

**【For Immediate Release】**



**碧生源控股有限公司**  
Besunyen Holdings Company Limited

## **2011 Annual Results Announcement**

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### **Turnover reached RMB840.4 million amid tough environment**

(18 March 2012 – Hong Kong) – Besunyen Holdings Company Limited, a leading provider of therapeutic tea products in China (“Besunyen” or the “Group”, stock code: 926) announced the annual results of the Group for the year ended 31 December 2011.

For the year ended 31 December 2011, turnover of the Group was RMB 840.4 million, representing a slight decrease of 3.9% as compared to 2010. Gross profit was RMB737.6 million, down 5.8%. Meanwhile, the gross profit margin slightly decreased from 89.6% in 2010 to 87.8%. The slowdown of the macro-economy and tighter credit environment in 2011 affected market sentiment and impacted on the business outlook, making it difficult for small and medium enterprises to secure sufficient working capital. The Group’s distributors became more prudent in making orders and purchasing products from the Group in the second half of 2011. Meanwhile, the worse than expected sales performance in new markets in the eastern cities of China and through new channels such as supermarkets and hypermarkets, as well as the delay in official launch of new product, Mei An Granules, all these contributed to a slight decrease in turnover and gross profit.

For long-term brand-building purpose, the Group did not substantially cut back on selling and marketing expenses in the second half of 2011 although it suffered from an unexpected substantial decline in sales in the second half of 2011. The total operating expenses of the Group in 2011 was RMB 749.5 million, up 44.1% from 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 substantial increase in total operating expenses and impairment loss on goodwill, the Group recorded a net loss of RMB40.9 million in 2011.

Notwithstanding the strong headwinds in the second half of the year, Besunyen was able to foster its market leading position and capture new market shares in 2011. According to a study conducted by China Southern Medicine Economy Research Institute, Besunyen remained the No. 1 provider of laxative products and slimming products in 2011, enjoying a market share of 28.1% and 35.7% in terms of retail sales value of laxative and slimming products sold through retail pharmacies in China. This demonstrated that there was still a strong demand for the Group’s products at retail level despite the decrease in purchase orders from the distributors in the second half of 2011. In addition, the Brand Equity Index (“BEI”) of Besunyen Slimming Tea reached 4.7, which was well above the average value of fast-moving consumer products 2.3, based on a quantitative and qualitative research conducted by ACNielsen among first-tier mainland cities, including Beijing, Shanghai, Guangzhou and Chengdu.

In 2011, the turnover contributed by Besunyen Slimming Tea and Besunyen Detox Tea were RMB414.2 million and RMB417.8 million, representing an increase of 36.2% and a decrease of 26.2% respectively. The growth of sales for Besunyen Slimming Tea was mainly due to the shift of customers from the Group’s main competitor whose products have been removed from shelves since late 2010. The peak season of Besunyen Slimming Tea is in the first half of the year, thus, the impact of unfavourable environment in the second half of 2011 on its sales was comparatively insignificant. However, the peak season for the sales of Besunyen Detox Tea is traditionally the second half of the year, the Group’s distributors substantially reduced their orders during the peak season in 2011, resulting in the decrease in sales of Besunyen Detox Tea.

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In respect to the development of nationwide sales network, the Group has proactively deepened its market penetration to expand its network to lower tier cities. Meanwhile, the Group optimized its distribution network by selecting large-scale distributors, clarifying channel segmentation and eliminating under-performing distributors. The number of distributors was trimmed down to 420 as at 31 December 2011 as compared to 462 as at 31 December 2010, while the number of retail outlets covered by our distributors increased from approximately 119,000 as at 31 December 2010 to approximately 130,000 as at 31 December 2011.

Leveraging the trend of shopping online by urban consumers, the Group has begun development of its e-commerce channel, including our own e-commerce website “www.7cha.com”, and supplied products to other popular e-commerce platforms, such as Taobao, 360buy, Dangdang, Amazon etc. The sales volume in Tmall.com increased dramatically by approximately 3 times in 2011 compared to that of 2010, unrivalled by other internet therapeutic tea stores. In October 2011, the Group’s sales ranked No. 2 among thousands of healthcare brands in Tmall.com.

In accordance to its long-term brand building strategy, the Group rationally advertised in popular satellite TV channels and programs in Mainland China, and participated in title sponsorships with top-tier TV programs including the third season of “Dancing Carnival” on Chengdu TV, “Compendium of Materia Medica” on Hubei Satellite TV and the “More Smart Talk, the More Happiness” on Hunan Economic TV. The Group engaged Ms. Xu Jinglei, a famous movie director and actress, as the spokesperson for Besunyen Slimming Tea, and 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. Since early this year, the Group has sponsored the popular TV series “If You are the One” (非誠勿擾) on Jiangsu Satellite TV, meanwhile, it has extended its advertising activities from product-oriented in satellite TV channels to corporate image and community-oriented in CCTV channels to enhance its corporate image.

The trial sales of Mei An Granules (美安顆粒) were launched in pilot cities including Jiangyin City and Changshu City, Jinagsu Province since the second quarter of 2011, supported by marketing campaign along with TV commercials. The market data of end-users gathered from the trial sales 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 positioning of Mei An Granules was finalized in early 2012, nationwide sales has been launched in March 2012. In addition, the Group has accelerated its pace in the launch Maishuping (脈舒平) after getting approvals from the State Food and Drug Administration of China (SFDA).The Group targets to obtain the GMP certificate by the third quarter of 2012, as a final step before product launch.

Looking forward, Mr. Zhao Yihong, the Chairman and Chief Executive Officer of the Group said, “Besunyen will continue to benefit from the growth of China’s economy especially in view of stronger domestic consumption. Substantial consumer demand on health and healthy life-style gives rise to tremendous market potential for health care products, including laxative and slimming products. We received tremendous feedback and advanced orders from our distributors near the year-end of 2011 and raised the wholesale and recommended retail price of Besunyen Slimming Tea by 13% in early 2012, which demonstrated their long-standing confidence in our products.

“As the leading brand and provider of therapeutic tea products in China, we will continue to strengthen our leading position and business growth in the market with Besunyen Detox Tea and Besunyen Slimming Tea. We will also work hard to strengthen the sales network and distribution channels, accelerate the launch of new products and adopt a flexible approach in managing the expenses-to-turnover ratio, with a view to maintaining our profit margin and maximizing the corporate value of the Group.”

**Besunyen Holdings Company Limited**

The Group is a leading provider of therapeutic tea products in China, engaging in the development, production, sales and marketing of therapeutic teas and other health food products. The Group's products use exclusive formula and are manufactured with high quality traditional Chinese medicine and tea leaves, providing effective, safe, affordable and convenience for those with mild chronic or recurring health problems as well as those seeking to maintain a healthy body and lifestyle. The majority of the Group's sales turnover comes from the Group's two best-selling products, namely Besunyen Detox Tea and Besunyen Slimming Tea. Based on a survey conducted by China Southern Medicine Economic Research Institute, in 2011, these two products of the Group were both the leading products in the detox and slimming categories distributed through retail pharmacies in China. In terms of sales turnover, these two products accounted for a market share of 28.1% and 35.7% in the detox and slimming categories respectively in retail pharmacies in China. The Group's distribution network covers over 400 distributors in 31 provinces, autonomous regions and centrally- administrated municipalities in China.

**For further inquiries, please contact:**

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