The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
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September 16, 2010

The Directors
Besunyen Holdings Company Limited
Credit Suisse (Hong Kong) Limited
Morgan Stanley Asia Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Besunyen Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended December 31, 2009 and the six months ended June 30, 2010 (the "Relevant Periods") for inclusion in the prospectus of the Company dated September 16, 2010 (the "Prospectus").

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on August 5, 2009. Through a group reorganization, as more fully explained in the paragraph headed "History, Reorganization and Group Structure" to the Prospectus (the "Reorganization"), the Company became the holding company of the Group on October 5, 2009.

As of each of the respective reporting period ends and the date of this report, the Company had the following subsidiaries:

Name of subsidiary	Date and place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group					Principal activities
			As of December 31,			As of June 30,	Date of this report	
			2007	2008	2009	2010		
Beijing Besunyen Trading Co., Ltd. ("Besunyen Trade") [Note i] 北京碧生源商貿有限公司	May 25, 2008 The People's Republic of China (the "PRC")	RMB5,000,000	N/A	100%	100%	100%	100%	Sales of therapeutic tea products
Beijing Besunyen Food and Beverage Co., Ltd. ("Besunyen Food and Beverage") (formerly known as Beijing Benefit Food and Beverage Co., Ltd.) [Note ii] 北京碧生源食品飲料有限公司	June 29, 2007 The PRC	RMB20,000,000	100%	100%	100%	100%	100%	Sales of therapeutic tea products
Beijing Outsell Trading Co., Ltd. ("Outsell Trade") [Note i] 北京澳特舒爾商貿有限公司	May 26, 2008 The PRC	RMB5,000,000	N/A	100%	100%	100%	100%	Sales of therapeutic tea products
Besunyen (Hong Kong) Co., Limited ("Besunyen HK") (formerly known as Outsell Herbal Tea Limited) 碧生源(香港)有限公司	June 10, 2009 Hong Kong	HKD1	N/A	N/A	100%	100%	100%	Investment holding
Chengdu Outsell Trading Co., Ltd. [Note iii]	January 14, 2009 The PRC	RMB200,000	N/A	N/A	N/A	N/A	N/A	Inactive and deregistered

Name of subsidiary	Date and place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group: As of December 31, 2007	2008	2009	As of June 30, 2010	Date of this report	Principal activities
Besunyen Investment (BVI) Co., Ltd. ("Besunyen Investment") (formerly known as Tea-Care Holding Co. Universal Ltd)	August 11, 2009 British Virgin Islands ("BVI")	USD1	N/A	N/A	100%	100%	100%	Investment holding
Dongguan Benefit Trading Co., Ltd. (Note iii)	December 27, 2007 The PRC	RMB200,000	100%	100%	N/A	N/A	N/A	Inactive and deregistered
Ever Assure Limited ("Ever Assure") (Note vi)	April 23, 2010 Hong Kong	HKD1	N/A	N/A	N/A	100%	100%	Investment holding
Foshan Benefit Trading Co., Ltd. (Note v)	February 2, 2008 The PRC	RMB100,000	N/A	100%	100%	N/A	N/A	Inactive and deregistered
Guangzhou Outsell Trading Co., Ltd. ("GZ Trading") (Note i) 廣州澳特舒爾商貿有限公司	September 19, 2008 The PRC	RMB5,000,000	N/A	100%	100%	100%	100%	Sales of therapeutic tea products
Hefei Benefit Trading Co., Ltd. (Note iii)	December 15, 2008 The PRC	RMB200,000	N/A	100%	N/A	N/A	N/A	Inactive and deregistered
Jian Shi Xing Biotech Research and Development (Shanghai) Co., Ltd. ("Jian Shi Xing") (Note vi) 健士星生物技術研發(上海)有限公司	March 10, 2008 The PRC	USD3,000,000	N/A	N/A	N/A	100%	100%	Research and development of tea and Chinese medicinal herbal products
Jinan Benefit Trading Co., Ltd. (Note iii)	May 23, 2008 The PRC	RMB200,000	N/A	100%	N/A	N/A	N/A	Inactive and deregistered
Nanjing Outsell Trading Co., Ltd. (Note v)	January 12, 2009 The PRC	RMB200,000	N/A	N/A	100%	N/A	N/A	Inactive and deregistered
Nanning Benefit Trading Co., Ltd. (Note iii)	November 6, 2008 The PRC	RMB200,000	N/A	100%	N/A	N/A	N/A	Inactive and deregistered
Beijing Outsell Health Product Development Co., Ltd. ("Beijing Outsell") (Note iv) 北京澳特舒爾保健品開發有限公司	September 26, 2000 The PRC	RMB322,771,969	100%	100%	100%	100%	100%	Manufacture and sales of therapeutic tea products
Shenzhen Jundacheng Trading Co., Ltd. (Note v)	January 8, 2008 The PRC	RMB200,000	N/A	100%	100%	N/A	N/A	Inactive and deregistered
Tianjin Outsell Health and Food Product Trading Co., Ltd. (Note iii)	December 1, 2008 The PRC	RMB600,000	N/A	100%	N/A	N/A	N/A	Inactive and deregistered
Wuhan Benefit Trading Co., Ltd. (Note iii)	December 10, 2007 The PRC	RMB200,000	100%	100%	N/A	N/A	N/A	Inactive and deregistered
Xian Benefit Trading Co., Ltd. (Note v)	March 18, 2008 The PRC	RMB200,000	N/A	100%	100%	N/A	N/A	Inactive and deregistered

Name of subsidiary	Date and place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group					Principal activities
			As of December 31,			As of June 30,	Date of this report	
			2007	2008	2009	2010		
Zhongshan Benefit Trading Co., Ltd. (Note iii)	September 24, 2008 The PRC	RMB500,000	N/A	100%	N/A	N/A	N/A	Inactive and deregistered
Zhuhai Qi Jia Medical Industry Co., Ltd. ("Zhuhai Qi Jia") (Note vi) 珠海奇佳藥業有限公司	July 6, 2001 The PRC	RMB12,000,000	N/A	N/A	N/A	100%	100%	Manufacture and sales of therapeutic tea products

(i) These companies are limited liability companies and operate in the PRC and have been wholly owned by Beijing Outsell since establishment.

(ii) Besunyen Food and Beverage was established on June 29, 2007 as a foreign-invested enterprise in the PRC. Upon the establishment, Madam Zhang Hong Li held the entire shareholding in Besunyen Food and Beverage on behalf of Mr. Zhao Yihong, who is controlling shareholder of the Group. On December 5, 2008, Madam Zhang Hong Li transferred her entire shareholding in Besunyen Food and Beverage to Besunyen Investment Co., Ltd., which is a related company controlled by Mr. Zhao Yihong. On October 9, 2009, Besunyen Investment Co., Ltd. transferred its entire shareholding in Besunyen Food and Beverage to Beijing Outsell.

(iii) These companies were limited liability companies and operated in the PRC and had been wholly owned by Beijing Outsell since establishment. They had been inactive since establishment and were deregistered during 2009.

(iv) Beijing Outsell, was established as a sino-foreign equity joint venture in the PRC on September 26, 2000. Beijing Outsell transferred from a sino-foreign equity joint venture to a foreign-invested enterprise in April 2005. Beijing Outsell was held by other nominees on behalf of Mr. Zhao Yihong since its establishment to August 31, 2009. On September 1, 2009, Mr Cui Shan, a nominee shareholder, transferred his entire shareholding in Beijing Outsell to Besunyen HK, and since then, Besunyen HK had held the entire shareholding in Beijing Outsell.

(v) These companies were limited liability companies and operated in the PRC and were wholly owned by Beijing Outsell. They had been inactive since establishment and were deregistered subsequent to December 31, 2009.

(vi) These companies were acquired by the Group during the six months ended June 30, 2010. Details are set out in note 43.

The PRC statutory financial statements of the following subsidiaries for each of the three years ended December 31, 2009 were prepared in accordance with relevant accounting principles and financial regulations applicable to PRC enterprises and were audited by the following certified public accountants registered in the PRC.

Name of subsidiary	Financial year/period ended	PRC Auditor
Besunyen Food and Beverage	December 31, 2007	Note vii
	December 31, 2008	Beijing Zhong Yong Xin CPA Ltd.* (北京中永信會計師事務所)
	December 31, 2009	Beijing Zhong Yong Xin CPA Ltd.* (北京中永信會計師事務所)
Beijing Outsell	December 31, 2007	Beijing Zhong Yong Xin CPA Ltd.* (北京中永信會計師事務所)
	December 31, 2008	Beijing Zhong De Heng CPA Ltd.* (中德恒會計師事務所)
	December 31, 2009	Beijing Zhong Yong Xin CPA Ltd.* (北京中永信會計師事務所)
Besunyen Trade	December 31, 2008	Note vii
	December 31, 2009	Beijing Zhong Yong Xin CPA Ltd.* (北京中永信會計師事務所)
Dongguan Benefit Trading Co., Ltd.	December 31, 2007	Note vii
	December 31, 2008	Note vii
Foshan Benefit Trading Co., Ltd.	December 31, 2008	Note vii
GZ Trading	December 31, 2008	Note vii
	December 31, 2009	Beijing Zhong Yong Xin CPA Ltd.* (北京中永信會計師事務所)
Hefei Benefit Trading Co., Ltd.	December 31, 2008	Note vii
Jinan Benefit Trading Co.	December 31, 2008	Note vii
Jian Shi Xing	December 31, 2008	Note vii
	December 31, 2009	Shanghai Zhongjian CPA Co., Ltd.* (上海中鑒會計師事務所)
Nanning Benefit Trading Co., Ltd.	December 31, 2008	Note vii
Outsell Trade	December 31, 2008	Note vii
Shenzhen Jundacheng Trading Co., Ltd.	December 31, 2008	Note vii
Tianjin Outsell Health and Food Product Trading Co., Ltd.	December 31, 2008	Note vii
Wuhan Benefit Trading Co., Ltd.	December 31, 2007	Note vii
	December 31, 2008	Note vii
Xian Benefit Trading Co., Ltd.	December 31, 2008	Note vii
Zhuhai Qi Jia	December 31, 2007	Note viii
	December 31, 2008	Note viii
	December 31, 2009	Note viii
Zhongshan Benefit Trading Co., Ltd.	December 31, 2008	Note vii

* The English name is for identification purpose only.

[vii] No statutory financial statements were prepared for these companies because (a) these companies were inactive and deregistered during the Relevant Periods; or (b) these companies had not commenced their business operations during the relevant year/period.

[viii] No statutory financial statements were required to prepare under the government regulations in Zhuhai during the Relevant Periods.

The following subsidiaries were deregistered during the year ended December 31, 2009 or the six months ended June 30, 2010 and the PRC statutory financial statements from January 1, 2009 until the date of deregistration were audited by Beijing Zhong Yong Xin CPA Ltd. (北京中永信會計師事務所):

Name of subsidiary	Deregistration date
Chengdu Outsell Trading Co., Ltd.	December 31, 2009
Dongguan Benefit Trading Co., Ltd.	July 23, 2009
Foshan Benefit Trading Co., Ltd.	March 1, 2010
Hefei Benefit Trading Co., Ltd.	August 20, 2009
Jinan Benefit Trading Co., Ltd.	September 14, 2009
Nanjing Outsell Trading Co., Ltd.	January 5, 2010
Nanning Benefit Trading Co., Ltd.	December 28, 2009
Shenzhen Jundacheng Trading Co., Ltd.	January 11, 2010
Tianjin Outsell Health and Food Product Trading Co., Ltd.	October 15, 2009
Wuhan Benefit Trading Co., Ltd.	October 18, 2009
Xian Benefit Trading Co., Ltd.	March 4, 2010
Zhongshan Benefit Trading Co., Ltd.	December 21, 2009

No statutory audited financial statements have been prepared for the Company and Besunyen Investment as they were incorporated in jurisdictions where there are no statutory audit requirements. No statutory audited financial statements have been prepared for Besunyen HK and Ever Assure as they were incorporated in 2009 and 2010, respectively.

For the purposes of this report, the directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 below. No adjustments are considered necessary to adjust the Underlying Financial Statements for the preparation of this report for inclusion in the Prospectus.

The directors of the Company are responsible for preparing the Underlying Financial Statements and the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 1 below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as of December 31, 2007, 2008 and 2009 and June 30, 2010 and of the Company as of December 31, 2009 and June 30, 2010 and of the consolidated profit and cash flows of the Group for the Relevant Periods.

The comparative consolidated statements of comprehensive income, cash flows and changes in equity of the Group for the six months ended June 30, 2009 together with the notes thereon have been extracted from the Group's unaudited consolidated financial information for the same period (the "June 30, 2009 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the June 30, 2009 Financial Information in accordance with the Hong Kong Standard on Review

Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA. Our review of the June 30, 2009 Financial Information consisted of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the June 30, 2009 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 30, 2009 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conforms with IFRSs.

A. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

		Year ended December 31,			Six months ended June 30,	
	NOTES	2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Turnover	6	163,100	358,231	646,535	223,679	368,684
Cost of sales		(47,728)	(60,114)	(68,401)	(21,999)	(37,962)
Gross profit		115,372	298,117	578,134	201,680	330,722
Other income (expenses)	7	1,853	(335)	13,338	5,425	(10,841)
Selling and marketing expenses		(63,740)	(162,872)	(343,808)	(112,719)	(186,686)
Administrative expenses		(5,522)	(11,524)	(27,800)	(11,436)	(29,952)
Finance costs	8	(366)	(1,353)	(8,654)	(439)	(2,734)
Change in fair value on redeemable convertible preferred shares	34	—	—	(33,497)	—	(56,661)
Profit before taxation		47,597	122,033	177,713	82,511	43,848
Taxation	9	(2)	(54)	(36,006)	(13,567)	(22,740)
Profit and total comprehensive income for the year/period	10	47,595	121,979	141,707	68,944	21,108
Earnings per share						
Basic	13	0.04	0.11	0.13	0.06	0.02
Diluted	13	N/A	N/A	0.13	N/A	0.02

Consolidated Statements of Financial Position

		The Group				The Company	
		At December 31,			At June 30,	At December 31,	At June 30,
	NOTES	2007	2008	2009	2010	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS							
Property plant and equipment	14	39,976	54,138	130,935	256,577	—	—
Prepaid lease payments	15	4,900	17,619	18,025	69,580	—	—
Intangible assets	16	5,902	5,343	7,138	24,466	—	—
Non-current deposits	17	4,672	28,480	93,056	22,168	—	—
Investment in a subsidiary	19	—	—	—	—	9,204	13,646
Amounts due from subsidiaries	23	—	—	—	—	82,993	130,688
Deferred tax assets	31	—	413	976	3,703	—	—
Goodwill	18	—	—	—	20,785	—	—
		55,450	105,993	250,130	397,279	92,197	144,334
CURRENT ASSETS							
Inventories	20	5,664	6,695	6,397	13,245	—	—
Trade and notes receivables	21	6,401	8,095	94,723	109,289	—	—
Deposits, prepayments and other receivables	22	2,095	22,217	44,506	121,119	—	—
Amounts due from related parties	42	2,283	29,802	20	20	20	20
Investments held for trading	24	6,791	5,151	—	—	—	—
Pledged bank deposits	25	500	12,154	1,955	—	—	—
Bank balances and cash	26	27,753	88,078	168,777	60,935	2,914	8,005
		51,487	172,192	316,378	304,608	2,934	8,025
CURRENT LIABILITIES							
Trade payables	27	376	4,756	10,512	3,113	—	—
Other payables and accrued expenses	28	28,126	49,418	31,981	63,644	—	250
Amounts due to related parties	42	4,911	883	—	1,500	—	—
Amount due to a subsidiary	23	—	—	—	—	875	875
Dividend payable	12	25,759	25,759	—	2,500	—	2,500
Taxation payable		—	425	13,436	15,258	—	—
Bank borrowings	29	7,800	—	50,000	32,000	—	—
		66,972	81,241	105,929	118,015	875	3,625
NET CURRENT (LIABILITIES) ASSETS		(15,485)	90,951	210,449	186,593	2,059	4,400
TOTAL ASSETS LESS CURRENT LIABILITIES		39,965	196,944	460,579	583,872	94,256	148,734
CAPITAL AND RESERVES							
Paid-in capital/share capital	32	34,721	61,994	63	65	63	65
Reserves	33	3,244	97,950	299,451	332,104	(41,728)	(42,920)
		37,965	159,944	299,514	332,169	(41,665)	(42,855)
NON-CURRENT LIABILITIES							
Bank borrowings	29	—	35,000	15,000	45,000	—	—
Deferred government grant	30	2,000	2,000	3,944	5,588	—	—
Deferred tax liabilities	31	—	—	6,200	9,526	—	—
Redeemable convertible preferred shares	34	—	—	135,921	191,589	135,921	191,589
		2,000	37,000	161,065	251,703	135,921	191,589
		39,965	196,944	460,579	583,872	94,256	148,734

Consolidated Statements of Changes in Equity

	Paid-in capital/ Share capital	Share premium	Capital reserve	Special reserve	Statutory surplus reserve	Share option reserve	Accumulated (losses) profits	Attributable to owners of the Company
	RMB'000	RMB'000	RMB'000 Note 33 (a)	RMB'000 Note 33 (b)	RMB'000 Note 33 (c)	RMB'000	RMB'000	RMB'000
At January 1, 2007	32,521	—	198	—	—	—	(10,305)	22,414
Profit and total comprehensive income for the year	—	—	—	—	—	—	47,595	47,595
Transfer	—	—	—	—	3,813	—	(3,813)	—
Capital contribution from a shareholder	2,200	—	74	—	—	—	—	2,274
Dividends (note 12)	—	—	—	—	—	—	(34,318)	(34,318)
At December 31, 2007	34,721	—	272	—	3,813	—	(841)	37,965
Profit and total comprehensive income for the year	—	—	—	—	—	—	121,979	121,979
Transfer	—	—	—	—	12,999	—	(12,999)	—
Capitalization of accumulated profits	27,273	—	—	—	—	—	(27,273)	—
At December 31, 2008	61,994	—	272	—	16,812	—	80,866	159,944
Profit and total comprehensive income for the year	—	—	—	—	—	—	141,707	141,707
Transfer	—	—	—	—	10,987	—	(10,987)	—
Capitalization of accumulated profits	170,798	—	—	—	—	—	(170,798)	—
Distribution to a shareholder (note 1(d))	—	—	—	(2,200)	—	—	—	(2,200)
Issuance of ordinary shares	63	—	—	—	—	—	—	63
Transfer upon the Reorganization	(232,792)	—	(272)	233,064	—	—	—	—
At December 31, 2009	63	—	—	230,864	27,799	—	40,788	299,514
Profit and total comprehensive income for the period	—	—	—	—	—	—	21,108	21,108
Dividends	—	—	—	—	—	—	(47,500)	(47,500)
Issuance of ordinary shares	2	51,332	—	—	—	—	—	51,334
Share-based payments	—	—	—	—	—	7,713	—	7,713
At June 30, 2010	65	51,332	—	230,864	27,799	7,713	14,396	332,169
For the six months ended June 30, 2009 (unaudited)								
At January 1, 2009	61,994	—	272	—	16,812	—	80,866	159,944
Profit and total comprehensive income for the period	—	—	—	—	—	—	68,944	68,944
Capitalization of accumulated profits	170,798	—	—	—	—	—	(170,798)	—
At June 30, 2009 (unaudited)	232,792	—	272	—	16,812	—	(20,988)	228,888

Consolidated Statements of Cash Flows

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
OPERATING ACTIVITIES					
Profit before taxation	47,597	122,033	177,713	82,511	43,848
Adjustments for:					
Amortization of intangible assets	1,622	1,709	1,807	903	1,607
Depreciation of property, plant and equipment	1,664	2,223	4,081	1,379	5,164
Release of deferred government grant	—	—	—	—	(168)
Finance costs	366	1,353	8,654	439	2,734
Fair value change on redeemable convertible preferred shares	—	—	33,497	—	56,661
Exchange gain on redeemable convertible preferred shares	—	—	—	—	(993)
Fair value change of investments held for trading	(1,698)	7,513	(2,604)	(2,604)	—
Impairment loss on trade receivables	323	—	(323)	(323)	—
Interest income	(60)	(1,255)	(3,328)	(1,915)	(270)
Share-based compensation	—	—	—	—	7,713
Loss on deregistration of subsidiaries	—	—	86	—	—
Loss on disposal of property, plant and equipment	15	45	642	2	177
Release of prepaid lease payments	101	373	368	184	399
Operating cash flows before movements in working capital	49,930	133,994	220,593	80,576	116,872
Decrease (increase) in inventories	2,309	(1,031)	298	(4,154)	(6,534)
Increase in trade and notes receivables	(3,612)	(1,694)	(86,305)	(2,954)	(14,566)
Decrease (increase) in deposits, prepayments and other receivables	508	(15,795)	(26,833)	(44,552)	(71,915)
Decrease (increase) in amounts due from related parties	307	(10,439)	10,622	1,620	—
(Increase) decrease in investments held for trading	(5,093)	(5,873)	7,755	7,755	—
Increase (decrease) in trade payables	360	4,380	5,756	396	(7,399)
Increase (decrease) in other payables and accrued expenses	12,309	21,184	(17,561)	(13,252)	5,715
Decrease in amounts due to related parties	(14,818)	(1,115)	(383)	(383)	—
Cash generated from operations	42,200	123,611	113,942	25,052	22,173
Interest received	60	1,255	3,328	1,915	270
Interest paid	(356)	(3,396)	(3,348)	(2,344)	(2,882)
Income taxes paid	(2)	(42)	(17,358)	(11,789)	(26,015)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	41,902	121,428	96,564	12,834	(6,454)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(9,927)	(19,479)	(142,518)	(61,397)	(75,987)
Purchase of land use rights	(1,606)	(32,613)	(994)	—	(9,546)
Loan to a related party	—	—	(60,700)	(48,865)	(6,500)
Deposit for establishment of a group company	—	—	—	—	(1,000)
Purchase of intangible assets	(201)	(520)	(3,602)	(951)	(416)
Loan repayment from a related party	—	—	60,700	25,550	6,500
Deposit paid for acquisition of a subsidiary	—	—	(2,000)	—	—
Refund of a deposit for acquisition of a subsidiary	—	—	—	—	2,000
Receipt of government grant income	2,000	—	2,080	—	2,000
(Increase) decrease in pledged bank deposits	(500)	(11,654)	10,199	12,154	1,955
Acquisition of subsidiaries (note 43)	—	—	—	—	1,122
Loan repayment from a third party	—	—	4,560	—	—
Proceeds from disposal of property, plant and equipment	275	16	540	—	—
Loan to a third party	(500)	(4,060)	—	—	—
NET CASH USED IN INVESTING ACTIVITIES	(10,459)	(68,310)	(131,735)	(73,509)	(79,872)
FINANCING ACTIVITIES					
Proceeds from bank borrowings	7,800	35,000	30,000	30,000	50,000
Proceeds from issuance of ordinary shares	—	—	63	—	20,484
Proceeds from issuance of redeemable convertible preferred shares	—	—	102,424	—	—
Advances from related parties	2,600	2,647	19,180	—	1,000
Dividend paid	(8,559)	—	(25,759)	(25,759)	(45,000)
Repayment of bank borrowings	(5,000)	(7,800)	—	—	(38,000)
Advances repayment to related parties	(8,237)	(22,640)	(520)	—	—
Loan repayment to third party	—	—	—	—	(10,000)
Issuance cost for redeemable convertible preferred shares	—	—	(7,318)	—	—
Distribution to a shareholder	—	—	(2,200)	—	—
Contribution from a shareholder	2,274	—	—	—	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(9,122)	7,207	115,870	4,241	(21,516)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,321	60,325	80,699	(56,434)	(107,842)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD REPRESENTING BANK BALANCES AND CASH	5,432	27,753	88,078	88,078	168,777
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD REPRESENTING BANK BALANCES AND CASH	27,753	88,078	168,777	31,644	60,935

Notes to the Financial Information

1. GROUP REORGANIZATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on August 5, 2009 as an exempted company under the Cayman Companies Law. The addresses of the registered office and the principal place of business of the Company are set out in the Corporate Information section of the prospectus.

In preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company underwent the Reorganization which included the following steps:

(a) Prior to the Reorganization, Mr. Cui Shan held the entire shareholding of Beijing Outsell on trust for Mr. Zhao Yihong. Pursuant to the sales and purchase agreement dated September 1, 2009, Mr. Cui Shan agreed to transfer the entire equity interest in Beijing Outsell to Besunyen HK in exchange for all of the share of Besunyen HK.

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

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

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

The Group resulting from the Reorganization is regarded as a continuing entity. Accordingly, the Financial Information of the Group which has been prepared by applying the principles of merger accounting, as if the group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation/establishment where this is a shorter period.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently adopted International Accounting Standards ("IASs"), IFRSs, amendments and the related Interpretations ("IFRICs"), which are effective for the accounting period beginning on January 1, 2010 throughout the Relevant Periods, except for IFRS 3 (revised 2008), which has been applied for business combination for which the acquisition date is on or after January 1, 2010 and IAS 27 (revised 2008) which has been applied for accounting period beginning on January 1, 2010.

At the date of this report, the IASB has issued the following new and revised standards, amendments and interpretations which are not yet effective during the Relevant Periods.

IFRSs (Amendments)	Improvements to IFRS May 2010[(i)]
IAS 24 (Revised)	Related Party Disclosures[(ii)]
IAS 32 (Amendment)	Classification of Rights Issues[(iii)]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[(iv)]
IFRS 9	Financial Instruments[(v)]
IFRIC 14 (Amendment)	Prepayment of a Minimum Funding Requirement[(ii)]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[(v)]

(i) Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate

(ii) Effective for annual periods beginning on or after January 1, 2011

(iii) Effective for annual periods beginning on or after February 1, 2010

(iv) Effective for annual periods beginning on or after July 1, 2010

(v) Effective for annual periods beginning on or after January 1, 2013

The Group has not early adopted these new and revised standards, amendments and interpretations in the preparation of the Financial Information.

The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the Financial Information of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. These policies have been consistently applied throughout the Relevant Periods. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Relevant Periods are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

Business combinations after January 1, 2010

The acquisition of subsidiaries is accounted for using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognized at their fair values, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill

Capitalized goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

Merger accounting for business combinations involving entities under common control

Business combinations under common control are accounted for in accordance with the merger accounting. In applying merger accounting, the Financial Information incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under the control of controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values prior to the common control combinations from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of common control combination.

The comparative amounts in the Financial Information are presented as if the entities or businesses had been combined at the end of each of the previous reporting period or when they first came under common control, whichever is earlier.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts, returns, rebates, and sales related tax.

Revenue from sales of goods is recognized when the goods are delivered and title has passed.

Service income is recognized when services are rendered.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's financial position at cost less any identified impairment losses. The results of the subsidiary are accounted for by the Company on the basis of dividend received and receivable during the year/period.

Leasing

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized as and included in finance costs in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the Relevant Periods.

Government grants

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognized as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as expenses when employees have rendered services entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognized in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognized in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to retained profits.

Share options granted to suppliers/consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognized as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Property, plant and equipment

Property, plant and equipment (other than construction in progress) are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost, other than construction in progress, over their estimated useful lives, and after taking into account their estimated residual values, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

Prepaid lease payments

Payment for obtaining land use rights is accounted for as prepaid lease payments and is charged to the statement of comprehensive income on a straight-line basis over the lease terms.

Intangible assets

Intangible assets acquired separately

Intangible assets represent product trademarks and patent, product development costs, contract backlog, customers base and non-compete agreement for the manufacturing of therapeutic tea products and with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and notes receivables, other receivables, amounts due from related parties, pledged bank deposits, bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade and notes receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60-180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into finance liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis other than those financial liabilities classified as FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at fair value through profit or loss

Redeemable convertible preferred shares issued by the Company comprise the host debt instrument and the embedded derivatives (including the redemption option and conversion option) and are designated as financial liabilities at FVTPL on initial recognition. The conversion option allows the holder to convert the preferred shares into ordinary shares and will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, and therefore it does not meet the equity classification. At the end of each reporting period subsequent to initial recognition, the entire redeemable convertible preferred shares are measured at fair value, with changes in fair value arising on remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any interest paid on the financial liabilities.

Transaction costs that relate to the issue of the redeemable convertible preferred shares designated as financial liabilities at FVTPL are charged to profit or loss immediately.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to related companies, bank borrowings and dividend payable are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight line method. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. As of December 31, 2007, 2008 and 2009 and June 30, 2010, the carrying amount of property, plant and equipment is RMB39,976,000, RMB54,138,000 and RMB130,935,000 and RMB256,577,000, respectively. Any change in these estimates may have a material impact on the results of the Group.

Amortization of intangible assets

The Group amortizes its intangible assets on a straight-line basis over the estimated useful life ranged from 0.8 to 10 years commencing from the date on which the intangible assets are available for use. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from its intangible assets. As of December 31, 2007, 2008 and 2009 and as of June 30, 2010, the carrying amount of intangible assets was RMB5,902,000, RMB5,343,000 and RMB7,138,000 and RMB24,466,000, respectively. Any change in these estimates may have a material impact on the results of the Group.

Allowances for doubtful debts

The Group makes allowances for doubtful debts based on an assessment of the recoverability of trade and notes receivables. Allowances are applied to trade and notes receivables where events or changes in circumstances indicated that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying amounts of trade and notes receivables and doubtful debts expenses in the year in which such estimate is changed. As of December 31, 2007, 2008 and 2009 and June 30, 2010, the carrying amounts of trade and notes receivables were RMB6,401,000, RMB8,095,000 and RMB94,723,000 and RMB109,289,000, respectively. The allowance for doubtful debts was RMB323,000, RMBNil, RMBNil, and RMBNil for the years ended December 31, 2007 and 2008, 2009 and for the six months ended June 30, 2010, respectively. An amount of RMB323,000 was reversed during the year ended December 31, 2009.

Fair value of redeemable convertible preferred shares

The fair value of the redeemable convertible preferred shares as a whole is calculated using the valuation techniques. These techniques include using recent arm's length market transactions, with reference to the current fair value of similar instruments, discounts cash flow analysis and binominal option pricing models. Valuation techniques are certified by independent and recognized international business valuers before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by valuers make the maximum use of market inputs and rely as little as possible on the Group's specific data. The model involves estimates on time to maturity, risk free rate, other comparable public companies share price volatility and others. As of December 31, 2009 and June 30, 2010, the carrying amount of the redeemable convertible preferred shares is RMB135,921,000 and RMB191,589,000, respectively.

Should any of the estimates be revised, it may lead to a material change to the fair value of the redeemable convertible preferred shares.

5. TURNOVER

Turnover represents the invoiced value of therapeutic tea products sold to customers by the Group less returns, discounts, rebates, and value-added tax.

6. TURNOVER AND SEGMENT INFORMATION

The Group operates and manages its business as a single segment that includes primarily the manufacture and sales of therapeutic tea products. The Group's chief operating decision maker has been identified as the Company's Chairman and Chief Executive Officer, who reviews the revenue analysis by major products of the Group when making decisions about allocating resources and assessing performance of the Group. As no other discrete financial information is available for the assessment of performance of different products, no other segment information is presented.

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

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Detox tea	102,545	222,187	373,135	122,509	178,173
Slimming tea	38,985	121,913	265,706	96,161	187,493
Other tea products	21,570	14,131	7,694	5,009	3,018
	163,100	358,231	646,535	223,679	368,684

Major customers

No single customers contribute over 10% or more of total revenue of the Group during the Relevant Periods.

Geographical disclosures

The Group operates in the PRC. All of the non-current assets of the Group are located in the PRC.

7. OTHER INCOME (EXPENSES)

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Government grants(Note)	—	5,890	7,446	878	3,519
Interest income					
— Bank interest income	60	1,255	1,904	851	150
— Interest income from a related company	—	—	1,424	1,064	120
	60	1,255	3,328	1,915	270
Gain (loss) on investments held for trading	1,698	(7,513)	2,604	2,604	—
Net foreign exchange gain	—	—	—	—	993
Loss on deregistration of subsidiaries	—	—	(86)	—	—
Listing expenses	—	—	—	—	(14,665)
Acquisition-related expenses	—	—	—	—	(942)
Service income	—	—	—	—	82
Others	95	33	46	28	(98)
	1,853	(335)	13,338	5,425	(10,841)

Note:

The government grants mainly represented the various subsidies from the PRC government for supporting the business operations in which the Company's headquarters is located.

The amount for the six months ended June 30, 2010 also includes a government grant of RMB168,000 which related to the construction of the plant facilities (see note 30).

8. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Issuance costs of redeemable convertible preferred shares	—	—	7,318	—	—
Interest expense on bank borrowings and banking facilities	366	3,504	3,336	2,344	2,882
Less: amounts capitalized	—	(2,151)	(2,000)	(1,905)	(148)
	366	1,353	8,654	439	2,734

Borrowings cost capitalized during the years arose from borrowings specifically for the purpose of obtaining qualifying assets.

9. TAXATION

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
The charge comprises					
PRC income tax	2	467	30,369	11,996	27,837
Deferred taxation					
— current year/period	—	(413)	5,637	1,571	(5,097)
	2	54	36,006	13,567	22,740

The income tax expense for the year/period can be reconciled to the profit before tax as follows:

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation	47,597	122,033	177,713	82,511	43,848
Tax at PRC Enterprise Income Tax rate of 33%, 25%, 25%, 25% and 25% respectively	15,707	30,508	44,428	20,627	10,962
Effect of tax exemption granted	(13,958)	(50,701)	(27,320)	(11,504)	(11,243)
Tax effect of tax loss not recognized	123	1,293	1,359	1,658	206
Utilization of tax loss previously not recognized	(2,477)	—	(986)	(16)	(752)
Tax effect of income not taxable for tax purposes	(216)	—	(233)	—	—
Tax effect of expenses not deductible for tax purposes	823	18,954	12,558	811	20,845
Withholding tax on undistributed earnings	—	—	6,200	1,991	2,722
Tax charge for the year/period	2	54	36,006	13,567	22,740

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

The PRC subsidiaries were established in the PRC and are governed by the Enterprise Income Tax Law and the Income Tax Law of the People's Republic of China concerning Foreign Investment Enterprises and Foreign Enterprises (collectively the "PRC Income Tax Laws") in 2007. Pursuant to the PRC Income Tax Laws, Beijing Outsell was entitled to the preferential enterprise income tax at a statutory rate of 27% (24% national income tax plus 3% local income tax) granted by the government to the manufacturing enterprises located in the coastal city of open economy. Starting from January 1, 2008, Beijing Outsell applied the statutory rate of 25% due to the change of the PRC Income Tax Laws. Beijing Outsell is exempted from PRC income tax for two years starting from its first profit making year, followed by a 50% reduction for the next three years. Beijing Outsell was exempted from PRC income tax in 2007 and 2008, and entitled to 50% reduction in PRC income tax in 2009, 2010 and 2011.

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

The EIT rate for entities operating in the PRC, other than Beijing Outsell, was 33% in 2007 and 25% in 2008 and 2009 and 2010.

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 January 1, 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Whereas, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% and withheld by the PRC entity, pursuant to Articles 3 and 27 of the EIT Law and Article 91 of its Details Implementation Rules. By the Tax Arrangement for Avoidance of Double Taxation between China and Hong Kong (China-HK TA), a Hong Kong resident company should be entitled to preferential tax rate of 5% when receiving dividend from its PRC subsidiary. The immediate holding company of Beijing Outsell, which is incorporated in Hong Kong and has been holding Beijing Outsell for less than a year, cannot enjoy the preferential tax rate aforementioned. There were no deferred tax liabilities on the undistributed profits earned during the year ended December 31, 2008 because Beijing Outsell was held by the foreign individual, Mr Cui Shan. During the year ended December 31, 2009 and the six months ended June 30, 2010, deferred tax liabilities have been accrued at the tax rate of 10% on the expected dividend stream of 25% of profit for the year which is determined by the directors of the Company.

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

10. PROFIT FOR THE YEAR/PERIOD

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period has been arrived at after charging (crediting):					
Staff costs, including directors' remuneration					
— salaries and other allowances	11,221	20,105	54,267	29,150	40,284
— retirement benefit scheme contributions	371	1,279	5,748	1,529	2,327
Total staff costs	11,592	21,384	60,015	30,679	42,611
Allowance for (reversal of allowance for) doubtful debts	323	—	(323)	(323)	—
Amortization of intangible assets	1,622	1,709	1,807	903	1,607
Auditors' remuneration	20	556	1,088	802	447
Cost of inventories recognized as expense	47,728	60,114	68,401	21,999	37,962
Depreciation of property, plant and equipment	1,664	2,223	4,081	1,379	5,164
Loss on disposal of property, plant and equipment	15	45	642	2	177
Release of prepaid lease payments	101	373	368	184	399
Research and development costs	—	891	1,946	801	1,319

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid to the directors of the Company for the Relevant Periods are as follows:

For the year ended December 31, 2007:

	Directors' fee	Salaries and other allowances	Share-based compensation	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Zhao Yihong	—	150	—	4	154
Gao Yan	—	108	—	3	111
	—	258	—	7	265
Non-executive directors					
Zhuo Fumin	—	—	—	—	—
Wang Bing	—	—	—	—	—
	—	—	—	—	—
Independent non-executive directors					
Arthur Wong	—	—	—	—	—
Huang Jingsheng	—	—	—	—	—
Xin Rong	—	—	—	—	—
	—	—	—	—	—

For the year ended December 31, 2008:

	Directors' fee	Salaries and other allowances	Share-based compensation	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Zhao Yihong	—	228	—	19	247
Gao Yan	—	173	—	17	190
	—	401	—	36	437
Non-executive directors					
Zhuo Fumin	—	—	—	—	—
Wang Bing	—	—	—	—	—
	—	—	—	—	—
Independent non-executive directors					
Arthur Wong	—	—	—	—	—
Huang Jingsheng	—	—	—	—	—
Xin Rong	—	—	—	—	—
	—	—	—	—	—

For the year ended December 31, 2009:

	Directors' fee	Salaries and other allowances	Share-based compensation	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Zhao Yihong	—	379	—	26	405
Gao Yan	—	300	—	21	321
	—	679	—	47	726
Non-executive directors					
Zhuo Fumin	—	—	—	—	—
Wang Bing	—	—	—	—	—
	—	—	—	—	—
Independent non-executive directors					
Arthur Wong	—	—	—	—	—
Huang Jingsheng	—	—	—	—	—
Xin Rong	—	—	—	—	—
	—	—	—	—	—

For the six months ended June 30, 2010:

	Directors' fee	Salaries and other allowances	Share-based compensation	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Zhao Yihong	50	549	1,806	13	2,418
Gao Yan	50	445	903	12	1,410
	100	994	2,709	25	3,828
Non-executive directors					
Zhuo Fumin	50	—	19	—	69
Wang Bing	50	—	19	—	69
	100	—	38	—	138
Independent non-executive directors					
Arthur Wong	—	—	—	—	—
Huang Jiangsheng	50	—	24	—	74
Xin Rong	—	—	—	—	—
	50	—	24	—	74

For the six months ended June 30, 2009 (unaudited):

	Directors' fee	Salaries and other allowances	Share-based compensation	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Zhao Yihong	—	93	—	5	98
Gao Yan	—	68	—	4	72
	—	161	—	9	170
Non-executive directors					
Zhuo Fumin	—	—	—	—	—
Wang Bing	—	—	—	—	—
	—	—	—	—	—
Independent non-executive directors					
Arthur Wong	—	—	—	—	—
Huang Jingsheng	—	—	—	—	—
Xin Rong	—	—	—	—	—
	—	—	—	—	—

The bonus and other related incentive payments, which were discretionary, were determined based on a financial performance of the Group for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2009 and June 30, 2010 and have been included the salaries and other allowances disclosed above.

Employees

The five highest paid individuals of the Group for the Relevant Periods included two directors for each of the years ended December 31, 2007, 2008 and 2009 and for the six months ended June 30, 2009 and June 30, 2010, respectively. The emoluments of the remaining three, three, three, three and three individuals for the years ended December 31, 2007, 2008 and 2009 and six months ended June 30, 2009 and June 30, 2010, respectively, are as follows:

	For the year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other benefits	223	298	703	144	1,167
Share-based compensation	—	—	—	—	1,825
Retirement benefit scheme contributions	7	35	29	6	19
	230	333	732	150	3,011

The emoluments of each of the remaining three highest paid individuals in the Group for the years ended December 31, 2007, 2008 and 2009 were below HK$1,000,000.

The emoluments of the employees were within the following bands:

	Number of employees				
	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009 (unaudited)	2010
HK$nil to HK$1,000,000	3	3	3	3	1
HK$1,000,001 to HK$1,500,000	—	—	—	—	1
HK$1,500,001 to HK$2,000,000	—	—	—	—	1

During the Relevant Periods, no remuneration was paid by the Group to the directors or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration during the Relevant Periods.

12. DIVIDENDS

No dividend has been paid or declared by the Company from its incorporation date to December 31, 2009. In April 2010, the Company declared a special cash dividend of an aggregate amount of the US dollar equivalent of RMB47,500,000, of which RMB45,000,000 was paid in May 2010 and the remaining balance of RMB2,500,000 has not been paid and was disclosed as dividend payable as of June 30, 2010. In addition, during the Relevant Periods, Beijing Outsell distributed dividends amounting to RMB34,318,000 to its then owner in 2007 prior to the Reorganization.

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

13. EARNINGS PER SHARE

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

	December 31,			June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Earnings:					
Earnings for the purpose of calculating basic and diluted earnings per share	47,595	121,979	141,707	68,944	21,108

	Number of shares				
	December 31,			June 30,	
	2007	2008	2009	2009	2010
	'000	'000	'000	'000 (unaudited)	'000
Numbers of shares:					
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	1,079,927	1,114,560	1,114,560	1,114,560	1,122,004

The weighted average number of ordinary shares for the purpose of calculating the basic earnings per share for the Relevant Periods has been retrospectively adjusted for the Reorganization and assuming that the Reorganization had been effective on January 1, 2007, and also for the 120-for-one share sub-division that became effective on September 10, 2010.

No diluted earnings per share is presented for the years ended December 31, 2007 and 2008 and for the six months ended June 30, 2009 because the Company did not have potential ordinary shares outstanding during such years/period.

For the year ended December 31, 2009, the computation of diluted earnings per share does 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 six months ended June 30, 2010, the computation of diluted earnings per share does 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, and nor does it assume the exercise of the Company's share options because the exercise prices of those share options were higher than the average fair value of shares of the Company.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Furniture and fixtures	Computer equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At January 1, 2007	13,588	3,842	3,113	493	431	13,344	34,811
Additions	—	2,356	1,153	99	153	6,166	9,927
Disposals	—	(59)	(323)	(42)	—	—	(424)
At December 31, 2007	13,588	6,139	3,943	550	584	19,510	44,314
Additions	127	2,838	1,564	298	280	11,338	16,445
Disposals	—	(61)	(155)	(83)	(111)	—	(410)
At December 31, 2008	13,715	8,916	5,352	765	753	30,848	60,349
Additions	32	42,371	1,971	291	1,759	35,636	82,060
Disposals	—	(918)	(533)	(60)	(257)	—	(1,768)
At December 31, 2009	13,747	50,369	6,790	996	2,255	66,484	140,641
Additions	24,830	60,273	5,896	818	1,422	28,685	121,924
Transfer	82,805	—	—	—	—	(82,805)	—
Acquisition through business combination	4,030	4,387	151	241	250	—	9,059
Disposals	—	(135)	(74)	—	(17)	—	(226)
At June 30, 2010	125,412	114,894	12,763	2,055	3,910	12,364	271,398
DEPRECIATION							
At January 1, 2007	624	866	909	188	221	—	2,808
Provided for the year	414	492	604	73	81	—	1,664
Eliminated on disposals	—	(42)	(82)	(10)	—	—	(134)
At December 31, 2007	1,038	1,316	1,431	251	302	—	4,338
Provided for the year	418	727	841	119	118	—	2,223
Eliminated on disposals	—	(56)	(120)	(74)	(100)	—	(350)
At December 31, 2008	1,456	1,987	2,152	296	320	—	6,211
Provided for the year	422	2,084	1,071	162	342	—	4,081
Eliminated on disposals	—	(212)	(211)	(36)	(127)	—	(586)
At December 31, 2009	1,878	3,859	3,012	422	535	—	9,706
Provided for the period	1,177	2,798	631	146	412	—	5,164
Eliminated on disposals	—	(31)	(9)	—	(9)	—	(49)
At June 30, 2010	3,055	6,626	3,634	568	938	—	14,821
NET BOOK VALUES							
At December 31, 2007	12,550	4,823	2,512	299	282	19,510	39,976
At December 31, 2008	12,259	6,929	3,200	469	433	30,848	54,138
At December 31, 2009	11,869	46,510	3,778	574	1,720	66,484	130,935
At June 30, 2010	122,357	108,268	9,129	1,487	2,972	12,364	256,577

The above items of property, plant and equipment, after taking into account their estimated residual value of 5% to 10% of the cost, are depreciated on a straight-line basis at the following rates per annum:

Buildings	3% - 7%
Plant and machinery	10% - 20%
Motor vehicles	20%
Furniture and fixtures	20%
Computer equipment	20% - 50%

At December 31, 2007, 2008 and 2009 and June 30, 2010, the Group had pledged its buildings with an aggregate carrying value of RMBNil, RMBNil and RMB11,869,000 and RMB11,318,000, respectively, to Beijing Rural Commercial Bank Co., LTD. Liangxiang Branch to secure the credit facilities granted to the Group.

The Group's buildings are situated on land in the PRC held by the Group under medium-term lease.

At December 31, 2007, 2008 and 2009 and at June 30, 2010, the accumulated borrowing costs capitalized to construction in progress were RMBNil, RMB2,151,000 and RMB4,151,000 and RMBNil, respectively.

At June 30, 2010, the Group is in the process of obtaining a property certificate for the buildings with carrying values approximate to RMB3,959,000 which are located in the PRC.

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land in the PRC under medium-term lease and are analyzed for reporting purposes as:

	December 31,			June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets (included in deposits, prepayment and other receivables)	105	373	388	1,360
Non-current assets	4,900	17,619	18,025	69,580
	5,005	17,992	18,413	70,940

The prepaid lease payments represent the land use rights and are amortized on a straight-line basis over lease terms of 50 years as stated in the relevant land use right certificates granted for usage by the Group in the PRC.

At December 31, 2007, 2008 and 2009 and June 30, 2010, the Group had pledged of its land use rights with an aggregate carrying value of approximately RMB246,000, RMB17,738,000, RMB18,413,000 and RMB18,223,000, respectively, to Beijing Rural Commercial Bank Co., LTD. Liangxiang Branch to secure the credit facilities granted to the Group.

16. INTANGIBLE ASSETS

	Trademarks	Patents	Product development costs	Contract backlog	Customers base	Non-compete agreement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At January 1, 2007	9,023	1,662	—	—	—	—	10,685
Additions	21	—	—	—	—	—	21
At December 31, 2007	9,044	1,662	—	—	—	—	10,706
Additions	370	780	—	—	—	—	1,150
At December 31, 2008	9,414	2,442	—	—	—	—	11,856
Additions	102	190	3,310	—	—	—	3,602
At December 31, 2009	9,516	2,632	3,310	—	—	—	15,458
Additions	—	15	—	—	—	—	15
Acquisition through business combination	—	14,030	—	200	2,430	2,260	18,920
At June 30, 2010	9,516	16,677	3,310	200	2,430	2,260	34,393
AMORTIZATION							
At January 1, 2007	2,793	389	—	—	—	—	3,182
Provided for the year	1,290	332	—	—	—	—	1,622
At December 31, 2007	4,083	721	—	—	—	—	4,804
Provided for the year	1,319	390	—	—	—	—	1,709
At December 31, 2008	5,402	1,111	—	—	—	—	6,513
Provided for the year	1,416	391	—	—	—	—	1,807
At December 31, 2009	6,818	1,502	—	—	—	—	8,320
Provided for the period	596	520	382	21	41	47	1,607
At June 30, 2010	7,414	2,022	382	21	41	47	9,927
CARRYING VALUES							
At December 31, 2007	4,961	941	—	—	—	—	5,902
At December 31, 2008	4,012	1,331	—	—	—	—	5,343
At December 31, 2009	2,698	1,130	3,310	—	—	—	7,138
At June 30, 2010	2,102	14,655	2,928	179	2,389	2,213	24,466

The above intangible assets are amortized on a straight-line basis over the following estimated useful lives:

Trademarks	10 years
Patents	5-10 years
Product development costs	3 years
Contract backlog	0.8 year
Customers base	5 years
Non compete agreement	4 years

All of the Group's intangible assets other than product development costs were acquired from third parties or through acquisition of subsidiaries. The product development costs represent payments to an independent third party, Jian Shi Xing for the development of new tea products. Jian Shi Xing is engaged in the research and development of tea and Chinese medicinal herbal products and was acquired by the Group in May 2010 (see Note 43(b) for further details).

17. NON-CURRENT DEPOSITS

	At December 31,			At June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Deposit for purchase of property, plant and equipment (Note a)	—	5,184	67,556	21,767
Deposit for prepaid lease payments (Note b)	4,042	23,296	23,500	—
Deposit for acquisition of a subsidiary (Note c)	—	—	2,000	—
Deposit for purchase of intangible assets	630	—	—	401
	4,672	28,480	93,056	22,168

Notes:

(a) Deposit for purchase of property, plant and equipment represented amounts paid for the acquisition of plant and equipment.

(b) Deposit for prepaid lease payments represented payments for purchase of a land use right that was pending for the approval and registration at December 31, 2009. The balance at December 31, 2008 and 2009 was related to the same land use right and the registration was completed during the six months ended June 30, 2010.

(c) Deposit for acquisition of a subsidiary represented a partial payment for the acquisition of a 100% equity interest in Zhuhai Qi Jia. The Group obtained a 100% beneficial interest in Zhuhai Qi Jia and the amount was fully refunded from the former shareholders of Zhuhai Qi Jia during the six months ended June 30, 2010 (see Note 43(a) for further details).

18. GOODWILL

	RMB'000
Cost	
Arising on acquisition of subsidiaries during the six months ended June 30, 2010 and as of June 30, 2010	20,785

There was no goodwill as of December 31, 2007, 2008 and 2009.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	RMB'000
CGUs:	
Zhuhai Qi Jia (note 43(a))	5,305
Jian Shi Xing (note 43(b))	15,480
	20,785

19. INVESTMENT IN A SUBSIDIARY

The Company	At December 31, 2009	At June 30, 2010
	RMB'000	RMB'000
Investment in unlisted shares, at cost	—	—
Deemed capital contribution	9,204	13,646
	9,204	13,646

The investment cost as of December 31, 2009 represented the Company's investment in Besunyen Investment US$1 (equivalent to RMB7).

Deemed capital contribution represented the fair value adjustments on non-current interest-free advances to subsidiaries at initial recognition (note 23).

20. INVENTORIES

	At December 31,			At June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	3,891	3,030	2,943	4,009
Work in progress	271	3,489	3,042	2,053
Finished goods	1,502	176	412	7,183
	5,664	6,695	6,397	13,245

21. TRADE AND NOTES RECEIVABLES

	At December 31,			At June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	6,724	7,239	39,428	72,361
Notes receivables	—	1,179	55,295	36,928
Less: Allowance for doubtful debts	(323)	(323)	—	—
	6,401	8,095	94,723	109,289

The doubtful debts of RMB323,000 for which the Group made an allowance during the year ended December 31, 2007 were fully settled during the year ended December 31, 2009, and therefore such allowance was reversed during the year ended December 31, 2009.

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 net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	At December 31,			At June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
0 - 90 days	6,296	7,438	93,150	107,335
91 - 180 days	8	467	1,502	1,954
181 to 365 days	62	183	71	—
Over 1 year	35	7	—	—
	6,401	8,095	94,723	109,289

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 RMB214,000, RMB1,369,000 and RMB1,524,000 and RMB1,656,000 which are past due at December 31, 2007, 2008 and 2009 and June 30, 2010, respectively, 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 December 31,			At June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
0 - 90 days	109	712	—	—
91 - 180 days	8	467	1,453	1,656
181 - 365 days	62	183	71	—
Over 1 year	35	7	—	—
	214	1,369	1,524	1,656

The Group anticipates a full recovery of these amounts, and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 39.

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 estimate future cash flow discounted at the original effective interest rate.

Movement in the allowance for doubtful debts

	At December 31,			At June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year/period	—	323	323	—
Amounts provided (reversed) during the year/period	323	—	(323)	—
Balance at end of the year/period	323	323	—	—

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At December 31,			At June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Prepaid advertising	58	10,017	36,243	111,751
Other prepayments	851	2,630	5,223	3,838
Prepaid lease payments	105	373	388	1,360
Other receivables	500	4,572	1,392	1,255
Prepayment to suppliers	31	925	349	1,191
Deposits paid	291	2,871	807	713
Staff advances	259	829	104	1,011
	2,095	22,217	44,506	121,119

As of December 31, 2007 and 2008, included in other receivable is a loan to an independent third party of RMB500,000 and RMB4,060,000, respectively. The amount was unsecured, interest free and was settled in the first quarter of 2009. As advised by the Company's PRC legal advisor, these interest free loan transactions were not in compliance with the relevant laws and regulations in the PRC, however, such non-compliance does not have a significant risk on the Group because these loans were fully settled and there was no administrative penalty from the relevant government authorities. As such, the Company's directors do not consider these transactions will have a significant impact on the Group's results or financial position.

During the six months ended June 30, 2010, Mr. Zhao Yihong advanced RMB1,000,000 to an employee of the Group for setting up a domestic company in the PRC.

23. AMOUNTS DUE FROM (TO) SUBSIDIARIES

At the end of the reporting period, the Company had the following balances with its subsidiaries:

			At June 30, 2010	
	Amounts due from subsidiaries	Amount due to a subsidiary	Amounts due from subsidiaries	Amount due to a subsidiary
	RMB'000	RMB'000	RMB'000	RMB'000
Beijing Outsell	—	875	4,937	875
Besunyen Investment	8	—	27,901	—
Besunyen HK	82,985	—	85,512	—
Ever Assure	—	—	12,338	—
	82,993	875	130,688	875

The amounts due from subsidiaries are unsecured, non-traded related, interest free and repayable on demand. In the opinion of the Company's Directors, the Company will not demand for repayment within one year from the end of reporting period and the advances are therefore considered as non-current. Such interest-free advances are measured at amortized cost using the effective interest method at an interest rate of 5.4% per annum.

The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

24. INVESTMENTS HELD FOR TRADING

	At December 31,			At June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Equity securities listed in the PRC	6,791	5,151	—	—

The fair values of the investments held for trading were determined based on the quoted market bid prices available on the Shanghai Stock Exchange in the PRC at the end of each reporting period.

25. PLEDGED BANK DEPOSITS

The pledged bank deposits represent deposits pledged to a bank as guarantees for short-term trade facilities granted to the Group and are therefore classified as current assets. The pledged deposits at December 31, 2009 were released upon the settlement of trade facilities during the six months ended June 30, 2010.

26. BANK BALANCES AND CASH

The Group and the Company

Bank balances and cash comprise cash and short-term deposits held by the Group with an original maturity of three months or less.

The bank deposit carries a weighted-average interest rate of 0.72%, 0.72%, 0.36% and 0.36% per annum as of December 31, 2007, 2008 and 2009 and June 30, 2010, respectively.

At the end of the reporting period, included in bank balances are the following amounts denominated in currencies other than the functional currency of the relevant group entity to which they relate.

	The Group				The Company	
	At December 31,			At June 30,	At December 31,	At June 30,
	2007	2008	2009	2010	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
United States Dollars	37	79	95,141	8,270	2,914	8,005

27. TRADE PAYABLES

	At December 31,			At June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	376	3,968	10,512	3,113
Bills payables	—	788	—	—
	376	4,756	10,512	3,113

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 and notes payables and bills payables presented based on invoiced date at the end of each reporting period:

	At December 31,			At June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 90 days	376	4,689	10,512	3,094
91 to 180 days	—	67	—	19
	376	4,756	10,512	3,113

28. OTHER PAYABLES AND ACCRUED EXPENSES

	At December 31,			At June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Other tax payables	3,523	6,381	14,326	8,348
Payable for land use right	—	—	—	15,210
Accrued payroll	1,927	5,783	6,354	5,780
Advances from customers	3,430	19,488	5,528	6,514
Payable to former shareholders of Zhuhai Qi Jia	—	—	—	7,050
Accrued expenses	—	879	3,033	15,195
Advertising expenses payable	14,952	11,267	1,855	513
Other payables	4,272	5,491	632	2,578
Accrued interest expenses	22	129	117	132
Deferred government grant	—	—	136	324
Payable for acquisition of a subsidiary	—	—	—	2,000
	28,126	49,418	31,981	63,644

At June 30, 2010, the Company's other payables and accrued expenses were accrued payroll.

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

29. BANK BORROWINGS

	December 31,			June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Secured bank borrowings repayable:				
On demand or within one year	7,800	—	50,000	32,000
More than one year but not exceeding two years	—	—	15,000	15,000
More than two years but not more than five years	—	35,000	—	30,000
	7,800	35,000	65,000	77,000
Less: Amounts due within one year shown under current liabilities	(7,800)	—	(50,000)	(32,000)
	—	35,000	15,000	45,000

The borrowings carrying variable interests with reference to the Benchmark Borrowing Rate of The People's Bank of China ("Benchmark Rate") were as follows:

	December 31,			June 30,
	2007	2008	2009	2010
Effective interest rate:				
Variable-rate borrowings	Benchmark Rate -0.5% to +1%	Benchmark Rate -0.5% to +1%	Benchmark Rate -0.5% to +1%	Benchmark Rate -0.5% to +1%

The borrowings are arranged at variable interest rates and expose the Group to cash flow interest rate risk. Bank borrowings are guaranteed by Mr. Zhao Yihong, Ms. Gao Yan and Besunyen Investment Co., Ltd. a related company in which Mr. Zhao Yihong has a beneficial interest. Such guarantees will be released before the Company's listing in the stock exchange of Hong Kong.

The borrowings are secured by the Group's property, plant and equipment and prepaid lease payments as set out in notes 14 and 15 respectively.

All of the borrowings are denominated in RMB which is the same as the functional currency of the corresponding group entities.

30. DEFERRED GOVERNMENT GRANT

In August 2007, October 2009 and May 2010, the Group received government grants of RMB2,000,000, RMB2,080,000 and RMB2,000,000 respectively for the construction of a plant facility in the PRC.

	At December 31,			At June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed for reporting purposes as:				
Current liabilities (included in other payables and accrued expenses)	—	—	136	324
Non-current liabilities	2,000	2,000	3,944	5,588
	2,000	2,000	4,080	5,912

At December 31, 2007, 2008 and 2009, the construction of the plant facility had not been completed and such government grant was recorded as liabilities in the consolidated statements of financial position.

During the six months ended June 30, 2010, the construction of the plant facilities was completed, and the Group has commenced to use the plant facilities for production. As a result, the government grant is recognized over the estimated useful life of the relevant assets. The amount that will be recognized in the Group's consolidated statements of comprehensive income within a year is classified as a current liability.

31. DEFERRED TAX

The following are the major deferred tax (liability) asset recognized and movements thereon during the Relevant Periods:

	Fair value adjustment on assets acquired through business combinations	Accrued payroll	Prepaid Advertising	Withholding tax on undistributed earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2007 and December 31, 2007	—	—	—	—	—
Credit to profit or loss during the year	—	413	—	—	413
At December 31, 2008	—	413	—	—	413
Credit (charge) to profit or loss during the year	—	563	—	(6,200)	(5,637)
At December 31, 2009	—	976	—	(6,200)	(5,224)
Acquisitions of subsidiaries	(5,696)	—	—	—	(5,696)
Reversal upon payment of withholding tax	—	—	—	5,000	5,000
Credit (charge) to profit or loss during the period	92	(68)	2,795	(2,722)	97
At June 30, 2010	(5,604)	908	2,795	(3,922)	(5,823)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2007	2008	2009	June 30, 2010
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	—	413	976	3,703
Deferred tax liabilities	—	—	(6,200)	(9,526)
	—	413	(5,224)	(5,823)

32. PAID-IN CAPITAL/SHARE CAPITAL

The amount at January 1, 2007 represented the paid-in capital of Beijing Outsell. The amounts at December 31, 2007 and 2008 represented the combined paid-in capital of Beijing Outsell and Besunyen Food and Beverage, while the amounts at December 31, 2009 and June 30, 2010 represented the then issued and fully paid share capital of the Company.

On June 29, 2007, the date of establishment of Besunyen Food and Beverage, RMB2,200,000 was contributed by the owner as registered capital of Besunyen Food and Beverage.

In 2008, Beijing Outsell increased its paid-in capital from RMB32,521,000 to RMB59,794,000 through capitalization of its accumulated profits of RMB27,273,000.

Movement of the Company's share capital during the year ended December 31, 2009 and the six months ended June 30, 2010 is set out below.

	Number of shares	Amount	Shown in the Financial Information as
		US$	RMB'000
Authorized:			
At date of incorporation (August 5, 2009)(Note a)	50,000	50,000	341
Increase in number of shares due to a sub-division of shares during the period(Note b)	49,950,000	—	—
Designation and reclassification into Series A Preferred Shares(Note b)	(3,000,000)	(3,000)	(20)
At December 31, 2009 and June 30, 2010	47,000,000	47,000	321
Issued and fully paid:			
At date of incorporation (August 5, 2009)(Note a)	1	—	—
Share cancelled during the period	(1)	—	—
Shares issued during the period(Note c)	9,288,000	9,288	63
At December 31, 2009	9,288,000	9,288	63
Shares issued in connection with acquisition of a subsidiary (Note d)	217,313	217	1
Shares issued during the period (Note e)	144,876	145	1
At June 30, 2010	9,650,189	9,650	65

Notes:

(a) The Company was incorporated on August 5, 2009 with an authorized share capital of US$50,000 divided into 50,000 ordinary shares of US$1 each. At the date of incorporation, one ordinary share of US$1 was issued at par to the subscriber to the Memorandum of Association to provide the initial capital to the Company.

(b) On October 21, 2009, the authorized shares were divided into 47,000,000 ordinary shares of US$0.001 each and 3,000,000 Series A Preferred Shares of US$0.001 each with details set out in Note 34.

(c) On October 21, 2009, the Company issued 9,288,000 ordinary shares at US$0.001 each to the shareholder of the Company.

(d) In May 2010, the Company issued 217,313 ordinary shares to acquire the entire equity interest of Jian Shi Xing, further details of which are set out in Note 43(b). These shares rank pari passu with other shares in issue in all respects.

(e) In May 2010, the Company issued 144,876 ordinary shares to third party investors for an aggregate consideration of USD3,000,000 (equivalent to approximately RMB20,484,000). These shares rank pari passu with other shares in issue in all respects.

In September 2010, the directors and shareholders of the Company approved a 120-for-one share sub-division which became effective on September 10, 2010.

33. RESERVES

The Group

(a) Capital reserve

Capital reserve represents the excess of capital contribution by the shareholder over the aggregate registered capital of Beijing Outsell and Besunyen Food and Beverage.

(b) Special reserve

Special reserve represents the aggregate of (i) the difference between the nominal value of the Company's share, issued upon Reorganization and the net assets of Beijing Outsell and Besunyen Food and Beverage, and (ii) a deemed distribution of RMB2,200,000 to the shareholder.

(c) Statutory surplus reserve

According to the relevant laws in the PRC, the enterprises established in the PRC are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a general reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The general reserve fund can be used to offset the previous year losses, if any. The general reserve fund is non-distributable other than upon liquidation.

The Company

	Share premium	Share option reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At August 5, 2009	—	—	—	—
Loss and total comprehensive expenses for the period	—	—	(41,728)	(41,728)
At December 31, 2009	—	—	(41,728)	(41,728)
Loss and total comprehensive expenses for the period	—	—	(12,737)	(12,737)
Issuance of ordinary shares	51,332	—	—	51,332
Share-based payments	—	7,713	—	7,713
Dividends	—	—	(47,500)	(47,500)
At June 30, 2010	51,332	7,713	(101,965)	(42,920)

34. REDEEMABLE CONVERTIBLE PREFERRED SHARES

The Company and the Group

	Number of shares	Nominal amount
		RMB'000
Redeemable convertible preferred shares of US$0.001 each:		
Authorized		
Authorized during 2009 and balance at December 31, 2009	3,000,000	20
Issued and fully paid		
Issued during 2009 and balance at December 31, 2009	712,000	4
Issued during the period	144,572	1
Balance at June 30, 2010	856,572	5

On October 21, 2009, the Company issued 712,000 shares of Series A redeemable convertible preferred shares ("Series A Preferred Shares") to an independent third party at a consideration of US$15,000,000 (approximately RMB102,424,000).

Under the Series A Preferred Shares agreements, the number of Series A Preferred Shares that the holder is entitled to receive is subject to earnings adjustment determined based on the Company's consolidated net profit for the year ended December 31, 2009. On May 31, 2010, 125,010 additional Series A Preferred Shares were allotted and issued to the holder at a par value per share in accordance with the exercise of the holder's such earnings adjustment right. Such earnings adjustment was arrived at based on the Company's consolidated net profit for the year ended December 31, 2009. Pursuant to such earnings adjustment, the holder's earnings adjustment right was fully exercised and there will be no further adjustment to the Series A Preferred Shares by such a holder. In addition, under the agreements, the holder is entitled to an anti-dilution protection with respect to the acquisition of Jian Shi Xing. On May 31, 2010, 19,562 Series A Preferred Shares were allotted and issued to the holder at a par value per share in accordance with the anti-dilution protection. Apart from the anti-dilution protection, there are no potential adjustments on the allotment of shares to the holders of Series A Preferred Shares in the future.

Conversion Terms

One redeemable convertible preferred share can be converted to one ordinary share of the Company (before 120-for-one share sub-division) at any time after date of issuance, or is automatically converted upon the earlier of:

(i) the consummation of a qualified initial public offering ("IPO");

(ii) immediately prior to the closing of an acquisition by, merger or other combination with another entity where the Company is not the surviving entity where such surviving entity is listed on an internationally recognized stock exchange; and

(iii) The date specified by written consent or agreement of the holders of a majority of outstanding Series A Preferred Shares.

The conversion price is subject to adjustment for dilution, including but not limited to share dividends, subdivisions, combinations, other distributions, reclassifications, recapitalizations, other dilutive events, reorganizations, mergers, consolidations or sales of assets and certain issuances.

Redemption Terms

The Series A Preferred Shares are redeemable at an amount equal to the greater of the then fair market value for such share, or 200% of the subscription price after five years from date of issuance.

Dividend

The Series A Preferred Shares are denominated in US dollar. Holders of the Series A Preferred Shares shall be entitled to a fixed cumulative dividend of 6% per annum of the principal amount of the Series A Preferred Shares to be payable every six months, in no event later than August 31, and April 30, for every fiscal year, respectively.

The entire Series A Preferred Shares is designated as a financial liability at FVTPL on initial recognition. The entire Series A Preferred shares are measured at fair value with changes in fair value recognized in the consolidated statements of comprehensive income.

The Series A Preferred Shares were valued at fair value by the directors with reference to valuation carried out by an independent firm of professional valuers, Marsh (Beijing) Risk Consulting Co., Ltd. ("Marsh"), whose address is Unit 1506, North Tower, Kerry Center, 1 Guanghua Road, Chaoyang District, Beijing 100020, China, at December 31, 2009 and June 30, 2010, at approximately US$19,906,000 (approximately RMB135,921,000) and US$28,213,000 (approximately RMB191,589,000), respectively.

The fair value of the entire Series A Preferred Shares at FVTPL at December 31, 2009 and June 30, 2010 was determined by using valuation techniques which include discounted cash flow analysis and option pricing model. The present value of the estimated future cash flow is discounted at the weighted average cost of capital ("WACC") of 23% and 21% at December 31, 2009 and June 30, 2010, respectively.

The Series A preferred shareholder waived the dividend for the six months ended June 30, 2010. No dividend was paid to the Series A preferred shareholders during the Relevant Periods.

The assumptions adopted for the valuation of the Series A Preferred Shares are as follows:

	December 31, 2009	June 30, 2010
Methodology	Option-pricing method	Option-pricing method
Estimated probability of the Series A Preferred Shares		
— for liquidation	5%	5%
— for redemption	15%	10%
— for conversion	80%	85%
Risk-free rate		
— for liquidation	0.5%	0.24%
— for redemption	2.6%	2.14%
Time to redemption	4.81 years	4.31 years
Time to automatic conversion	1 year	0.25 years
Preferred shares Dividend yield	6%	6%
Volatility		
— for redemption	42%	43%

The assumptions adopted for the valuation of Series A Preferred Shares were as follows:

1. The estimation of the risk-free rate was made with reference to the yield of United States Treasury Bond as of the valuation dates.

2. Volatility was estimated based on the average historical stock price volatility of comparable listed companies over a period commensurate with the expected time to redemption.

The movement of the Series A Preferred Shares is set out below:

	Total
	RMB'000
At issuance of Series A Preferred Shares	102,424
Changes in fair value recognized in profit or loss	33,497
At December 31, 2009	135,921
Changes in fair value recognized in profit or loss	56,661
Exchange adjustments	(993)
At June 30, 2010	191,589

The issue cost of Series A Preferred Shares amounted to approximately RMB7,318,000 and had been recognized in the consolidated statements of comprehensive income for the year ended December 31, 2009.

35. MAJOR NON-CASH TRANSACTION

Since Beijing Outsell is a High-Technology Enterprise as awarded by Beijing Scientific Technology Committee (北京市科學技術委員會), a third party entity named Yongtai Real Estate (永泰房地產公司) intended to cooperate with Beijing Outsell for a scientific research project on a piece of land owned by Yongtai Real Estate in order to utilize the privileges of the High-Technology Enterprise. As such, Beijing Outsell intended to purchase the piece of land and changed the usage of that piece of land from industrial use to scientific use, had paid a deed duty tax of RMB1,296,000 as of December 31, 2008.

During the year ended December 31, 2009, Beijing Outsell purchased the piece of land from Yongtai Real Estate for a consideration of RMB43,200,000 and the land title deed was transferred to Beijing Outsell. However, this project was terminated as the government's policy regarding the change of the land usage became more stricter than expected. Since the purpose of the project was not achieved, during the same year, Yongtai Real Estate purchased the same piece of land back from Beijing Outsell for a consideration of RMB44,496,000 and the land title deed was transferred back to Yongtai Real Estate. Beijing Outsell had not yet made the payment for the purchase before the land was sold back to Yongtai Real Estate, and therefore, it resulted in a net cash inflow of RMB1,296,000.

In May 2010, the Group acquired 100% of the issued share capital Ever Assure for an aggregate of 217,313 ordinary shares of the Company with a fair value of RMB30,850,000.

36. RETIREMENT BENEFIT PLANS

The employees of the Group in the PRC are members of government-managed retirement benefit schemes operated by the respective local government in the PRC. The Group is required to contribute a specified percentage of payroll cost to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions.

37. SHARE-BASED PAYMENTS

The Company's pre-IPO share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on April 30, 2010 for the primary purpose of providing incentives to eligible employees. Under the Scheme, the board of directors of the Company may grant options to eligible directors and employees to subscribe for shares in the Company.

The following share option information has been retrospectively adjusted to reflect a 120-for-one share sub-division that became effective on September 10, 2010.

The maximum number of shares which can be granted under the Scheme is 151,200,000.

Details of specific category of options are as follows:

Options type	Date of grant	Share options granted	Vesting period	Exercise period	Exercise price	Fair value at grant date
					RMB	RMB
1st	5.6.2010	94,524,000	5.6.2010 -11.5.2013	11.6.2010 -5.5.2020	1.23	0.50
2nd	5.6.2010	19,872,000	5.6.2010 - 5.5.2014	5.6.2011 - 5.5.2020	1.23	0.51
3rd	5.6.2010	16,800,000	5.6.2010 - 5.5.2013	5.6.2011 - 5.5.2020	1.23	0.50
4th	5.6.2010	4,800,000	5.6.2010 - 5.5.2014	5.6.2011 - 5.5.2020	3.30	0.28
5th	5.31.2010	6,120,000	5.31.2010 -5.5.2014	5.6.2011 -5.30.2020	1.23	0.50
6th	6.21.2010	120,000	6.21.2010 - 5.5.2014	5.6.2011 -6.20.2020	1.23	0.87
7th	6.28.2010	1,680,000	6.28.2010 - 5.5.2014	5.6.2011 -6.27.2020	1.23	0.87

The following table discloses the details of the Company's share options granted to directors, employees and consultant during the six months ended June 30, 2010 and outstanding at June 30, 2010:

	Date of grant	Option type	Vesting period	No. of share options Granted during the period and outstanding at June 30, 2010
Executive directors				
Zhao Yihong	5.6.2010	1st	3.5 Years	28,800,000
Gao Yan	5.6.2010	1st	3.5 Years	14,400,000
				43,200,000
Non-executive directors				
Zhuo Fumin	5.6.2010	2nd	4 Years	480,000
Wang Bing	5.6.2010	2nd	4 Years	480,000
Huang Jingsheng	5.6.2010	2nd	4 Years	600,000
				1,560,000
Independent non-executive directors				
Arthur Wong	6.28.2010	7th	3.9 Years	600,000
Xin Rong	6.28.2010	7th	3.9 Years	600,000
				1,200,000
Employees and consultant				
In aggregate	5.6.2010	1st	3.5 Years	51,324,000
	5.6.2010	2nd	4 Years	18,312,000
	5.6.2010	3rd	3 Years	16,800,000
	5.6.2010	4th	4 Years	4,800,000
	5.31.2010	5th	3.9 Years	6,120,000
	6.21.2010	6th	3.9 Years	120,000
	6.28.2010	7th	3.9 Years	480,000
				97,956,000
	Total			143,916,000

There were no options exercised during the six months ended June 30, 2010 or exercisable at June 30, 2010.

Pursuant to the Scheme, the first option type granted on May 6, 2010 shall be exercisable during the period from the first semi-anniversary of the date of grant (the "first semi-anniversary") and ending on the expiry of the option period in the following manner:

(i) up to 25% of the option will be exercisable during the period from the first semi-anniversary and ending on the expiry of the option period;

(ii) up to 50% of the option will be exercisable during the period from the first anniversary of the first semi-anniversary and ending on the expiry of the option period;

(iii) up to 75% of the option will be exercisable during the period from the second anniversary of the first semi-anniversary and ending on the expiry of the option period; and

(iv) up to 100% of the option will be exercisable during the period from the third anniversary of the first semi-anniversary and ending on the expiry of the option period.

Pursuant to the Scheme, the third option type granted on May 6, 2010, shall be exercisable during the period from the first anniversary of the Commencement Date and ending on the expiry of the option period in the following manner:

(i) up to 30% of the option will be exercisable during the period from May 6, 2011 and ending on the expiry of the option period;

(ii) up to 60% of the option will be exercisable during the period from May 6, 2012 and ending on the expiry of the option period; and

(iii) up to 100% of the option will be exercisable during the period from May 6, 2013 and ending on the expiry of the option period.

Pursuant to the Scheme, except the first and third option types above, the options granted on May 6, 2010, May 31, 2010, June 21, 2010 and June 28, 2010 shall be exercisable during the period from the first anniversary of the commencement date and ending on the expiry of the option period in the following manner:

(i) up to 25% of the option will be exercisable during the period from the first anniversary of the commencement date and ending on the expiry of the option period;

(ii) up to 50% of the option will be exercisable during the period from the second anniversary of the commencement date and ending on the expiry of the option period;

(iii) up to 75% of the option will be exercisable during the period from the third anniversary of the commencement date and ending on the expiry of the option period; and

(iv) up to 100% of the option will be exercisable during the period from the fourth anniversary of the commencement date and ending on the expiry of the option period.

The binomial option pricing model has been used to estimate the fair value of the options. The following assumptions were used to calculate the fair value of share options granted during the six months ended June 30, 2010:

	Option types						
	1st	**2nd**	**3rd**	**4th**	**5th**	**6th**	**7th**
Fair value of ordinary share (RMB)	1.18	1.18	1.18	1.18	1.18	1.72	1.72
Exercise price (RMB)	1.23	1.23	1.23	3.30	1.23	1.23	1.23
Expected volatility	42%	42%	42%	42%	42%	42%	42%
Contractual Option life	10	10	10	10	10	10	10
Dividend yield	1.24%	1.24%	1.24%	1.24%	1.24%	1.24%	1.24%
Risk-free interest rate	3.39%	3.39%	3.39%	2.90%	3.28%	3.41%	3.38%
Total estimated fair value of the options granted (RMB'000)	47,225	10,059	8,401	1,331	3,082	105	1,464

Fair values of ordinary share were estimated by the directors with reference to valuations carried out by an independent firm of professional valuers.

Expected volatility: the selected volatility was estimated based on average historical stock price volatility of comparable listed companies over a period commensurate with the contractual option life.

Risk-free interest rate: The risk-free interest rate of the 4th option type was estimated based on the yield of 10-year Hong Kong Sovereign Bond as of the grant date. For all the other options, the risk-free interest rate was estimated based on the yield of 10-year China Sovereign Bond as of the grant date.

Dividend yield: the selected dividend yield was estimated with consideration of the Company's expected dividend policy and analysis of historical trend of share price-to-earnings ratio of comparable listed companies.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognized a total expense of RMB7,713,000 for the six months ended June 30, 2010 in relation to share options granted by the Company.

38. CAPITAL RISK MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which include bank borrowings disclosed in note 29, redeemable convertible preferred shares disclosed in note 34, bank balance and cash, and equity attributable to equity holders of the Company, comprising capital, reserves and retained profits.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of redeemable convertible preferred shares to strategic investors or the redemption of the existing debt.

39. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group				The Company	
	At December 31,			At June 30,	At December 31,	At June 30,
	2007	2008	2009	2010	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Loans and receivables (including cash and cash equivalents)	37,696	143,530	266,971	172,510	85,927	138,713
Investments held for trading	6,791	5,151	—	—	—	—
	44,487	148,681	266,971	172,510	85,927	138,713
Financial liabilities						
Liabilities measured at amortized cost	58,070	83,156	77,999	111,464	875	3,375
FVTPL — Redeemable convertible preferred shares	—	—	135,921	191,589	135,921	191,589
	58,070	83,156	213,920	303,053	136,796	194,964

Financial liabilities designated as FVTPL — Redeemable convertible preferred shares

	At December 31, 2009	At June 30, 2010
	RMB'000	RMB'000
Changes in fair value attributable to changes in credit risk recognized during the year/period(Note)	—	—
Carrying amount	135,921	191,589
Amount payable at maturity	204,844	204,844
Difference between carrying amount and maturity amount	68,923	13,255

Note: The entire redeemable convertible preferred shares of the Company are designated as a financial liability at FVTPL on initial recognition. The change in fair value was mainly due to the change in market risk factors. The fair value attributable to change in its credit risk is considered immaterial.

Financial risk management objectives

The Group's major financial instruments include trade and notes receivables, other receivables, amounts due from related parties, investments held for trading, bank balances and cash, pledged bank deposits, amounts due to related parties, trade payables, other payables, dividend payable, redeemable convertible preferred shares and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The management of the Group monitors and manages the financial risks relating to the operations of the Group through their degree of magnitude of risks. These risks include market risk, currency risk, interest rate risk, capital risk, credit risk and liquidity risk.

Market risk

Currency risk

Several subsidiaries of the Company and the Company have bank balances, amount due from a related company, and redeemable convertible preferred shares which are denominated in foreign currencies. The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of reporting period are as follows:

	The Group				The Company	
	At December 31,			At June 30,	At December 31,	At June 30,
	2007	2008	2009	2010	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
US dollars						
Assets	37	79	95,161	8,290	85,927	133,776
Liabilities	—	—	135,921	194,089	135,921	194,089

Sensitivity analysis

The Group is mainly exposed to US dollars. The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in Renminbi against US dollars. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year/period end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit before tax where Renminbi strengthens 5% against US dollars. For a 5% weakening of Renminbi against US dollars, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	The Group				The Company	
	Year ended December 31,			Six months ended June 30,	Year ended December 31,	Six months ended June 30,
	2007	2008	2009	2010	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year/period . . .	(2)	(4)	2,038	9,290	2,500	3,016

Equity price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities operating in banking and energy resources sectors quoted on the Shanghai Stock Exchange.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If equity prices of the respective equity interest had been 5% higher or lower, net profit after tax for the years ended December 31, 2007, 2008 and 2009 and for the six months ended June 30, 2009 and 2010 would increase or decrease by RMB340,000, RMB257,000, RMBNil, RMBNil and RMBNil, respectively. This is mainly due to the change in fair value of investments held for trading.

Interest rate risk management

The Group is exposed to cash flow interest rate risk through the impact of rate changes on bank borrowings and bank balances at market rates. The Group currently has not used any derivative contracts to hedge its exposure to interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank borrowings at the end of each reporting period and assumed that the amount of liabilities outstanding at the end of each reporting period was outstanding for the whole year/period. The directors of the Company consider that the Group is not exposed to significant interest rate risks attributable to variable-rate bank balances and thus, no sensitivity analysis to interest rate risk is presented.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of benchmark interest rate from the People's Bank of China arising from the Group's bank borrowings. The management considers that the change in interest rate has no significant impact on profit and loss on the Group as the finance cost incurred would be partly capitalized to the eligible assets.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group has adopted procedures in monitoring its credit risk.

The Group's current credit practices include assessment and evaluation of customer's credit reliability and periodic review of their financial status to determine credit limit to be granted. The Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as of end of the financial year/period in relation to each class of recognized financial assets is the carrying amount of those financial assets as stated in the consolidated statements of financial position.

The Group is exposed to some concentration of credit risk. At December 31, 2007, December 31, 2008 and December 31, 2009 and June 30, 2010, the five largest debtors accounted for approximately 60%, 43% and 31% and 26%, respectively of the Group's total trade receivables respectively. The Group has explored new markets and new customers and launched new products in order to minimize the concentration of credit risk.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Liquidity risk management

The Group manages liquidity risk by maintaining adequate bank deposits and cash, monitoring forecast and actual cash flows.

The Group's financial liabilities (including trade payables, other payables, amounts due to related parties, bank borrowings and redeemable convertible preferred shares) are due within five years from the respective reporting date.

Liquidity and interest risk tables

The following tables detail the Group's and the Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

	Weighted average effective interest	1-3 months	3 months to 1 year	1-5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group						
Non derivative financial liabilities						
Trade payables	—	376	—	—	376	376
Other payables	—	19,224	—	—	19,224	19,224
Amounts due to related parties	—	4,911	—	—	4,911	4,911
Dividend payable	—	25,759	—	—	25,759	25,759
Bank borrowings	8.5	163	8,166	—	8,329	7,800
At December 31, 2007		50,433	8,166	—	58,599	58,070
Non derivative financial liabilities						
Trade payables	—	4,690	67	—	4,757	4,756
Other payables	—	16,758	—	—	16,758	16,758
Amounts due to related parties	—	883	—	—	883	883
Dividend payable	—	25,759	—	—	25,759	25,759
Bank borrowings	5.9	507	1,561	36,785	38,853	35,000
At December 31, 2008		48,597	1,628	36,785	87,010	83,156
Non derivative financial liabilities						
Trade payables	—	10,512	—	—	10,512	10,512
Other payables	—	2,487	—	—	2,487	2,487
Bank borrowings	5.9	30,800	21,073	15,199	67,072	65,000
At December 31, 2009		43,799	21,073	15,199	80,071	77,999
FVTPL						
Redeemable convertible preferred shares at December 31, 2009	23	—	—	204,844	204,844	135,921
Non derivative financial liabilities						
Trade payables	—	3,113	—	—	3,113	3,113
Other payables	—	25,351	2,000	—	27,351	27,351
Amounts due to related parties	—	1,500	—	—	1,500	1,500
Dividend payable	—	2,500	—	—	2,500	2,500
Bank borrowings	5.9	5,103	30,550	47,869	83,522	77,000
At June 30, 2010		37,567	32,550	47,869	117,986	111,464
FVTPL						
Redeemable convertible preferred shares at June 30, 2010	23	—	—	204,844	204,844	191,589
The Company						
Non derivative financial liabilities						
Amount due to a subsidiary at December 31, 2009	—	875	—	—	875	875
FVTPL						
Redeemable convertible preferred shares at December 31, 2009	23	—	—	204,844	204,844	135,921
The Company						
Non derivative financial liabilities						
Amount due to a subsidiary	—	875	—	—	875	875
Dividend payable		2,500	—	—	2,500	2,500
At June 30, 2010		3,375	—	—	3,375	3,375
FVTPL						
Redeemable convertible preferred shares at June 30, 2010	23	—	—	204,844	204,844	191,589

Fair value of financial instruments

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values.

Fair value measurements recognized in the statements of financial position

Financial instruments that are measured subsequent to initial recognition at fair value, are grouped in to Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group	December 31, 2007			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL				
Investments held for trading	6,791	—	—	6,791

	December 31, 2008			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL				
Investments held for trading	5,151	—	—	5,151

The Group and the Company	December 31, 2009			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities at FVTPL				
Redeemable convertible preferred shares	—	—	135,921	135,921

	June 30, 2010			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities at FVTPL				
Redeemable convertible preferred shares	—	—	191,589	191,589

Details of reconciliation from the beginning balance to the ending balance of Level 3 fair value measurements of financial liability regarding the Series A Preferred Shares are set out in note 34.

The consolidated financial statements include Series A Preferred Shares which are measured at fair value. Fair value is estimated using a discounted cash flow model and option pricing model, which included some assumptions that are not supportable by observable market prices or rates. In determining the fair value, probability of automatic conversion of 80% and 85% and a WACC of 23% and 21% are used as of December 31, 2009 and June 30, 2010, respectively. If probability of automatic conversion was 5% higher/lower while all the other variables were held constant, the carrying amount of the Series A Preferred Shares would decrease/increase by approximately RMB5,838,000 and RMB5,846,000 as of December 31, 2009 and as of June 30, 2010, respectively.

If WACC was 1% higher/lower while all the other variables were held constant, the carrying amount of the Series A Preferred Shares would increase/decrease by approximately RMB4,165,000 and RMB8,751,000 as of December 31, 2009 and June 30, 2010, respectively.

40. OPERATING LEASES

Minimum lease payments paid under operating leases during the Relevant Periods:

	At December 31,			At June 30,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Premises	243	2,193	7,832	2,456	3,401

At the end of each reporting period, the Group's commitments for future minimum lease payments under non-cancellable operating leases fall due as follows:

	At December 31,			At June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	—	3,094	3,349	2,470
In the second to fifth year inclusive	—	1,433	714	1,689
	—	4,527	4,063	4,159

Operating lease payments represent rental payable by the Group for certain of its office and staff quarters. Rentals are fixed for an average of 1.5 years.

41. CAPITAL COMMITMENTS

	At December 31,			At June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the Financial Information in respect of the acquisition of				
— property, plant and equipment	—	52,777	70,034	32,485
— intangible assets	—	—	2,665	—
	—	52,777	72,699	32,485

42. RELATED PARTY TRANSACTIONS AND BALANCES

Details of the amounts due from/to related parties, which are controlled by Mr. Zhao Yihong, Ms. Gao Yan and her related party, are as follows:

	Amounts due from related parties						
	The Group					The Company	
Name of related party	January 1,	At December 31,			At June 30,	At December 31,	At June 30,
	2007	2007	2008	2009	2010	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Besunyen Investment Co., Ltd. (i)	—	2,100	8,050	—	—	—	—
Guangzhou Benefit Trading Co., Ltd. (i)	490	183	10,622	—	—	—	—
Chengdu Benefit Biology Technology Co., Ltd. (i)	—	—	250	—	—	—	—
Mr. Zhao Yihong	—	—	10,000	—	—	—	—
Mr. Zhao Yixing (ii)	—	—	880	—	—	—	—
Foreshore Holding Group Limited (i)	—	—	—	6	6	6	6
Booming International Group Ltd. (i)	—	—	—	1	1	1	1
Tea-care Limited (i)	—	—	—	13	13	13	13
	490	2,283	29,802	20	20	20	20

	Maximum amount outstanding during the year/period ended					
	The Group				The Company	
	December 31,			June 30,	December 31,	June 30,
Name of related party	2007	2008	2009	2010	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Besunyen Investment Co., Ltd. (i)	2,400	8,050	43,050	6,500	—	—
Guangzhou Benefit Trading Co., Ltd. (i)	3,759	10,679	10,622	—	—	—
Chengdu Benefit Biology Technology Co., Ltd. (i)	—	250	250	—	—	—
Mr. Zhao Yihong	—	10,000	10,000	36	—	—
Mr. Zhao Yixing (ii)	—	880	880	—	—	—
Foreshore Holding Group Limited (i)	—	—	6	6	6	6
Booming International Group Ltd (i)	—	—	1	1	1	1
Tea-care Limited (i)	—	—	13	13	13	13
	6,159	29,859	64,822	6,556	20	20

Name of related party	Amounts due to related parties			
	The Group			
	At December 31,			At June 30,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Besunyen Investment Co., Ltd.[(i)]	—	500	—	500
Beijing Changqingxingda Science Development Co., Ltd.[(iii)]	1,498	383	—	—
Beijing Kanglitongyuan Science Development Co., Ltd.[(i)]	2,300	—	—	—
Mr. Zhao Yihong	—	—	—	1,000
Mrs. Gaoyan[(ii)]	637	—	—	—
Mr. Gao Derun[(ii)]	476	—	—	—
	4,911	883	—	1,500

The Group has the following significant transactions with related parties:

Name of related party	Nature of transactions	The Group				
		For the year ended December 31,			Six months ended June 30,	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Guangzhou Benefit Trading Co., Ltd.[(i)(iv)]	Sales	36,061	55,208	5,409	4,862	—
Beijing Baicaochangqing Science Development Co., Ltd.[(i)(iv)]	Purchase	(6,407)	—	—	—	—
Beijing Changqingxingda Science Development Co., Ltd.[(iii)(iv)]	Purchase	(3,092)	—	—	—	—
Besunyen Investment Co., Ltd.[(i)(iv)]	Interest income	—	—	1,424	1,064	120
Besunyen Investment Co., Ltd.[(i)(iv)]	Rental expense	—	1,200	1,200	600	600

(i) Mr. Zhao Yihong or Ms. Gao Yan has a beneficial interest in these entities.

(ii) These are closely related family members of Mr. Zhao Yihong or Ms. Gao Yan.

(iii) The closely related family members of Mr. Zhao Yihong or Ms. Gao Yan have beneficial interests in these entities.

(iv) In the opinion of the Company's directors, these related party transactions were conducted on normal commercial terms and in the Group's ordinary and usual course of business.

The amounts due from related parties at June 30, 2010 were settled in July 2010.

During the year ended December 31, 2007, Besunyen Investment Co., Ltd., a company controlled by Mr. Zhao Yihong, provided a rent-free office to the Group.

During the year ended December 31, 2009 and six months ended June 30, 2010, the Group provided a short-term loan of RMB60,700,000 and RMB6,500,000, respectively, to Besunyen Investment Co., Ltd., a company controlled by Mr. Zhao Yihong. The loan was unsecured, interest bearing at 5.8% per annum and 5.94% per annum, and fully settled during the year ended December 31, 2009. As advised by the Company's PRC legal advisor, these interest bearing loan transactions were not in compliance with the relevant laws and regulations in the PRC; however, such non-compliance does not have a significant risk on the Group because these loans were fully settled and there was no administrative penalty from the relevant government authorities. As such, the Company's directors do not consider these transactions will have a significant impact on the Group's results or financial position.

During the six months ended June 30, 2010, Mr. Zhao Yihong advanced RMB1,000,000 to an employee of the Group for setting up a domestic company in the PRC.

The amounts due from/to related parties are unsecured, interest free and have no fixed terms of repayment.

The details of remuneration of key management personnel, representing emoluments of directors of the Company paid during the Relevant Periods, are set out in note 11.

43. BUSINESS COMBINATIONS

(a) Acquisition of Zhuhai Qi Jia

On January 19, 2010, the Group entered into an equity acquisition agreement to acquire a 100% beneficial interest in Zhuhai Qi Jia, a PRC company which is engaged in the manufacture and sale of therapeutic tea products in the PRC, for a consideration of RMB2,000,000. The acquisition was valued by Marsh (Beijing) Risk Consulting Co., Ltd., an independent firm of professional valuers as of January 31, 2010 and was accounted for using the purchase method. The consideration for the acquisition was independently and mutually negotiated between two parties with reference to the financial position and future earnings capacity. The amount of goodwill arising as a result of the acquisition was RMB5,305,000.

The net assets acquired in the transactions, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
	RMB'000	RMB'000	RMB'000
Net assets acquired			
Bank balances and cash	18	—	18
Other receivables	12	—	12
Inventories	314	—	314
Intangible assets			
— Patent	—	4,620	4,620
Property, plant and equipment	7,132	(163)	6,969
Prepaid lease payments	642	4,028	4,670
Payable to former shareholders	(17,050)	—	(17,050)
Other payables	(237)	—	(237)
Amount due to a related party	(500)	—	(500)
Deferred tax liabilities	—	(2,121)	(2,121)
	(9,669)	6,364	(3,305)
Goodwill arising on acquisition			5,305
Total consideration, included in other payables and accrued expenses as of June 30, 2010			2,000
Cashflow arising on acquisition:			
Bank balances and cash acquired			18

A deposit of RMB2,000,000 was made as of December 31, 2009 (see note 17(c)). During the six months ended June 30, 2010, such deposit was refunded to the Group.

Pursuant to the equity acquisition agreement, the Group is committed to pay by 3 installments a total amount of RMB19,050,000, of which RMB17,050,000 is a capital injection to Zhuhai Qi Jia and RMB2,000,000 is a purchase consideration.

In January 2010, the Group made the first payment of RMB10,000,000 as a capital injection to Zhuhai Qi Jia to increase its registered capital from RMB2,000,000 to RMB12,000,000.

The Group is required to make a second payment of RMB6,550,000 as a further capital injection to Zhuhai Qi Jia after obtaining the building ownership certificate of Zhuhai Qi Jia's factory and satisfying other customary closing conditions. The second payment had not been made at June 30, 2010.

The Group is required to make a third payment of RMB2,500,000, of which RMB500,000 is a capital injection to Zhuhai Qi Jia and RMB2,000,000 is a purchase consideration, six months after the second payment. The third payment had not been made at June 30, 2010.

The goodwill mainly represents synergies and economic benefits that Zhuhai Qi Jia will bring to the Group in the future by enriching product portfolio, increasing market penetration of existing products and broadening the Group's presence in the therapeutic tea market. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Zhuhai Qi Jia contributed a loss of RMB814,000 to the Group's profit for the period between the date of acquisition and June 30, 2010.

If the acquisition had been completed on January 1, 2010, total group revenue for the six months ended June 30, 2010 would have been RMB368,695,000, and profit for the six months ended June 30, 2010 would have been RMB20,902,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2010, nor is it intended to be a projection of future results.

The Group recognized the acquisition related cost of RMB175,000 for the six months ended June 30, 2010 in relation to the acquisition of Zhuhai Qi Jia and included in other expenses.

(b) Acquisition of Ever Assure

Pursuant to a share exchange agreement dated May 21, 2010, the Group acquired 100% of the issued share capital of Ever Assure for an aggregate of 217,313 ordinary shares of the Company with a fair value of RMB30,850,000. Ever Assure owns a 100% equity interest in Jian Shi Xing, a company established in the PRC which is engaged in the research and development of tea and Chinese medicinal herbal products. The primary purpose of the acquisition was to enhance the in-house research and product development capability of the Group. The acquisition was valued by Marsh (Beijing) Risk Consulting Co., Ltd., an independent firm of professional valuers as of May 31, 2010 and was accounted for using the purchase method. The consideration for the acquisition was independently and mutually negotiated between two parties with reference to the financial position and future earnings capacity. The amount of goodwill arising as a result of the acquisition was RMB15,480,000.

The net assets acquired in the transactions, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
	RMB'000	RMB'000	RMB'000
Net assets acquired			
Cash and cash equivalents	1,104	—	1,104
Other receivables	2,714	—	2,714
Property, plant and equipment	2,090	—	2,090
Other payables	(1,263)	—	(1,263)
Intangible assets			
— Patent	—	9,410	9,410
— Contract backlog	—	200	200
— Customers base	—	2,430	2,430
— Non compete agreement	—	2,260	2,260
Deferred tax liabilities	—	(3,575)	(3,575)
	4,645	10,725	15,370
Goodwill arising on acquisition			15,480
Total consideration, satisfied by:			
Shares issued (Note)			30,850
Cash inflow arising on acquisition:			
Bank balances and cash acquired			1,104

Note: 217,313 ordinary shares of the Company with par value of US$0.001 each were issued as consideration. The fair value of the ordinary shares of the Company, estimated by the directors with reference to valuations carried out by an independent firm of professional valuers, amounted to RMB30,850,000.

Goodwill mainly represents synergies and economic benefits that Ever Assure and Jian Shi Xing will bring to the Group in the future by providing access to potential improvement of existing products and accelerating research of new products. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Ever Assure and Jian Shi Xing contributed a loss of RMB325,000 to the Group's profit for the period between the date of acquisition and June 30, 2010.

If the acquisition had been completed on January 1, 2010, total group revenue for the six months ended June 30, 2010 would have been RMB370,908,000, and profit for the six months ended June 30, 2010 would have been RMB20,868,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2010, nor is it intended to be a projection of future results.

The Group recognized the acquisition related cost of RMB767,000 for the six months ended June 30, 2010 in relation to the acquisition of Ever Assure and Jian Shi Xing in other expenses.

B. SUBSEQUENT EVENTS

a. In September 2010, the Company authorized a 120-for-one share sub-division which became effective on September 10, 2010.

b. The Company's board of directors approved in August 2010 a cancellation of one-sixth of all the pre-IPO share options granted in May and June of 2010 to the Group's employees, directors and consultant on a pro-rata basis, totaling 23,986,000 share options (after a 120-for-one share sub-division). This resulted in an acceleration of vesting, and therefore the Company recognized immediately a share-based compensation expense of approximately RMB9.7 million.

c. The shareholders of the Company conditionally approved and adopted another share option scheme at a board of directors meeting held on September 8, 2010. No share option has been granted under this share option scheme.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group have been prepared in respect of any period subsequent to June 30, 2010.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong