



碧生源控股有限公司

Besunyen Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 0926

# Annual Results 2011 Corporate Presentation

March 2012

Sustaining Health from  
Nature's Nourishing

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# Agenda

- Major Accomplishments in 2011
- Business Review
- Financial Highlights
- Prospects and Strategies
- Q&A



# Major Accomplishments in 2011

# Major Accomplishments

- Remained as NO. 1 provider of therapeutic products
  - **Besunyen Detox tea:** 28.1% of market share<sup>(1)</sup>
  - **Besunyen Slimming tea:** 35.7% of market share<sup>(2)</sup>
- **Brand equity** of Besunyen Slimming tea was well above the average of fast moving consumer products<sup>(3)</sup>
- Extending the Sales Network into Low Tier Cities and Optimizing the Management of Distribution Channels. Covering approximately 130,000 retail outlets.
- Efforts given to ensure success of new product launch:
  - **Mei An Granule:** nationwide sales launch in March of 2012
  - **OTC MaiShuPing tea:** set for sale in the second half of 2012 after obtaining the GMP certificate

Notes: (1) market share is calculated in terms of total retail sales value of laxative products in all retail pharmacies in China.

(2) market share is calculated in terms of total retail sales value of slimming products in all retail pharmacies in China.

(3) According to ACNielsen's survey results in 2011 September, 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.



# Business Review

# Established Market Leadership

Leading position in laxative product market<sup>(1)</sup>

Leading position in slimming product market<sup>(1)</sup>



**Note:** (1) Including estimated retail sales of health food products, OTC drugs and other prescription products through retail pharmacies.  
**Source:** China Southern Medicine Economy Research Institute, February 2012

# Tapped into Low Tier Cities and Optimized Management of Distribution Channels



- Continued to optimized the distribution system:
  - clarified channel segmentation
  - Removed under-performing distributors
- Number of distributors:** slightly dropped to 420 as at 31 December 2011 (2010: 462)
- Number of retail outlets covered:** increased to 130,000<sup>(1)</sup> as at 31 December 2011 (2010: 119,000)
- Initiated a system through special software in sales staff's cell phones to enhance the efficiency of sales teams



Note: (1) including about 124,500 retail pharmacies and about 5,500 supermarkets, hypermarkets and chain stores

(2) Defined as years of operation in the geographic market since the establishment of a local sales team, as of December 31, 2011

# E-Commerce

- Besunyen products are sold in popular e-commerce platforms, such as Taobao, 360buy, Dangdang, Amazon etc, apart from our own website [www.7cha.com](http://www.7cha.com)
- Sales volume in Tmall.com increased dramatically by approximately 300% in 2011 compared to 2010's
- In October 2011, the sales of Besunyen products ranked No.2 among thousands of healthcare brands in Tmall.com



Besunyen Products

[www.7cha.com](http://www.7cha.com)

Taobao

360 Buy

Dang dang

Amozon

The Group's own e-commerce website



Other popular e-commerce platforms

淘宝网

360buy.com

当当网  
dangdang.com

amazon.com

# Integrated Marketing Strategy in Multimedia and Mixed Channels



Comprehensive and effective marketing platforms

Spokesperson

Mass media,  
e.g. TVC

Internet

Public Events



Laxative Tea



Slimming tea

Our creative and comprehensive marketing approach helped us to establish strong brand awareness and positive brand image

## Strived for New Products Launch - Mei An Granule

- Trial sales in pilot cities since the 2Q 2011 to reinforce the relatively new product concept to the public
- Market data collected from end-users and **positioning finalized** in early 2012
- **Nationwide product launch** of Mei An Granule in March 2012

### Repackaging of Mei An Granule



## Strived for New Products Launch -Maishuping

- **Function:** stabilize blood pressure
- **Clinical trials** in 4 large hospitals in China showed that the overall **product function efficacy** of Maishuping among 300 people who took the medicine reached **96%**
- Established **Beijing Besunyen Pharmaceutical Co., Ltd.**(北京碧生源药业有限公司),and transferred the drug-manufacturing certificate from Zhuhai Qijia Medical Industry Co., Ltd. to Beijing Besunyen Pharmaceutical Co., Ltd
- Obtained approvals from SFDA
- Will commence the production and sale of Maishuping immediately once obtaining the **GMP certificate**

## New Product Development and Strict Quality Control

- Focuses on developing products with significant market potential and consumer demand, proven health efficacy as well as a relatively high technical entry barrier with our own **R&D Center**
- (1) a product designated to **alleviate physical fatigue and assist in improving memory**
  - passed the relevant tests on safety, efficacy and quality reliability by the SFDA and waiting for the final approval
- (2) a product aiming to **enhance skin condition and repair ageing skin caused by various oxidation factors**
  - passed the tests on product safety, efficacy, quality reliability and is now undergoing clinical trials
- (3) the development of new products for the throat, eyes and digestion well under way.
- Set up an in-house **Product Safety and Quality Assurance Centre** in early 2011:
  - To ensure the compliance to the strict quality and safety standards for each batch of raw materials purchased or products produced



# Financial Highlights

# Income Statement Highlights

('000 RMB)	2011	2010	Growth
Revenue	840,409	874,216	-3.9%
Gross profit	737,639	783,081	-5.8%
<i>Gross margin</i>	87.8%	89.6%	-1.8%pts
Operating profit	8,598	230,867	-96.2%
<i>Operating margin</i>	1.0%	26.4%	-25.4%pt
EBITDA	27,322	250,659	-89.1%
Impairment loss on goodwill	(15,480)	-	N/A
Fair value adjustment of convertible redeemable preferred shares	-	(121,361)	N/A
Profit before taxation	(6,882)	101,146	N/A
<i>PBT margin</i>	(0.8%)	11.6%	N/A
Net (loss)/profit	(40,876)	59,655	N/A
<i>Net profit margin</i>	(4.9%)	6.8%	-
ESP (Basic) (unit:RMB)	(0.02)	0.05	N/A
ESP (Diluted) (unit:RMB)	(0.02)	0.05	N/A

# Revenue Breakdown

(‘000 RMB)	2011	% of total	2010	% of total	Growth
Besunyen Detox tea	417,847	49.7%	566,222	64.8%	-26.2%
Besunyen Slimming tea	414,232	49.3%	304,186	34.8%	36.2%
Others	8,330	1.0%	3,808	0.4%	118.8
<b>Total</b>	<b>840,409</b>	<b>100.0%</b>	<b>874,216</b>	<b>100%</b>	<b>-3.9%</b>

# Expense Rates

(% of Revenue)	2011	% of revenue	2010	% of revenue	Growth
Other income (expenses)	20.5	2.4%	(32)	(3.7%)	N/A
Selling and marketing expenses	(619.7)	(73.7%)	(423.3)	(48.4%)	25.3%pts
– Advertising expenses	(343.4)	(40.9%)	(250.1)	(28.6%)	12.3%pts
General and administration expenses	(110.2)	(13.1%)	(88.6)	(10.1%)	3%pts
R&D expenses <sup>(1)</sup>	(19.5)	(2.3%)	(8.2)	(0.9%)	1.4%pts
Finance cost	-	-	(8.4)	(1.0%)	N/A
Impairment loss on goodwill	(15.5)	1.8%	-	-	N/A
FVA <sup>(2)</sup>	-	-	(121.4)	(13.9%)	N/A

Notes: (1) Including R&D expenses for quality control and future manufacturing process

(2) Changes in faire value of redeemable convertible preferable shares

# Efficiency of Working Capital

(Days)	For the year ended Dec 31	
	2011	2010
Inventory turnover days	25	25
Trade receivables and notes receivable turnover days	78	52
Trade receivables turnover days	33	37
Trade payable turnover days	26	36

# Balance Sheet

('000 RMB)	As of /For the year ended Dec 31	
	2011	2010
Cash & cash equivalents	602,541	1,170,469
Bank loans	-	-
Current ratio	4.9X	11.4X
Leverage ratio <sup>(1)(2)</sup>	Net Cash	Net Cash
CAPEX	452,761	152,300

Note: (1) Debt = Bank loans + Convertible redeemable preferred shares – Cash & cash equivalents

(2) Leverage ratio = Debt / Total assets

# Return on Investment

	As of Dec 31	
	2011	2010
ROA <sup>(1)</sup>	(2.1%)	4.9%
ROE <sup>(2)</sup>	(2.4%)	5.9%
ROA(excl. FVA)	(2.1%)	14.8%
ROE(excl. FVA)	(2.4%)	17.8%

Notes: (1) ROA = Net profit ÷ ((Beginning total assets + Ending total assets)/2)

(2) ROE = Net profit ÷ ((Beginning shareholder's equity + Ending shareholder's equity)/2)



# Prospects and Strategies

## 2012 Outlook

### Promising long-term industry growth

- Continuous growth of China's economy and stronger domestic consumption
- Prosperous outlook for China's retail market
- Substantial consumer demand on health and healthy life-style
- Tremendous market potential for health care products

### Distributor orders resumed to growth

- Improving financial situation of our distributors
- Advance payments from distributors' orders amounted to around RMB 105 million as at the end of 2011
- Wholesale and recommended retail price of slimming tea increased by 13% in early 2012 in view of strong market demand

# Growth Strategies

As a LEADING brand and provider of therapeutic tea products in China, the Group strives to maintain its leading position and business growth in the market

## Enhance sales network and distribution channels

- Expand into **low-tier cities**
- Improve sales in **supermarkets and hypermarkets**
- Enhance development of **e-commerce platform**

## Ensure success of new product launch

- **Mei An Granule**: nationwide launch in March 2012 with new packaging
- **OTC MaiShuPing tea** :ready for sale in Q3 2012 after obtaining the GMP certificate

## Improve the “Besunyen” brand

- Sponsored the popular TV series “If You are the One” (非诚勿扰)
- Increased corporate image and community-oriented advertising in CCTV channels
- Strengthen the marketing efforts to expand the brand influence on different groups



## Improve overall operation efficiency

- Closely monitor and control the expenses-to-turnover ratio

Continue the innovative use of traditional Chinese herbs in teabags to promote the benefits of Chinese herbal medicine



# Q&A



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# Appendix



# Besunyen Detox Tea: Consolidate No.1 Market Leadership

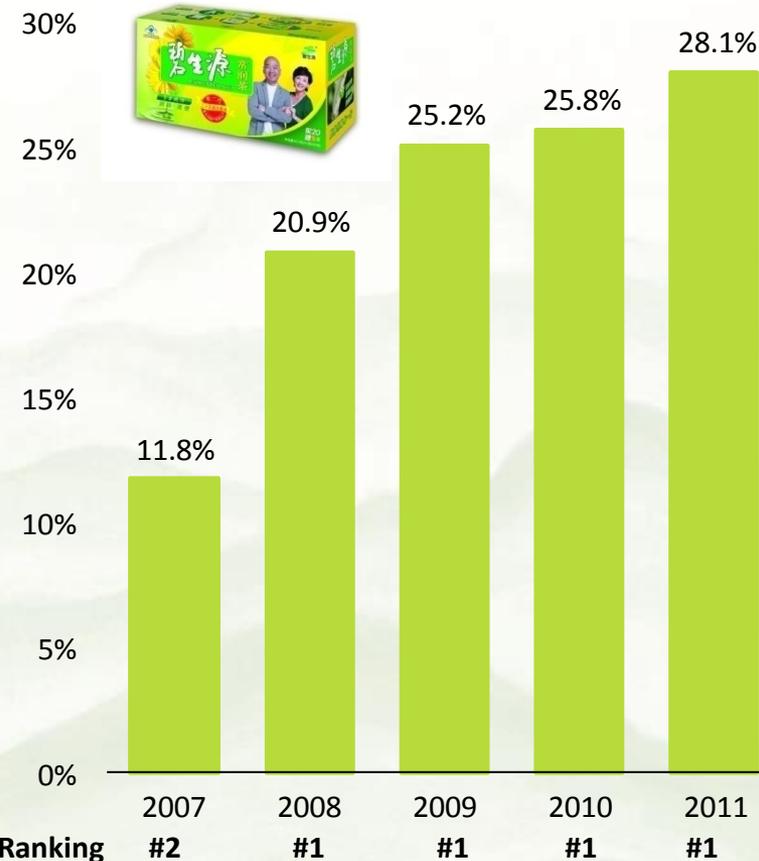
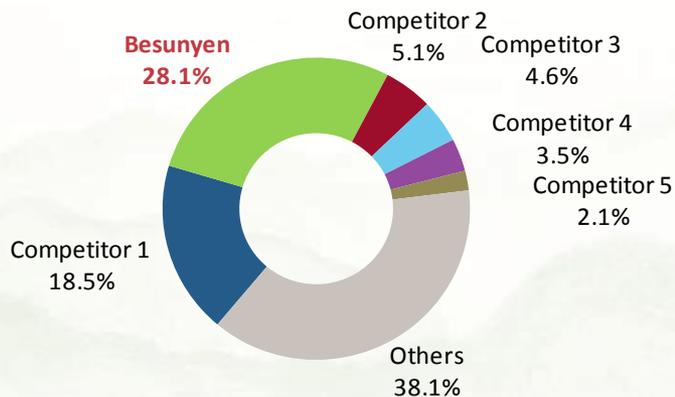


Besunyen's leading position in laxative product market (1)

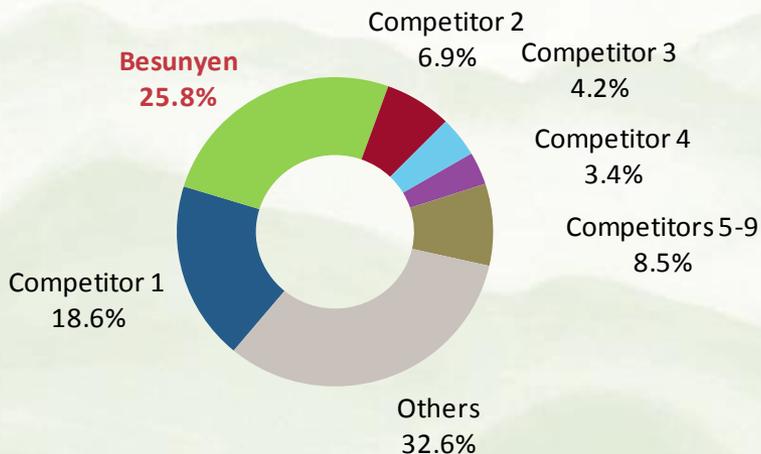
Besunyen's market share in laxative product market (1)

2011

Market Share (%)



2010



**Note:** (1) Including estimated retail sales of health food products, OTC drugs and other prescription products through retail pharmacies.

**Source:** China Southern Medicine Economy Research Institute, February 2012

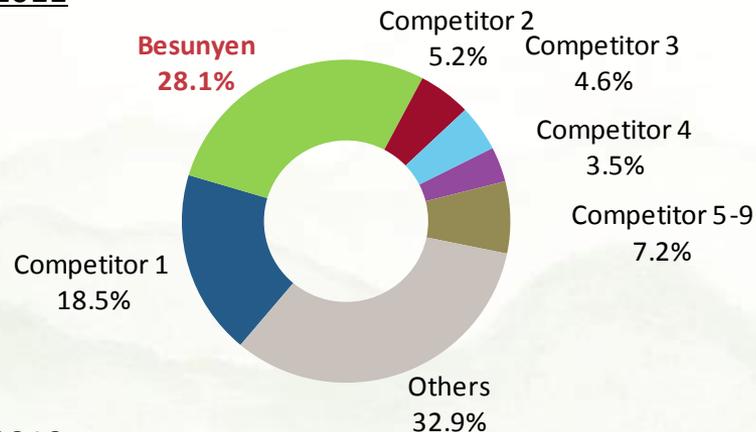
# Besunyen Slimming Tea: Established No.1 Market Leadership



Besunyen's leading position in slimming product market (1)

Besunyen's market share in slimming product market (1)

2011



Market Share (%)

40%

35%

30%

25%

20%

15%

10%

5%

0%



35.7%

25.5%

15.9%

8.1%

4.3%

2007

2008

2009

2010

2011

Ranking

#3

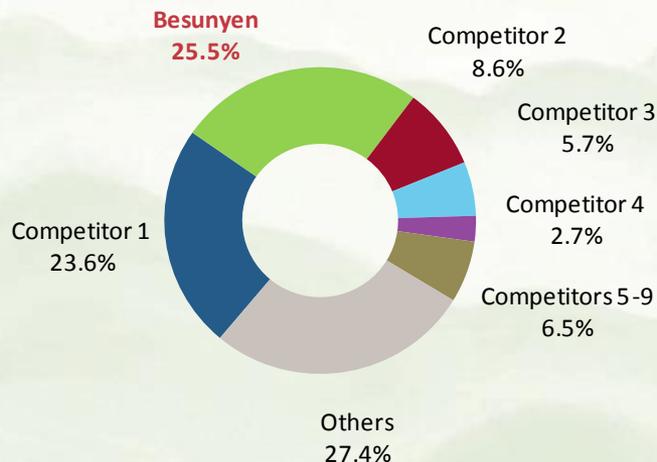
#3

#2

#1

#1

2010



Note: (1) Including estimated retail sales of health food products, OTC drugs and other prescription products through retail pharmacies.

Source: China Southern Medicine Economy Research Institute, February 2012