Loss) earnings per share		
Basic *(RMB)*	**(0.02)**	0.05
Diluted *(RMB)*	**(0.02)**	0.05

Turnover

	For the years ended 31 December			
	2011		2010	
	RMB'000	***Percentage of the total***	*RMB'000*	*Percentage of the total*
Turnover:				
Besunyen detox tea	**417,847**	**49.7%**	566,222	64.8%
Besunyen slimming tea	**414,232**	**49.3%**	304,186	34.8%
Other products	**8,330**	**1.0%**	3,808	0.4%
Total	**840,409**	**100.0%**	874,216	100.0%

The turnover of the Group decreased by 3.9% from RMB874.2 million for the year ended 31 December 2010 to RMB840.4 million for the year ended 31 December 2011.

The turnover of Besunyen Detox Tea decreased by 26.2% from RMB566.2 million in 2010 to RMB417.8 million in 2011, mainly due to the decrease of sales volume from 371.0 million tea bags to 271.6 million tea bags. The peak season for the sales of Besunyen Detox Tea is traditionally the second half of the year, owing to the slowdown of the macro-economy and the tighter credit environment in the second half of 2011, the Group's distributors have substantially reduced their purchase during the peak season in 2011 as compared to 2010.

The turnover of Besunyen Slimming Tea increased by 36.2%, from RMB304.2 million in 2010 to RMB414.2 million in 2011, mainly due to the increase in sales volume from 292.9 million tea bags to 406.7 million tea bags. The growth of sales volume was mainly due to the shift of customers from our main competitor whose products have been removed from shelves since late 2010. The peak sales season of Besunyen Slimming Tea is in the first half of the year, thus the impact of unfavourable macro-economic condition in the second half of 2011 on its sales was comparatively insignificant.

In 2011, the average selling price ("ASP") of Besunyen Detox Tea and Besunyen Slimming Tea (turnover divided by sales volume) remained fairly stable, despite the significant volatility in the sales volume of these two products. During 2011, the ASP of Besunyen Detox Tea and Besunyen Slimming Tea was RMB1.54 per bag and RMB1.02 per bag respectively (compared to RMB1.53 per bag and RMB1.04 per bag respectively in 2010).

Cost of Sales and Gross Profit

	For the years ended 31 December			
	2011		2010	
	RMB'000	***Percentage of turnover***	*RMB'000*	*Percentage of turnover*
Total cost of sales	**102,770**	**12.2%**	91,135	10.4%
Gross profit	**737,639**	**87.8%**	783,081	89.6%

The cost of sales of the Group increased by 12.8%, from RMB91.1 million in 2010 to RMB102.8 million in 2011. The cost of sales as a percentage of turnover increased from 10.4% in 2010 to 12.2% in 2011.

The market price of the major raw materials for the Group increased. In addition, the new Italy-made automated tea bag packaging machines required higher quality packing material, the packaging materials costs increased accordingly. The new machines also caused more energy consumption and asset depreciation, which drove the increase in manufacturing overhead. Besides, the average salary of factory labour increased resulting in a higher labor cost.

As a result of the decrease in turnover by 3.9% but increase in cost of sales by 12.8% in 2011 compared to 2010, the gross profit of the Group decreased 5.8% from RMB783.1 million in 2010 to RMB737.6 million in 2011. The gross profit margin of the Group was down from 89.6% in 2010 to 87.8% in 2011.

Other Income (Expenses)

Other income in 2011 of RMB20.5 million mainly comprised interest income amounting to RMB11.2 million, and exchange loss of RMB8.0 million deriving from appreciation of Renminbi against foreign currencies such as US dollar and Hong Kong dollar, plus a government grant of RMB16.5 million provided by the Chinese government to support the Group's operations and business in Fangshan District, Beijing.

Other expenses in 2010 of RMB32.1 million comprised IPO related expenses amounting to RMB33.5 million, exchange loss of RMB11.7 million derived from appreciation of Chinese Renminbi against foreign currencies such as US Dollar and Hong Kong Dollar, and offset by a government grant of RMB12.0 million provided by the Chinese government to support the Group's operations and business in Fangshan District, Beijing.

Selling and Marketing Expenses

	For the years ended 31 December			
	2011		2010	
	RMB'000	***Percentage of turnover***	*RMB'000*	*Percentage of turnover*
Advertising expenses	**343,370**	**40.9%**	250,105	28.6%
Other marketing and promotional expenses	**93,855**	**11.2%**	60,256	6.9%
Staff costs(1)	**132,850**	**15.8%**	83,512	9.6%
Others	**49,669**	**5.9%**	29,441	3.3%
Total	**619,744**	**73.7%**	423,314	48.4%

(1) Includes share-based compensation expenses of RMB2.1 million and RMB4.3 million for the year ended 31 December 2011 and 2010 respectively.

The selling and marketing expenses of the Group increased 46.4% from RMB423.3 million in 2010 to RMB619.7 million in 2011. Advertising expenses, other marketing and promotional expenses and staff costs increased by 37.3%, 55.8% and 59.1% respectively in 2011 as compared with 2010.

The increase in advertising expenses was mainly due to the increased spending on television and other commercials, brand sponsorship activities and engagement of brand spokespersons. The increase in other marketing and promotional expenses (including point-of-sale terminals expenses, promotional expenses and expenses in gifts, etc.) was mainly attributable to the expansion of the point-of-sale terminals sales network and increased point-of-sale terminals sales activities conducted by the Group. The increase in staff costs in relation to selling and marketing of the Group was mainly attributable to the increase in both the number of sales and marketing staff of the Group and sales labour costs per head. The average number of sales and marketing staff (excluding promotion staff employed through agencies) increased by roughly more than 40% in 2011 as compared with 2010. The number of sales and marketing staff of the Group as of 31 December 2011 was 2,600 (including 826 promotion staff employed through agencies).

The Group plans its selling and marketing expenses each year according to its sales growth target and long-term brand building plan. For long-term brand building, the Group did not substantially cut back on selling and marketing expenses in the second half of 2011, when there was an unexpected substantial decline in sales. As a result, the selling and marketing expenses as a percentage of sales substantially increased from 48.4% in 2010 to 73.7% in 2011.

Administrative Expenses

	For the years ended 31 December			
	2011		2010	
	RMB'000	***Percentage of turnover***	*RMB'000*	*Percentage of turnover*
Staff costs[(1)]	**55,834**	**6.6%**	57,895	6.6%
Office expenses	**16,860**	**2.0%**	11,917	1.4%
Professional fees	**10,362**	**1.2%**	4,942	0.6%
Travel and entertainment expenses	**11,357**	**1.4%**	6,640	0.8%
Others	**15,886**	**1.9%**	7,231	0.8%
Total	**110,299**	**13.1%**	88,625	11.1%

(1) Includes share-based compensation expenses of RMB12.7 million and RMB32.4 million for the year ended 31 December 2011 and 2010 respectively.

The administrative expenses of the Group increased 24.5% from RMB88.6 million in 2010 to RMB110.3 million in 2011. The staff costs in relation to administrative function decreased 3.6% from RMB57.9 million in 2010 to RMB55.8 million. This was mainly due to non-cash employee share option expenses decreased from RMB32.4 million in 2010 to RMB12.7 million in 2011. Excluding the non-cash employee share option expenses, the staff costs in relation to administrative function actually increased 69.2% and it was mainly driven by the employment of some experienced senior managers across various divisions to cope with the rapid growth of the Group's future business development. The increase of professional fees was mainly due to more such kind of fees incurred in 2011 after the company's listing in late 2010. On the other hand, the Group's office expenses as well as travel and entertainment expenses increased primarily due to business development.

Research and Development Costs

	For the years ended 31 December			
	2011		2010	
	RMB'000	***Percentage of turnover***	*RMB'000*	*Percentage of turnover*
Research and development costs	**19,451**	**2.3%**	8,185	0.9%

The Group's research and development costs increased by 137.8% from RMB8.2 million in 2010 to RMB19.5 million in 2011 due to the Group's efforts in improving production quality and enhancing research and development capabilities.

Finance Costs

There were no finance costs of the Group in 2011, compared to finance costs of RMB8.4 million in 2010, as there were no bank loans, bank financing or any financing activities of the Group in the year.

Impairment loss on goodwill

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. During the year ended 31 December 2011, the Directors recognised an impairment loss of RMB15.5 million (2010: Nil) 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.

Changes in the Fair Value of the Redeemable Convertible Preferred Shares

Owing to the conversion of the existing redeemable convertible preferred shares, before the IPO last year, into ordinary shares of the Company, which then became part of the shareholders' equities of the Company, the redeemable convertible preferred shares were no longer liabilities of the Company after the conversion. Thus, the Group no longer had any changes in the fair value of the redeemable convertible Series A preferred shares in 2011 (2010: RMB121.4 million).

Taxation

Taxation expenses of the Group decreased by 18.0% from RMB41.5 million in 2010 to RMB34.0 million in 2011. This was mainly due to the decreased taxable income of the Group.

(Loss) profit and Total Comprehensive (Expense) Income of the Group for the Year

Due to the aforementioned factors, the profit and total comprehensive income of the Group declined from profit of RMB59.7 million in 2010 to loss of RMB40.9 million in 2011.

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 2011 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	122,579	242,334
Setup of the East China Headquarters	150,000	75,145	74,855
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	33,737	112,448
Improvement of ERP and overall IT system	43,855	4,107	39,748
Loan repayment	73,000	73,000	–
Working capital	58,474	58,474	–
Total	1,033,183	563,798	469,385

Cash Flow and Capital Resources

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

Cash Flow

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

	For the years ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Net cash (used in) from operating activities	**(64,092)**	181,302
Net cash used in investing activities	**(457,345)**	(142,681)
Net cash (used in) from financing activities	**(38,455)**	975,795
Effect of foreign exchange rate changes	**(8,036)**	(12,724)
(Decrease) increase in cash and cash equivalents	**(567,928)**	1,001,692
Cash and cash equivalents at year-end	**602,541**	1,170,469

In 2011, net cash used in operating activities of the Group was RMB64.1 million (2010: RMB181.3 million cash inflow) and net loss was RMB40.9 million. The difference was mainly caused by an increase in trade receivables and notes receivables amounting to RMB149.3 million, and an increase in deposits, prepayments and other receivables amounting to RMB26.6 million, but offset by an increase in other payables and accrued expenses amounting to RMB90.5 million. Net cash used in investing activities of the Group was RMB457.3 million (2010: RMB142.6 million), and it was mainly due to purchases of office buildings for new headquarters in Beijing and East China headquarters in Shanghai totalling RMB380.6 million. Net cash used in financing activities of the Group was RMB38.5 million (2010: RMB975.8 million cash inflow). It was mainly due to the dividend paid in 2011 amounting to RMB41.6 million, and offset by proceeds from issue of shares upon exercise of share options amounting to RMB4.2 million. The huge cash inflow from financing activities in 2010 was mainly due to the proceeds raised from the IPO in late 2010.

Cash and Bank Loans

As of 31 December 2011, the bank balance and cash totalled RMB602.5 million (as at 31 December 2010: RMB1,170.5 million), representing a decrease of RMB567.9 million as compared to the previous year. Over 74.7% of the bank balance and cash of the Group was in Renminbi. In addition, as at 31 December 2011, the Group did not have any bank borrowings (as at 31 December 2010: Nil) and any unused bank credit lines (as at 31 December 2010: Nil).

Capital Expenditure

In 2011, capital expenditure of the Group was RMB452.8 million (2010: RMB152.3 million), which mainly included purchases of properties, plants and production equipment. The Group purchased new office buildings for new headquarters in Beijing and East China headquarters in Shanghai totalling RMB380.6 million as well as some production equipments to enhance production capability. The following table sets forth capital expenditure by the Group for the years ended 31 December as indicated:

	For the years ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Property, plant and equipment	**451,848**	139,499
Intangible assets	**913**	1,255
Land-use rights	**–**	13,546
Deposit refunded for acquisition of a subsidiary	**–**	(2,000)
Total	**452,761**	152,300

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	
	2011	2010
	RMB'000	*RMB'000*
Raw materials and packing materials	**3,687**	4,159
Work in progress	**2,962**	1,354
Finished goods	**1,850**	156
Total inventories	**8,499**	5,669

The turnover days of the Group's inventories in 2011 (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) remained unchanged at 25 days (2010: 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 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 favourable payment and settlement terms. For example, if these distributors 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, 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 notes receivables analysis as of the dates indicated:

	As of 31 December	
	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**19,176**	135,117
Notes receivables[1]	**282,963**	17,686
Less: allowance for doubtful debts	**(111)**	–
Total	**302,028**	152,803

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

The following table sets forth the turnover days 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 during the period):

	For the years ended 31 December	
	2011	2010
Trade and notes receivables turnover days[(1)]	**78**	52
Of which, trade receivables turnover days	**33**	37

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

Trade and notes receivables turnover days of the Group increased from 52 days in 2010 to 78 days in 2011. The main reason was the increase in notes receivables. In 2011, the Group allowed its distributors to make their payments to the Group by bank acceptance bills due to the tight credit environment, which was more flexible to the distributors and safer for the Group, as a result the amount of notes receivables of the Group increased. As bank acceptance bills are issued by banks and secured by bank credit, the risk of having bad debts is rather low. Meanwhile, the Group has also adopted a more prudent credit policy and the trade receivables turnover days decreased from 37 days in 2010 to 33 days in 2011.

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

	As of 31 December	
	2011	2010
	RMB'000	RMB'000
0-90 days	**300,115**	149,392
91-180 days	**1,597**	3,411
181-365 days	**316**	–
Total	**302,028**	152,803

Included in the Group's trade and notes receivables are debtors with an aggregate carrying amount of approximately RMB316,000 (2010: Nil) which are past due at 31 December 2011, 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	
	2011	2010
	RMB'000	*RMB'000*
Trade payables	**7,248**	7,342

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 during the period):

	For the years ended 31 December	
	2011	2010
Trade payables turnover days	**26**	36

Trade payables turnover days decreased from 36 days in 2010 to 26 days for the year ended 2011. Because of the increase in raw materials and packaging materials prices. In order to stabilise procurement cost, the Group reduced the credit period for its suppliers.

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

	As of 31 December	
	2011	2010
	RMB'000	*RMB'000*
0-90 days	**6,924**	7,342
91-180 days	**324**	–
Total	**7,248**	7,342

Deposits, Prepayments and Other Receivables

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

	As of 31 December	
	2011	2010
	RMB'000	*RMB'000*
Prepaid advertising	**103,964**	89,933
Other prepayments	**14,467**	6,165
Prepayments to suppliers	**4,703**	980
Other receivables	**4,614**	4,023
Prepaid lease payments	**1,447**	1,447
Total	**129,195**	102,548

Increase in the Group's prepaid advertising as of 31 December 2011 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 prices. The Group normally sets up agreements on prepaid advertising expenses 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 provides an analysis of the Group's other payables and accrued expenses as of the dates indicated:

	As of 31 December	
	2011	2010
	RMB'000	*RMB'000*
Prepayments from customers	**105,448**	9,911
Accrued sales rebate	**32,375**	18,851
Accrued payroll	**24,955**	15,268
Payables for land-use right	**11,210**	11,210
Payable to former shareholders of Zhuhai Qijia	**4,199**	4,550
Other tax payables	**4,178**	23,444
Other payables	**3,185**	12,691
Accrued expenses	**2,624**	1,493
Payable for acquisition of a subsidiary	**2,000**	2,000
Deferred government grant	**786**	786
Advertising expenses payable	**–**	300
	190,960	100,504

Increase in the Group's other payables and accrued expenses as of 31 December 2011 was mainly due to increase in prepayments from customers. At early 2012, the Group increased the recommended retail price of Besunyen Slimming Tea and received tremendous pre-orders from its distributors near 2011 year-end. The Group received advance payment from distributors of around RMB105.4 million as at 31 December 2011 (31 December 2010: RMB9.9 million).

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 2011, the Group did not purchase any foreign exchange, interest rate derivative products or relevant hedging tools (2010: Nil).

Pledge of Assets

As of 31 December 2011, the Group had no pledge of assets (31 December 2010: Nil).

Contingent Liabilities and Guarantees

As of 31 December 2011, the Group had no material contingent liabilities or guarantees (31 December 2010: Nil).

Off-Balance Sheet Commitments and Arrangements

As of 31 December 2011, the Group had no off-balance sheet commitments or arrangements (31 December 2010: Nil).

Capital Commitment

As of 31 December 2011, the Group had a total capital commitment of RMB67.8 million (31 December 2010: RMB16.1 million), mainly used in building new manufacturing facilitates, acquiring manufacturing and other equipments and expansion of the Research and Development Centre.

Human Resources Management

The Group regards high quality employees as its most important resources. As at 31 December 2011, the Group had about 3,153 employees in mainland China and Hong Kong (including 826 promotional staff employed by employment agents) (2010: 2,711 staff members (including 751 promotional staff employed by employment agents)). For the year ended 31 December 2011, the total labour costs (including Directors' remunerations and non-cash share-based compensation) was approximately RMB202.8 million (2010: RMB148.6 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 2011, 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 2011.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed by the Company from 9 May 2012 to 11 May 2012, 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 of the Company (the "AGM") will be on 11 May 2012. In order to be eligible for attending the AGM, all completed transfer forms accomplished by the relevant shares certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 8 May 2012.

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 Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 December 2011.

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 22 years of experience in China's food and beverage industry. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies currently and in the foreseeable future. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

Code provision A.4.1

Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Mr. Wong Lap Tat Arthur and Ms. Xin Katherine Rong, independent non-executive Directors, are appointed for a term of 3 years. Mr. Zhuo Fumin and Mr. Wang Bing, non-executive Directors, and Mr. Huang Jingsheng, an independent non-executive Director, are not appointed for a specific term during the year ended 31 December 2011. 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 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 since March 2012.

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 2011.

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 year ended 31 December 2011.

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 2011.

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 (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2011 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, 16 March 2012

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