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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 926

Interim Report 2011

Corporate Profile

Besunyen Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group") are the leading provider of therapeutic tea in China, engaging in the development, production, sales and promotion of therapeutic tea and the business of other health food products. During the six months ended 30 June 2011, the majority of the Group's turnover comes from the Group's two best-selling products, namely Besunyen Detox Tea and Besunyen Slimming Tea. According to a survey conducted by China Southern Medicine Economy Research Institute (南方醫藥經濟研究所), these two products were the leading therapeutic tea products sold through retail pharmacies in China in the laxative and slimming products market in terms of retail sales value in 2010, with a market share of 25.8% and 25.5% respectively.

Products of the Group use exclusive formulae and are manufactured with high quality Chinese herbal-based medicine and tea leaves, providing effective, safe, affordable and convenient to use health food products for those with chronic or recurring health problems, as well as those seeking to maintain a healthy body and lifestyle.

As of 30 June 2011, products of the Group are sold in nearly 123,000 retail outlets all over China, of which over 97% are retail pharmacies. The distribution network of the Group covers 429 distributors in 31 provinces, autonomous regions and centrally administered municipalities in China.

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Zhao Yihong
(Chairman and Chief Executive Officer)
Ms. Gao Yan *(Vice Chairman)*

Non-executive Directors

Mr. Zhuo Fumin
Mr. Wang Bing

Independent non-executive Directors

Mr. Huang Jingsheng
Mr. Wong Lap Tat Arthur
Ms. Xin Katherine Rong

AUDIT COMMITTEE

Mr. Wong Lap Tat Arthur *(Chairman)*
Mr. Huang Jingsheng
Ms. Xin Katherine Rong

REMUNERATION COMMITTEE

Mr. Huang Jingsheng *(Chairman)*
Mr. Zhao Yihong
Mr. Wong Lap Tat Arthur
Ms. Xin Katherine Rong

NOMINATION COMMITTEE

Ms. Xin Katherine Rong *(Chairman)*
Mr. Zhao Yihong
Mr. Wong Lap Tat Arthur
Mr. Huang Jingsheng

COMPANY SECRETARY

Mr. Au Lap Ming, CPA, ACIS, ACS

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Central, Hong Kong

The Group Results Highlights

The Operation Results of the Group

For the six months ended 30 June 2011, the Group achieved a turnover of Renminbi ("RMB") 512.3 million, representing an increase of 39.0% as compared to that for the same period of 2010. Gross profit increased by 38.7%, and reached RMB458.6 million. Gross profit margin slightly decreased from 89.7% in the first half of 2010 to 89.5%. Profit and total comprehensive income of the Group was RMB113.3 million, representing an increase of 436.9% from RMB21.1 million for the same period of 2010. The basic and diluted earnings per share were RMB0.07 and RMB0.07 respectively (for the same period of 2010: the basic and diluted earnings per share were RMB0.02 and RMB0.02 respectively).

Interim Dividends

The board (the "Board") of directors (the "Directors") of the Company decided to distribute an interim cash dividend for 2011 at HK$0.02 per share, with dividend-payout ratio of approximately 24.4%, on or around 22 September 2011.

Management Discussion and Analysis

Business Review

The year 2011 marks the beginning of China's Twelfth Five-year Plan for economic development. During the first half of 2011, China's economy faced a tight spot with serious inflation and noticeable slowdown of economic growth, for which the People's Republic of China ("PRC") Government has taken a series of resolute and flexible macro control measures to make sure that China's economy is evolving on the right track and at a steady and fast speed. According to the National Bureau of Statistics of China, China's GDP for the first half of 2011 increased by 9.6% to RMB20.4 trillion, while the total retail sales of consumer goods and the per capita disposable income of urban residents (net of price influences) increased by 16.8% and 7.6% to RMB8.6 trillion and RMB11,041 respectively, as compared with last year.

Benefiting from the stunning growth of China's economy, the continuous increase of disposable income of the Chinese residents and the significant growth in consumption arising from the changing of consumption patterns in addition to the public's increasing awareness of health and preference for health care products made of Chinese herbs, the therapeutic tea market in China has been growing at a steady pace.

As a leading provider of therapeutic tea in China, the Group has been striving to accomplish the following targets during the first half of 2011:

1. Strengthening Management of Sales Network and Channels and Improving Efficiency of Retail Outlets

Following the completion of preliminary layout of our sales network and channels covering all of China's provinces, municipalities and autonomous regions in 2010, for the first half of 2011, the Group focused on the expansion of regional markets, in-depth channel exploitation and improvement of efficiency of retail sales outlets. First of all, in respect of expansion of regional markets, for the developed markets, while we strengthened our market position in the tier-1 cities, we focused on the in-depth exploitation of the tier-3 cities and county-level markets so as to increase the penetration of our sales network. For the developing markets, we focused on the in-depth exploration of the tier-2 cities and penetration of tier-3 cities so as to continuously increase our turnover. For the emerging markets, we focused on those key cities, and kept up radiation on the tier-2 and tier-3 cities through media advertisements so as to finalize the preliminary layout of our market exploration.

As for channel management, we focused on optimization of the resources of existing distributors, and establishing a key customer strategic cooperation program under the distributor management system through distributor rating, so as to improve their operational and management efficiency. We have also been integrating our channels through continuous optimization. For example, the Group has adopted measures to reduce intermediate channel layers, to lean towards large-scale distributors, to further clarify channel segmentation and to remove from our list the distributors with malpractices. Although the number of our distributors dropped from 462 as at the end of 2010 to 429 as at 30 June 2011, the 429 distributors cover an aggregate of close to 123,000 retail outlets as at 30 June 2011 (including 119,680 retail pharmacies and 3,260 supermarkets and hypermarkets), as compared with the approximately 119,000 retail outlets as at the end of 2010.

Meanwhile, the Group strengthened the maintenance and management of retail outlets during the first half of 2011 and made it our top priority to increase the first-to-recommend ratio of the Besunyen Detox Tea and Besunyen Slimming Tea by shop assistants. In this regard, the Group took a series of promotional approaches such as staging competition of shop assistant recommendation and increasing the relevant appraisal weight which successfully increased the average first-to-recommend ratio of our products. Furthermore, the Group took advantage of the opportunities provided when our competitors' products were removed from the shelves as they contained Sibutramine and started the promotion of our health weight-scale that carries the Besunyen logo and successfully replaced around 25,000 weight-scales of our competitors, which enhanced the influences of Besunyen brandname among the retail outlets.

2. Optimizing Marketing Resources to Improve the Recognition and Credibility of the "Besunyen" Brandname

During the first half of 2011, the Group rationally planned and applied our marketing resources including advertising, which in turn optimized the marketing effectiveness on brand enhancement and sales generation. In respect of media advertising, the Group increased our advertisement coverage on popular satellite TV channels and programmes in Mainland China. Meanwhile, the Group has also been actively exploring the strategy and impact of using online media in view of its increasing popularity.

In addition, in order to further promote our brand influence, the Group carefully selected a number of TV shows for title sponsorship, such as the Dancing Carnival (3rd Season) on Chengdu TV, the Invite You to Be Our Brand Ambassador on Qilu TV, the More Smart Talk, the More Happiness on Hunan Economic TV and the Follow the Road to Health on CCTV-10. We also participated in the Ninth University Advertisement Art Show (Academy Award) and collected creative works from college students on our new product Besunyen Mei An Granules, aiming at building Besunyen brand awareness among the young consumers and promoting our business concepts.

In the first half of 2011, we engaged Ms. Xu Jinglei, a famous Chinese female director and actress, as the spokesperson of our Besunyen Slimming Tea, aiming at promoting the new "Green, healthy and fashionable" image of Besunyen Slimming Tea. The press conference was held on 21 March 2011 in Hong Kong and attracted over 300 media from the mainland and 17 from Hong Kong, which remarkably increased the influence of our Besunyen brand and boosted the sales of its products. The results of a survey conducted by a third party we engaged on the promotional effect of the Xu Jinglei version Besunyen Slimming Tea commercial indicated that the consumers responded positively to our new advertisement and thought that it had a stronger persuasive effect and was a greater booster to our products in terms of market penetration and brand promotion. Meanwhile, our engagement of the Chinese comic stars Guo Dongling and Niu Li to represent our Besunyen Detox Tea at the beginning of the year also had a similar positive effect.

3. Striving for New Products Launch

Mei An Granules has shown its efficacy in improving sleep quality, which is its key selling point, as evidenced by the nationwide trial sale since November 2010. Based on the findings on efficacy of our products to the random samples of customers in two pilot markets, Jiangyin city and Changshu city, Jiangsu Province, the product can attain potency of 56.0% if one takes 2 boxes of Mei An Granules (i.e. a two-week trial term) or above, which reaches 75.6% for 3 boxes (i.e. a three-week trial term) or above.

In this respect, the Group has repositioned Mei An Granules in the second quarter of the year, and set up and fostered a strong trial sale team, aiming to enhance its efforts in the test campaign. Besides, in order to achieve expected trial sale effectiveness, we focused all of our sales activities at Jiangyin city and Changshu city, Jiangsu Province, as supported by mass advertising on TV from May this year. With that, we aim to obtain trial sale results which are truthful and complete. The Group expects that the trial sale of Mei An Granules will extend to Eastern China in the fourth quarter of this year and across the country in 2012.

In addition, the Group is going full steam ahead in the preliminary preparation for the launch of Maishuping, another new OTC medicine, which is helpful in stabilizing blood pressure. As of the first half of this year, Beijing Besunyen Pharmaceutical Co., Ltd. (北京碧生源藥業有限公司) was established and granted Drug Manufacturing Certificate and Business License. The Group has established the positioning and marketing strategies for Maishuping. Once the Group obtains the approval from the State Food and Drug Administration for the medicine certificate of post plant-relocation production of Maishuping, the Group will immediately commence for the production and sale of this new product.

4. Strengthening Efforts for New Products Research and Development and Strictly Controlling Product Quality

The Group has maintained our research and development focus on the sector of health beverages, mainly tea and herbal-based drinks, and in particular, pays attention to new types of safe and reliable products with sufficient health effects and higher technical barriers where there are strong market and consumer demands. As regards to new products research and development and declaration, the Group applied to Shanghai Disease Prevention and Control Centre, a test institution authorized by the State Food and Drug Administration, for reviewing a new product that helps relieve physical fatigue and improving memory in July 2010. This product has already passed the relevant tests on safety, efficacy and quality reliability in May 2011. The Group has completed the preparation of relevant data and documents for this product and has lodged an application to the State Food and Drug Administration.

The Group has also applied to Shanghai Disease Prevention and Control Centre in April 2011 for another new product (which targets to enhance skin condition and repair ageing skin caused by various oxidation factors). Such new product is under tests on product safety, efficacy and quality reliability. Furthermore, the Group's research and development department is also carrying out research and development of new products that help people clear and nourish throat, brighten eyesight and protect eyes, promote digestion, etc.

In addition to the above efforts, by leveraging its in-house technology edge in tea and Chinese herb medicine, the Group's research and development department also continues to seek for and undertake projects commissioned by international beverage and food companies for joint development. That enables the department to boost awareness in the relevant research field worldwide by means of ever increased research and development capabilities.

What's more, in respect of product safety and quality assurance, the Group has set up the Product Safety and Quality Assurance Center early this year. The center is running smoothly in the analysis and tests on the quality and safety of raw materials, semi-finished products and final products. Relying on our high-tech and large sophisticated analyzers and well-trained professionals, the Group is capable of carrying out safety tests on raw materials and products on a more timely, efficient and accurate basis, which ensures the compliance to the strict quality and safety standards of each batch of raw materials purchased or products produced.

5. Refining Corporate Management to Increase Operating Efficiency

Since our listing, the Group has been emphasizing the use of budgeting management system to guide our corporate development towards clear goals, and render its growth in a rational and controllable way. Through establishing and strengthening a budget management system with full staff participation, the management of revenue, cost and expense, capital expenditure and working capital have been enhanced, thereby achieving refined corporate management.

The Group also from time to time recruits talents and strengthens the functions of human resources, organization development, information technology planning and construction, etc.. The construction works of the human resources system have been well in progress, which include optimization of organizational structure, clarification of responsibilities and duties, better arrangement of posts, reform of remuneration packages and construction of core talents team.

The Group also engaged China's renowned management consulting institutions to analyze our information system construction and suggest plans, which have been provided to us in the form of detailed planning reports. In order to further implement those plans, the Group has preliminarily selected partners for cooperation and intends to commence the construction of specific projects, such as optimization of management process, office automation system and enterprise resources planning system as well as the rebuilding of network system in the second half of 2011.

Financial Review

1. Review of Interim Results for 2011

The following table sets forth interim results of the Group during the six months ended 30 June ("the first half of the year") as indicated:

	For the six months ended 30 June 2011 RMB'000	2010 RMB'000
Turnover	**512,323**	368,684
Cost of sales	**(53,721)**	(37,962)
Gross profit	**458,602**	330,722
Other income (expenses)	**7,459**	(10,841)
Selling and marketing expenses	**(272,500)**	(186,686)
Administrative expenses	**(49,448)**	(28,633)
Research and development costs	**(6,571)**	(1,319)
Finance costs	**–**	(2,734)
Change in fair value on redeemable convertible preferred shares	**–**	(56,661)
Profit before taxation	**137,542**	43,848
Income tax expense	**(24,219)**	(22,740)
Profit and total comprehensive income for the first half of the year	**113,323**	21,108
Earnings per share		
Basic (RMB)	**0.07**	0.02
Diluted (RMB)	**0.07**	0.02

Turnover

	For the six months ended 30 June			
	2011		2010	
	RMB'000	**Percentage of turnover**	RMB'000	Percentage of turnover
Turnover:				
Besunyen detox tea	**242,632**	**47.4%**	178,173	48.3%
Besunyen slimming tea	**266,804**	**52.1%**	187,493	50.9%
Other products	**2,887**	**0.5%**	3,018	0.8%
Total	**512,323**	**100.0%**	368,684	100.0%

Management Discussion and Analysis

The turnover of the Group increased by 39.0% from RMB368.7 million in the first half of 2010 to RMB512.3 million for the same period of 2011, mainly due to the rapid growth of the sales of the Group's Besunyen Detox Tea and Besunyen Slimming Tea. The turnover of Besunyen Detox Tea increased by 36.2% from RMB178.2 million in the first half of 2010 to RMB242.6 million for the same period of 2011, mainly due to the increase of sales volume from 116.6 million tea bags to 151.7 million tea bags. The turnover of Besunyen Slimming Tea increased by 42.3%, from RMB187.5 million in the first half of 2010 to RMB266.8 million for the same period of 2011, mainly due to the increase in sales volume from 179.1 million tea bags to 249.8 million tea bags. The growth of sales volume was mainly driven by the Group's efforts in developing and exploiting markets, as well as expanding the distribution network.

For the first half of 2011, the actual selling price of Besunyen Detox Tea and Besunyen Slimming Tea (turnover divided by sales volume) remained relatively stable, despite the significant sales volume increase of these two products. During the period, the actual selling price of Besunyen Detox Tea and Besunyen Slimming Tea were RMB1.60 per bag and RMB1.07 per bag respectively (compared to RMB1.53 per bag and RMB1.05 per bag respectively in the first half of 2010).

Cost of Sales and Gross Profit

	For the six months ended 30 June			
	2011		2010	
	RMB'000	**Percentage of turnover**	RMB'000	Percentage of turnover
Raw material costs	**9,293**	**1.8%**	6,876	1.9%
Packaging material costs	**30,689**	**6.0%**	20,254	5.5%
Labor costs	**4,161**	**0.8%**	3,655	1.0%
Manufacturing overhead	**9,578**	**1.9%**	7,177	1.9%
Total	**53,721**	**10.5%**	37,962	10.3%
Gross profit	**458,602**	**89.5%**	330,722	89.7%

The cost of sales of the Group increased by 41.5%, from RMB38.0 million in the first half of 2010 to RMB53.7 million for the same period of 2011, because the raw material costs, packaging material costs, labor costs, and manufacturing overhead all increased due to the Group's continuous expansion of its production level to fulfill growing demand for our products. The cost of sales accounted for 10.3% of turnover in the first half of 2010, and it rose to 10.5% in the first half of 2011. The main reasons for the increase in the cost of sales are as follows. The market prices of the major raw materials for producing the products of the Group increased; however, with a strong bargaining power of the Group, the raw materials costs as a percentage of turnover had a slight decrease. In respect of packaging material costs, the demand for packaging materials rose due to an increase in sales volume of our products. On the other hand, the Group was able to control the rise in the price of packaging materials effectively through introduction of new suppliers. In respect of manufacturing overhead, since the new plant is put into use and the Group increased the use of new equipment and facilities like the Italy-made automated tea bag packaging machines, expenses in water and energy consumption as well as asset depreciation has therefore increased. In addition, in respect of labor costs, the increased automation resulted from the utilization of new packaging machines caused the need to have more skilled labor even though at a reduced staff count, hence unit labor costs increased. On balance, benefiting from the proper planning of the Group, labor costs as a percentage of turnover decreased as compared with the first half of 2010.

Therefore, the gross profit of the Group increased by 38.7% from RMB330.7 million in the first half of 2010 to RMB458.6 million for the same period of 2011. The gross profit margin of the Group showed a slight decrease from 89.7% in the first half of 2010 to 89.5% for the same period of 2011.

Other Income (Expenses)

Other income of the Group in the first half of 2011 amounted to RMB7.5 million, while other expenses of the Group for the same period of 2010 was RMB10.8 million. The change was mainly caused by the interest income on the proceeds of initial public offering of the Company ("IPO") for the first half of 2011 which amounted to RMB7.3 million. Other income (expenses) was also affected by the appreciation of Renminbi against foreign currencies such as US Dollar and Hong Kong Dollar in the first half of 2011, such that the Group generated a loss of RMB4.6 million in foreign exchange for the first half of 2011. Other income (expenses) in the first half of 2011 also includes a relevant government grant of RMB4.3 million provided by the Chinese government to support the Group's operations and business in Fangshan District, Beijing.

Selling and Marketing Expenses

	For the six months ended 30 June			
	2011		2010	
	RMB'000	Percentage of turnover	RMB'000	Percentage of turnover
Advertising expenses	**165,410**	**32.3%**	117,140	31.8%
Other marketing and promotional expenses	**34,255**	**6.7%**	23,635	6.4%
Staff costs(1)	**48,853**	**9.5%**	32,607	8.8%
Others	**23,982**	**4.7%**	13,304	3.6%
Total	**272,500**	**53.2%**	186,686	50.6%

(1) Includes share-based compensation expenses of RMB1.3 million for the six months ended 30 June 2011.

The selling and marketing expenses of the Group increased by 46.0% from RMB186.7 million in the first half of 2010 to RMB272.5 million for the same period of 2011. The increase in advertising expenses was mainly due to the enlarged spending on television and other commercials, as well as brand sponsorship activities. The increase in other marketing and promotional expenses (including point-of-sale terminals expenses, promotional expenses and expenses in gifts, etc.) was mainly because of the expansion of point-of-sale terminals sales network and increased point-of-sale terminals sales activities conducted by the Group. Staff costs in relation to sales and marketing of the Group in the first half of 2011 increased, mainly because of an increase in the sales labor costs per head and the share-based compensation expense. The number of sales and marketing staff of the Group also rose from 2,234 as of 30 June 2010 (including 938 promotion staff employed through agencies) to 2,856 as of 30 June 2011 (including 1,146 promotion staff employed through agencies).

Management Discussion and Analysis

Administrative Expenses

	For the six months ended 30 June			
	2011		2010	
	RMB'000	**Percentage of turnover**	RMB'000	Percentage of turnover
Staff costs[(1)]	**26,830**	**5.3%**	16,435	4.5%
Office expenses	**9,105**	**1.8%**	5,349	1.5%
Professional fees	**2,059**	**0.4%**	1,963	0.5%
Travel and entertainment expenses	**3,675**	**0.7%**	2,800	0.7%
Others	**7,779**	**1.5%**	2,086	0.6%
Total	**49,448**	**9.7%**	28,633	7.8%

(1) Includes share-based compensation expenses of RMB9.8 million for the six months ended 30 June 2011.

The administrative expenses of the Group increased by 72.7% from RMB28.6 million in the first half of 2010 to RMB49.4 million for the same period of 2011, mainly driven by the additional employment of some experienced senior managers across divisions since 2010 for the purpose of meeting the business rapid growth needs, as well as the non-cash share-based compensation expenses paid to our executives which amounted to RMB9.8 million (for the first half of 2010: RMB6.8 million).

Research and Development Costs

	For the six months ended 30 June			
	2011		2010	
	RMB'000	**Percentage of turnover**	RMB'000	Percentage of turnover
Research and development costs	**6,571**	**1.3%**	1,319	0.4%

The Group's research and development costs increased by 398.2% from RMB1.3 million in the first half of 2010 to RMB6.6 million for the same period of 2011 because of the Group's efforts to enhance research and development capabilities and to improve production quality.

Finance Costs

Finance costs of the Group decreased from RMB2.7 million in the first half of 2010 to Nil for the same period of 2011, mainly because the Group did not have any interest-bearing loans for the first half of 2011.

Change in Fair Value on Redeemable Convertible Preferred Shares

Relevant charge related to the change in the fair value of the redeemable convertible Series A preferred shares of the Group in the first half of 2010 was RMB56.7 million. Owing to the conversion of the redeemable convertible preferred shares existing before the IPO last year into ordinary shares of the Company, which then became part of the shareholders' equities of the Company, the redeemable convertible preferred shares were no longer liabilities of the Company after the conversion. Thus, the Group no longer had any changes in the fair value of the redeemable convertible Series A preferred shares during the first half of 2011.

Income Tax Expense

Income tax expense of the Group increased by 6.5% from RMB22.7 million in the first half of 2010 to RMB24.2 million for the same period of 2011. This was mainly because the taxable income of the Group had increased.

Profit and Total Comprehensive Income

Due to the aforementioned factors, the profit and total comprehensive income of the Group for the first half of 2011 increased by 436.9% from RMB21.1 million for the same period of 2010 to RMB113.3 million.

2. Cash Flow, Financial Resources and Capital Commitment

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

Cash Flow

The following table summarizes net cash flow of the Group during the first half of the year as indicated:

	For the six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Net cash from (used in) operating activities	**8,388**	(6,454)
Net cash used in investing activities	**(101,876)**	(79,872)
Net cash used in financing activities	**(14,466)**	(21,516)
Decrease in cash and cash equivalents	**(107,954)**	(107,842)

Net Cash from (Used in) Operating Activities

During the first half of 2011, net cash from operating activities of the Group was RMB8.4 million (for the same period of 2010: net cash used was RMB6.5 million), and profit before taxation was RMB137.5 million. The difference was mainly caused by an increase in trade and notes receivables amounted to RMB68.1 million, an increase in deposits, prepayments and other receivables (mainly prepaid advertisement expenses) amounted to RMB58.8 million, a decrease in other payables and accrued expenses amounted to RMB10.5 million (mainly caused by a decrease in accrued sales rebate of RMB9.0 million) and paid income taxes amounted to RMB24.2 million. Such amount was partly offset by the depreciation expenses of property, plant and equipment of the Group of RMB12.3 million and the non-cash expenses of RMB11.1 million as share-based compensation paid to staff (including the Directors).

Net Cash Used in Investing Activities

During the first half of 2011, net cash used in investing activities of the Group amounted to RMB101.9 million (for the same period of 2010: RMB79.9 million), mainly for the purchase of office buildings for East China headquarters in Shanghai and the construction of production and ancillary buildings and facilities in Fangshan District, Beijing.

Management Discussion and Analysis

Net Cash Used in Financing Activities

During the first half of 2011, net cash used in financing activities of the Group was RMB14.5 million (for the same period of 2010: RMB21.5 million), mainly due to the payment of 2010 final dividend of RMB14.0 million.

Cash and Bank Loans

As of 30 June 2011, the Group's bank balances and cash totalled RMB1,057.9 million (31 December 2010: RMB1,170.5 million), representing a decrease of RMB112.6 million as compared to 31 December 2010. Over 95.0% of the bank balances and cash of the Group was in Renminbi. In addition, as at 30 June 2011, the Group did not have any bank borrowings (31 December 2010: Nil). Also, as at 30 June 2011, the Group did not have any unused bank credit lines.

Capital Expenditure

During the first half of 2011, capital expenditure of the Group was RMB101.9 million (for the same period of 2010: RMB85.9 million), which mainly included the purchase of office buildings for East China headquarters in Shanghai and expenditure for purchasing and building properties, plants and equipment for production ancillary equipment. The following table sets forth capital expenditure of the Group during the six months ended 30 June as indicated:

	For the six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Land-use rights	**–**	9,546
Property, plant and equipment	**101,728**	75,987
Intangible assets	**218**	416
Total	**101,946**	85,949

In order to optimize the Group's operational efficiency and attract more talents from the job market in Beijing to join the Group, in July 2011, the Group purchased an under construction office project located at Linglong Tiandi Centre, No. 32 Wukesong Road, Haidian District, Beijing, PRC with a gross floor area of 10,592.63 sq. m.. The purpose of the acquisition is to secure office space for centralizing the operations of the Group in Beijing upon its completion and handover in mid-2012. The consideration of the entire project is RMB306.0 million, which will be satisfied as to approximately RMB123.7 million by the net proceeds from the IPO and remaining amount will be satisfied by internal financial resources of the Group. Please refer to the announcements of the Company dated 11 July 2011 and 22 July 2011 for details.

In addition, currently the Group expects that the capital expenditure for the second half of 2011 amounts to around RMB463.0 million, which will be mainly used to purchase land, properties, plants and equipment related to the building, installation and assembly of additional production and ancillary facilities in Fangshan, to increase investments in research and development equipment, and to purchase and upgrade IT facilities and functions. The Group expects to use our current cash balance, cash generated from our operations, and the proceeds from the IPO to fund the capital expenditure of the Group in the second half of 2011.

Use of the Net Proceeds from the IPO

The use of the net proceeds from the IPO during the first half of 2011 is as follows:

	Net Amount from the IPO			
	Available RMB'000	2010 Used RMB'000	First half of 2011 Used RMB'000	Unused RMB'000
Acquisition of new production equipment and building new production facilities	364,913	52,761	40,107	272,045
Setting up of the East China Headquarters*	150,000	–	74,763	75,237
Acquisition of the property located in Haidian District, Beijing*	123,664	N/A	N/A	123,664
Extension of sales and distribution network, channels and brand building	73,092	54,957	18,135	–
Design, R&D of new products	146,185	8,979	15,761	121,445
Improvement of ERP and overall IT system	43,855	408	1,649	41,798
Loan repayment	73,000	73,000	–	–
Working capital	58,474	58,474	–	–
Total	1,033,183	248,579	150,415	634,189

* Please refer to the announcements of the Company dated 11 July 2011 and 22 July 2011 for details on the acquisition of the property located in Haidian District, Beijing and the reallocation of the IPO proceeds use.

Inventories

The Group's inventories included raw materials and packaging materials, work in progress (semi-finished products), and finished goods.

The Group actively monitors our inventories level to ensure that the inventories volumes of raw materials, work in progress and finished goods remain at a rather low but sufficient level. Throughout the distribution and retail process, the Group monitors and evaluates sales performance and product trend, so as to better estimate inventories requirements.

Management Discussion and Analysis

The following table sets forth our inventory data as of the dates indicated:

	As of 30 June 2011 RMB'000	As of 31 December 2010 RMB'000
Raw materials and packaging materials	**4,436**	4,159
Work in progress	**3,378**	1,354
Finished goods	**2,248**	156
Total	**10,062**	5,669

The following table sets forth our inventory turnover days analysis during the periods indicated:

	For the six months ended 30 June 2011 days	For the year ended 31 December 2010 days
Raw materials and packaging materials	**14.4**	14.2
Work in progress	**8.0**	8.8
Finished goods	**4.0**	1.1
Total	**26.4**	24.2

Trade and Notes Receivables

The Group generally requests distributors to pay before the delivery of products. For certain major distributors having a long-term cooperation relationship with the Group, the Group may allow more favorable payment and settlement provisions. For example, if those suppliers may provide effective proof of payment, such as acceptance bills issued by a bank, although such acceptance bills are listed as notes receivables in the balance sheet of the Group before its maturity date or before the Group has transferred them to a third party, and the Group deems such acceptance bills as low risk and regards the payment as settled, the Group would deliver new products. The Group usually monitors the sales contracts and provides a credit period of 60 days or a maximum of six months to a limited number of distributors. Those distributors are mainly reliable and reputable distributors providing wholesale to supermarkets and convenience store chains (general industry practice allows credit sales). For distributors not enjoying a credit period from the sales contract, they may apply for credit on an individual basis, and the Group would grant approval on an individual case basis considering marketing development needs, payment capabilities of the distributors and their past payment records.

The following table sets forth the Group's trade and notes receivables analysis as of the dates indicated:

	As of 30 June 2011 RMB'000	As of 31 December 2010 RMB'000
Trade receivables	**120,246**	135,117
Notes receivables	**100,627**	17,686
Total	**220,873**	152,803

The following table sets forth the turnover days analysis of trade and notes receivables of the Group during the periods indicated:

	For the six months ended 30 June 2011 days	For the year ended 31 December 2010 days
Trade and notes receivables turnover days	**65.6**	51.7
of which, trade receivables turnover days	**44.9**	36.4

Trade and notes receivables turnover days of the Group for the first half of 2011 increased. The main reasons were that the scale of the Group's business expanded, as well as the sales of the distributors (who the Group granted credit period) increased. Meanwhile, as the Chinese government has taken stronger macro-economic control measures this year, under the circumstance of tight funding in general, distributors may make their payments to the Group by more bank acceptance bills, which in turn increases notes receivables turnover days of the Group. However, as bank acceptance bills are issued by relevant banks and are secured by bank credit, the risk of having bad debts is rather low.

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

	As of 30 June 2011 RMB'000	As of 31 December 2010 RMB'000
0-90 days	**200,847**	149,392
91-180 days	**5,854**	3,411
181-360 days	**14,172**	–
Total	**220,873**	152,803

Management Discussion and Analysis

As of 30 June 2011, the Group had no bad and doubtful debt provision (31 December 2010: Nil). For the first half of 2011, the Group did not incur any bad and doubtful debt impairment (for the same period of 2010: Nil).

Trade Payables

The Group's trade payables mainly comprise payables by the Group to the suppliers of raw materials and packaging materials. Based on the long-term relationships with major suppliers of the Group, the Group generally enjoys favorable credit terms of up to 90 days.

The following table sets forth the Group's trade payables as of the dates indicated:

	As of	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Trade payables	**13,387**	7,342

The following table sets forth the analysis of turnover days of the Group's trade payables for the period as indicated:

	For the six months ended 30 June 2011 days	For the year ended 31 December 2010 days
Trade payables turnover days	**34.7**	35.8

The following table summarizes the aging of the Group's trade payables as of the dates indicated:

	As of	
	30 June 2011 RMB'000	31 December 2010 RMB'000
0-90 days	**12,779**	7,342
91-180 days	**136**	–
181-360 days	**472**	–
Total	**13,387**	7,342

Deposits, Prepayments and Other Receivables

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

	As of	
	30 June 2011 RMB'000	31 December 2010 RMB'000
Prepaid advertising	**131,736**	89,933
Other prepayments	**17,523**	6,165
Other receivables	**6,436**	4,023
Prepayments to suppliers	**4,251**	980
Prepaid lease payments	**1,447**	1,447
Total	**161,393**	102,548

Increase in the Group's prepaid advertising as of 30 June 2011 was mainly due to a number of factors: (i) the Group's advertising activities increased significantly; (ii) there were more media channels requesting prepaid advertising expenses (particularly television channels); and (iii) the Group decided to prepay expenses for more advertising so as to bargain for more advantageous television advertising fees, which would in turn reduces the impact of increased advertising expenses. The Group normally sets up agreements on prepaid advertising with television channels and other mass media platforms, or through their advertising agents (all of which are independent third parties).

Bank Borrowings and Gearing Ratio

As of 30 June 2011, the Group had no bank borrowings (31 December 2010: Nil), and the Group's gearing ratio of total debt to total assets was Nil (31 December 2010: Nil).

Risks in Foreign Exchange

The majority of sales income, costs and expenses of sales, as well as administrative expenses of the Group are denominated in Renminbi. Apart from some bank deposits that are held in Hong Kong dollar and US dollar, most assets and liabilities of the Group are valued in Renminbi. Since Renminbi is the functional currency of the Group, risks in foreign exchange mainly come from assets valued in Hong Kong dollar and US dollar.

For the six months ended 30 June 2011, the Group did not purchase any foreign exchange, interest rate derivative products or relevant hedging tools.

Pledge of Assets

As of 30 June 2011, the Group had no pledge of assets.

Contingent Liabilities and Guarantees

As of 30 June 2011, the Group had no material contingent liabilities or guarantees.

Off-Balance Sheet Commitments and Arrangements

As of 30 June 2011, the Group had no off-balance sheet commitments or arrangements.

Capital Commitment

As of 30 June 2011, the Group had a total of capital commitment of RMB1.6 million, mainly used to acquire equipment.

3. Human Resources Management

The Group regards high quality employees as its most important resources. As of 30 June 2011, the Group had about 3,408 employees in mainland China and Hong Kong (including 1,146 promotional staff employed by employment agents) (as of 31 December 2010: 2,711 staff members (including 751 promotional staff employed by employment agents)). For the six months ended 30 June 2011, the total staff costs (including Directors' remunerations and non-cash share-based compensation) were approximately RMB79.8 million. Staff compensation is formulated with reference to individual performance, work experience, qualification and current industry practices. Apart from basic salary and statutory pension welfare, staff welfare also includes discretionary bonus and stock options granted to eligible employees.

The Group values the recruitment, motivation and retention of suitable talents. Meanwhile, the Group invests sufficient efforts into continuous education and training for its staff members, so as to keep extending staff knowledge and skills, and to promote the spirit of teamwork. The Group often provides internal and external training courses to relevant staff based on various needs.

Prospect

As the leading brand and provider of therapeutic tea products in China, while the Group strives to maintain our leading position and business growth in the market with Besunyen Detox Tea and Besunyen Slimming Tea, the Group will continue to develop our business in the second half of 2011 by sticking to our established development strategy and work plan around the fundamental objectives for satisfying consumers' demand for pursuing health and healthy life-style. We will work hard to further enhance our sales network and distribution channels, to further improve the "Besunyen" brand, to strengthen our new product launch and success, and to improve our overall operation efficiency so as to maximize the enterprise value of the Group. Particularly, in order to speed up the launch of new products and growth of business, the Group not only has enhanced our ability in researching and developing new products for their successful launch, but also has made efforts to expand our business through merger and acquisition.

We believe our market-leading position, strong national brand name and nationwide distribution and sales network in China, coupled with our experience and knowledge of the strict PRC regulatory requirements for health food products, create strong barriers to entry in our markets. Our established market reputation, experienced product development team, extensive distribution network and pipeline of SFDA-approved products give us a competitive advantage in bringing new products to the market. The Group will continue to work with our broad customer base and business partners to further build the "Besunyen" brand into a famous household brand in the herbal tea-based health industry. At the same time, the Group strives to bring promising investment return to the shareholders of the Company.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Notes	Six months ended 30 June **2011** **RMB'000** **(unaudited)**	2010 RMB'000 (audited)
Turnover	3	**512,323**	368,684
Cost of sales		**(53,721)**	(37,962)
Gross profit		**458,602**	330,722
Other income (expenses)		**7,459**	(10,841)
Selling and marketing expenses		**(272,500)**	(186,686)
Administrative expenses		**(49,448)**	(28,633)
Research and development costs		**(6,571)**	(1,319)
Finance costs		**–**	(2,734)
Change in fair value on redeemable convertible preferred shares		**–**	(56,661)
Profit before taxation		**137,542**	43,848
Income tax expense	4	**(24,219)**	(22,740)
Profit and total comprehensive income for the period	5	**113,323**	21,108
Earnings per share			
Basic (RMB)	7	**0.07**	0.02
Diluted (RMB)		**0.07**	0.02

Condensed Consolidated Statement of Financial Position

At 30 June 2011

	Notes	**At 30 June 2011 RMB'000 (unaudited)**	At 31 December 2010 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**410,274**	272,145
Prepaid lease payments		**68,010**	68,767
Intangible assets		**19,801**	22,147
Non-current deposits	9	**10,016**	58,705
Deferred tax assets	14	**4,543**	8,408
Goodwill		**20,785**	20,785
		533,429	450,957
CURRENT ASSETS			
Inventories		**10,062**	5,669
Trade and notes receivables	10	**220,873**	152,803
Deposits, prepayments and other receivables	11	**161,393**	102,548
Bank balances and cash		**1,057,900**	1,170,469
		1,450,228	1,431,489
CURRENT LIABILITIES			
Trade payables	12	**13,387**	7,342
Other payables and accrued expenses	13	**89,961**	100,504
Amount due to a related party	19	**200**	1,000
Dividend payable		**48**	–
Taxation payable		**13,595**	17,142
		117,191	125,988
NET CURRENT ASSETS		**1,333,037**	1,305,501
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,866,466**	1,756,458
CAPITAL AND RESERVES			
Share capital	15	**95**	95
Reserves		**1,846,305**	1,735,600
		1,846,400	1,735,695
NON-CURRENT LIABILITIES			
Deferred government grant		**9,065**	9,459
Deferred tax liabilities	14	**11,001**	11,304
		20,066	20,763
		1,866,466	1,756,458

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Statutory surplus reserve RMB'000 (Note b)	Share option reserve RMB'000	Accumulated profits RMB'000	Total equity attributable to owners of the Company RMB'000
At 1 January 2010	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 30 June 2010	65	51,332	230,864	27,799	7,713	14,396	332,169
At 1 January 2011	**95**	**1,387,351**	**230,864**	**52,946**	**36,643**	**27,796**	**1,735,695**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**113,323**	**113,323**
Dividends	**–**	**(14,062)**	**–**	**–**	**–**	**–**	**(14,062)**
Exercise of share options	**–**	**498**	**–**	**–**	**(150)**	**–**	**348**
Share-based payments	**–**	**–**	**–**	**–**	**11,096**	**–**	**11,096**
At 30 June 2011	**95**	**1,373,787**	**230,864**	**52,946**	**47,589**	**141,119**	**1,846,400**

Note a: Special reserve represents the aggregate of (i) the difference between the nominal value of the Company's share, issued upon the group reorganisation and the net assets of Beijing Outsell Health Product Development Co., Ltd. ("Beijing Outsell") and Besunyen Food and Beverage Co., Ltd. ("Besunyen Food and Beverage"), and (ii) a deemed distribution of RMB2,200,000 to the shareholders.

Note b: 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.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(audited)
OPERATING ACTIVITIES		
Profit before taxation	**137,542**	43,848
Adjustments for:		
Amortisation of intangible assets	**2,398**	1,607
Depreciation of property, plant and equipment	**12,324**	5,164
Release of deferred government grant	**(394)**	(168)
Exchange loss	**4,615**	–
Finance costs	**–**	2,734
Fair value change on redeemable convertible preferred shares	**–**	56,661
Exchange gain on redeemable convertible preferred shares	**–**	(993)
Interest income	**(7,336)**	(270)
Share-based compensation	**11,096**	7,713
Loss on disposal of property, plant and equipment	**60**	177
Release of prepaid lease payments	**757**	399
Operating cash flows before movements in working capital	**161,062**	116,872
Increase in inventories	**(4,393)**	(6,534)
Increase in trade and notes receivables	**(68,070)**	(14,566)
Increase in deposits, prepayments and other receivables	**(58,845)**	(71,915)
Increase (decrease) in trade payables	**6,045**	(7,399)
(Decrease) increase in other payables and accrued expenses	**(10,543)**	5,715
Cash generated from operations	**25,256**	22,173
Income taxes paid	**(24,204)**	(26,015)
Interest received	**7,336**	270
Interest paid	**–**	(2,882)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**8,388**	(6,454)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(101,728)**	(75,987)
Purchase of intangible assets	**(218)**	(416)
Proceeds from disposal of property, plant and equipment	**70**	–
Prepaid lease payments	**–**	(9,546)
Loan to a related party	**–**	(6,500)
Deposit for establishment of a group company	**–**	(1,000)
Loan repayment from a related party	**–**	6,500
Refund of a deposit for acquisition of a subsidiary	**–**	2,000
Receipt of government grant income	**–**	2,000
Decrease in pledged bank deposits	**–**	1,955
Acquisition of subsidiaries	**–**	1,122
NET CASH USED IN INVESTING ACTIVITIES	**(101,876)**	(79,872)

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(audited)
FINANCING ACTIVITIES		
Dividend paid	**(14,014)**	(45,000)
Repayment to related parties	**(1,000)**	–
Proceeds from issuance of shares upon exercise of share options	**348**	–
Advances from related parties	**200**	1,000
Proceeds from bank borrowings	**–**	50,000
Proceeds from issuance of ordinary shares	**–**	20,484
Repayment of bank borrowings	**–**	(38,000)
Loan repayment to third party	**–**	(10,000)
NET CASH USED IN FINANCING ACTIVITIES	**(14,466)**	(21,516)
DECREASE IN CASH AND CASH EQUIVALENTS	**(107,954)**	(107,842)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD REPRESENTING BANK BALANCES AND CASH	**1,170,469**	168,777
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	**(4,615)**	–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD REPRESENTING BANK BALANCES AND CASH	**1,057,900**	60,935

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard 34 "Interim Financial Reporting".

2. Principal Accounting Policies

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations ("new or revised IFRSs") issued by International Accounting Standards Board ("IASB").

IFRSs (Amendments)	Improvements to IFRS issued in May 2010
IAS 24 (Revised)	Related Party Disclosures
IAS 32 (Amendment)	Classification of Rights Issues
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new or revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
IAS 19 (Revised 2011)	Employee Benefits[1]
IAS 27 (Revised 2011)	Separate Financial Statements[1]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]

[1] Effective for annual periods beginning on or after 1 January 2013

[2] Effective for annual periods beginning on or after 1 July 2012

The Directors anticipate that these new or revised standards will be adopted in the Group's financial statements for the year beginning on 1 January 2013. The Directors are in the process of assessing the potential impact of the adoption of the relevant standards.

3. Turnover and Segment Information

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

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

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Detox tea	**242,632**	178,173
Slimming tea	**266,804**	187,493
Other tea products	**2,887**	3,018
	512,323	368,684

Major customers

No single customer contributed over 10% or more of total revenue of the Group during the six months ended 30 June 2011 and 2010.

Geographical disclosures

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

4. Income Tax Expense

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
The charge comprises		
Current tax		
PRC income tax	**20,657**	27,837
Deferred tax		
Current period	**3,562**	(5,097)
	24,219	22,740

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

5. Profit for the Period

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Profit for the period has been arrived at after charging:		
Staff costs, including Directors' remuneration		
– salaries and other allowances	**76,437**	40,284
– retirement benefit scheme contributions	**3,406**	2,327
Total staff costs	**79,843**	42,611
Amortisation of intangible assets	**2,398**	1,607
Auditors' remuneration	**825**	447
Cost of inventories recognised as expense	**53,721**	37,962
Depreciation of property, plant and equipment	**12,324**	5,164
Loss on disposal of property, plant and equipment	**60**	177
Release of prepaid lease payments	**757**	399
Research and development costs	**6,571**	1,319
Net exchange loss (gain)	**4,615**	(993)

6. Dividend

In respect of the financial year ended 31 December 2010, a final dividend of HK$0.01 per share (total dividend RMB14,062,000) was declared on 29 April 2011. In May 2011, the dividend of RMB14,014,000 was paid to the shareholders with RMB48,000 remaining as dividend payable.

In April 2010, a special cash dividend of an aggregate amount of the US dollar equivalent of RMB47,500,000 was declared. In May 2010, the dividend of RMB45,000,000 was paid by the Company to the shareholders.

Subsequent to the end of the interim period, the Directors have approved that an interim dividend of HK$0.02 per share (2010:Nil) will be paid to the shareholders of the Company.

7. Earnings Per Share

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	**113,323**	21,108

	Six months ended 30 June	
	2011	2010
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,681,106**	1,122,004
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**41,474**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,722,580**	1,122,004

For the six months ended 30 June 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, 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.

8. Movements to Property, Plant and Equipment

During the period, the Group disposed of certain machinery with an aggregate carrying amount of RMB130,000 (six months ended 30 June 2010: RMB177,000) for cash proceeds of RMB70,000 (six months ended 30 June 2010: RMBNil), resulting in a loss on disposal of RMB60,000 (six months ended 30 June 2010: RMB177,000).

In addition, during the period, the Group made additions to property, plant and equipment of approximately RMB150,583,000 (six months ended 30 June 2010: RMB121,924,000) on acquisition of property, plant and equipment, including acquisition through business combination of approximately RMBNil (six months ended 30 June 2010: RMB9,059,000).

At 30 June 2011, the Group is in the process of obtaining a property certificate for the buildings with carrying values of approximate to RMB76,055,000 (year ended 31 December 2010: RMBNil) which are located in the PRC.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

9. Non-Current Deposits

	30 June 2011 RMB'000	31 December 2010 RMB'000
Deposits for purchase of property, plant and equipment (Note a)	**8,786**	57,640
Deposits for purchase of intangible assets (Note b)	**1,230**	1,065
	10,016	58,705

Notes:

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

(b) Deposits for purchase of intangible assets represented amounts paid for the acquisition of trademarks.

10. Trade and Notes Receivables

	30 June 2011 RMB'000	31 December 2010 RMB'000
Trade receivables	**120,246**	135,117
Notes receivables	**100,627**	17,686
	220,873	152,803

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

	30 June 2011 RMB'000	31 December 2010 RMB'000
0 – 90 days	**200,847**	149,392
91 – 180 days	**5,854**	3,411
181 – 360 days	**14,172**	–
	220,873	152,803

Included in the Group's trade and notes receivables are debtors at 30 June 2011 with a carrying amount of RMB14,172,000 (2010: Nil) which were past due, for which the Group has not provided for an impairment loss. The Group does not hold any collateral over these balances.

10. Trade and Notes Receivables *(Continued)*

Aging of trade receivables which are past due but not impaired is as follows:

	30 June 2011 RMB'000	31 December 2010 RMB'000
181 – 360 days	**14,172**	–

The Group anticipates a full recovery of these amounts, and therefore no impairment has been recorded against these receivables.

11. Deposits, Prepayments and Other Receivables

	30 June 2011 RMB'000	31 December 2010 RMB'000
Prepaid advertising	**131,736**	89,933
Other prepayments	**17,523**	6,165
Other receivables	**6,436**	4,023
Prepayment to suppliers	**4,251**	980
Prepaid lease payments	**1,447**	1,447
	161,393	102,548

12. Trade Payables

The following is an aged analysis of trade payables at the end of reporting period:

	30 June 2011 RMB'000	31 December 2010 RMB'000
0 to 90 days	**12,779**	7,342
91 to 180 days	**136**	–
181 to 360 days	**472**	–
	13,387	7,342

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

13. Other Payables and Accrued Expenses

	30 June 2011 RMB'000	31 December 2010 RMB'000
Advances from customers	**19,157**	9,911
Other tax payables	**15,533**	23,444
Other payables	**13,829**	12,691
Payable for land use right	**11,210**	11,210
Accrued sales rebate	**9,794**	18,851
Accrued payroll	**6,393**	15,268
Payable to former shareholders of Zhuhai Qi Jia Medical Industry Co. Ltd. ("Zhuhai Qi Jia")	**4,550**	4,550
Accrued expenses	**3,820**	1,493
Advertising expenses payable	**2,889**	300
Payable for acquisition of a subsidiary	**2,000**	2,000
Deferred government grant	**786**	786
	89,961	100,504

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

14. Deferred Tax

The following are the major deferred tax (liability) asset recognised and movements thereon during the current period:

	Fair value adjustment on assets acquired through business combinations RMB'000	Accrued payroll and sales rebates RMB'000	Prepaid advertising expenses RMB'000	Withholding tax on undistributed earnings RMB'000	Deferred government grant RMB'000	Total RMB'000
At 1 January 2010	–	976	–	(6,200)	–	(5,224)
Acquisitions of subsidiaries	(5,696)	–	–	–	–	(5,696)
Credit (charge) to profit or loss during the year	814	6,500	145	(222)	–	8,024
At 31 December 2010	(4,882)	7,476	145	(6,422)	787	(2,896)
Credit (charge) to profit or loss during the period	303	(3,923)	98	–	(40)	(3,562)
At 30 June 2011	(4,579)	3,553	243	(6,422)	747	(6,458)

14. Deferred Tax *(Continued)*

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

	30 June 2011 RMB'000	31 December 2010 RMB'000
Deferred tax assets	**4,543**	8,408
Deferred tax liabilities	**(11,001)**	(11,304)
	(6,458)	(2,896)

At 30 June 2011, the Group had unused tax losses of RMB24,982,000 (31 December 2010: RMB13,083,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses of RMB24,982,000 (31 December 2010: RMB13,083,000) due to the unpredictability of future profit streams. Tax losses of RMB13,472,000 (31 December 2010: RMB9,704,000) will expire in 2016 (31 December 2010: 2015). There was no other significant unprovided deferred tax liability at 30 June 2011 and 31 December 2010.

15. Share Capital

	Number of shares	**Amount** US$	**Shown in the Financial Statements as** RMB'000
Authorised:			
At 1 January 2010	47,000,000	47,000	321
Share subdivision (Note c)	5,593,000,000	3,000	20
Designation and reclassification from redeemable convertible Preferred Shares (Note d)	360,000,000	–	–
At 31 December 2010 and 30 June 2011	**6,000,000,000**	**50,000**	**341**
Issued and fully paid:			
At 1 January 2010	9,288,000	9,288	63
Shares issued in connection with acquisition of a subsidiary (Note a)	217,313	217	1
Shares issued on 31 May 2010 (Note b)	144,876	145	1
Share subdivision (Note c)	1,148,372,491	–	–
Conversion of redeemable convertible preferred shares (Note d)	102,788,640	857	6
Issuance new shares upon listing ("Global Offering") (Note e)	420,280,000	3,502	24
At 31 December 2010	1,681,091,320	14,009	95
Exercise of share option (Note f)	300,000	3	–
At 30 June 2011	**1,681,391,320**	**14,012**	**95**

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

15. Share Capital *(Continued)*

Notes:

(a) On 31 May 2010, the Company issued 217,313 ordinary shares to acquire the entire equity interest of Jian Shi XingBiotech Research and Development (Shanghai) Co., Ltd. These shares rank pari passu with other shares in issue in all respects.

(b) On 31 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.

(c) In September 2010, the directors and shareholders of the Company approved a 120-for-one share subdivision which became effective on 10 September 2010. The ordinary shares of par value of US$0.001 each were subdivided into 120 shares of par value of US$0.00000833333 each.

(d) On 22 September 2010, prior to the completion of the Global Offering, the holders of redeemable convertible preferred shares converted all of their 102,788,640 redeemable convertible preferred shares of par value of US$0.00000833333 each into 102,788,640 ordinary shares of par value of US$0.00000833333 each.

(e) On 29 September 2010, the Company issued 420,280,000 ordinary shares of par value of US$0.00000833333 each pursuant to the Global Offering at the price of HK$3.12 per share upon listing and the Company's shares were listed on The Stock Exchange of Hong Kong Limited on the same date.

(f) During the six months ended 30 June 2011, share options to subscribe for 300,000 ordinary shares of US$0.00000833333 each were exercised at RMB1.23 per share (equivalent to HK$1.4 per share).

16. Share-Based Payments

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

The following table discloses movement of the Company's share options held by the Directors, employees and consultant for the six months ended 30 June 2011:

Date of grant	Option type	Vesting period	Outstanding at 1/1/2011	Exercised during the period	Forfeited during the period	Outstanding at 30/6/2011
6.5.2010	1st	3.5 years	78,770,000	–	–	78,770,000
6.5.2010	2nd	4 years	15,460,000	–	(1,295,000)	14,165,000
6.5.2010	3rd	3 years	14,000,000	(300,000)	–	13,700,000
6.5.2010	4th	4 years	4,000,000	–	–	4,000,000
31.5.2010	5th	3.9 years	5,100,000	–	–	5,100,000
21.6.2010	6th	3.9 years	100,000	–	–	100,000
28.6.2010	7th	3.9 years	1,400,000	–	–	1,400,000
Total			118,830,000	(300,000)	(1,295,000)	117,235,000
Weighted average exercise price (RMB)			1.3	1.23	1.23	1.3

16. Share-Based Payments *(Continued)*

The Company's share options exercised and forfeited during the period were held by the Group's employees.

The closing price of the Company's shares immediately before the date 22 June 2011 on which the options were exercised was HK$2.46.

The following table discloses the details of the Company's share options held by the Directors, employees and consultant for the six months ended 30 June 2010:

Date of grant	Option type	No. of shares options granted during the period and outstanding at June 30, 2010
6.5.2010	1st	94,524,000
6.5.2010	2nd	19,872,000
6.5.2010	3rd	16,800,000
6.5.2010	4th	4,800,000
31.5.2010	5th	6,120,000
21.6.2010	6th	120,000
28.6.2010	7th	1,680,000
Total		143,916,000
Weighted average exercise price (RMB)		1.3

17. Operating Lease Commitments

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

	30 June 2011 RMB'000	31 December 2010 RMB'000
Within one year	**4,060**	4,602
In the second to fifth year inclusive	**1,199**	2,999
	5,259	7,601

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 year.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

18. Capital Commitments

	30 June 2011 RMB'000	31 December 2010 RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment	**1,594**	16,057

19. Related Party Transactions and Balances

	Amount due to a related party	
Name of related party	**30 June 2011 RMB'000**	31 December 2010 RMB'000
Mr. Zhao Yihong	**200**	1,000

The Group has the following significant transactions with related parties:

		Six months ended 30 June	
Name of related party	**Nature of transactions**	**2011 RMB'000**	2010 RMB'000
Besunyen Investment Co., Ltd. (i)	Interest income	**–**	120
Besunyen Investment Co., Ltd. (i)	Rental expense	**600**	600

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

During the period, the remuneration of the Directors and other members of key management is as follows:.

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Salaries and other benefits	**5,045**	3,272
Retirement benefits scheme contributions	**62**	39
Share-based payments	**8,533**	5,779
	13,640	9,090

20. Events After the end of the Interim Period

In July 2011, the Group entered into agreements with an independent third party in connection with the purchase of a property for a consideration of RMB306,000,000. Details are set out in the Company's announcements dated 11 July 2011 and 22 July 2011.

Other Information

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2011, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (b) to be and were entered into in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules:

Name of Director/ Chief Executive	Nature of interest	Number of Shares*	Number of Shares subject to options granted under the Pre-IPO Share Option Scheme	Approximate percentage of interest of total issued Shares (%)(9)
Mr. ZHAO Yihong	Beneficial owner, interest of his spouse, founder of a discretionary trust and interest of corporation controlled by the Director(1)(3)	1,073,364,600(1)(L)	36,000,000(1)(L)	63.84%
Ms. GAO Yan	Beneficial owner and interest of her spouse(2)(3)	1,073,364,600(2)(L)	36,000,000(2)(L)	63.84%
Mr. ZHUO Fumin	Beneficial owner and interest of his spouse	517,000(4)(L)	400,000(4)(L)	0.03%
Mr. WANG Bing	Interest of corporation controlled by the Director	14,742,400(5)(L)	400,000(5)(L)	0.88%
Mr. HUANG Jingsheng	Beneficial owner	500,000(6)(L)	500,000(6)(L)	0.03%
Mr. WONG Lap Tat Arthur	Beneficial owner	500,000(7)(L)	500,000(7)(L)	0.03%
Ms. XIN Katherine Rong	Beneficial owner	500,000(8)(L)	500,000(8)(L)	0.03%

(1) Mr. Zhao Yihong, the Company's executive Director, beneficially owns 24,000,000 Shares pursuant to the grant of an option for 24,000,000 Shares under the Pre-IPO Share Option Scheme and 1,726,000 Shares directly. Mr. Zhao is also deemed or taken to be interested in the following Shares for the purposes of the SFO:

(i) 1,031,178,600 Shares which are beneficially owned by Foreshore Holding Group Limited, a company which is controlled by Mr. Zhao;

(ii) 4,460,000 Shares which are beneficially owned by Better Day Holdings Limited, a company which is controlled by Mr. Zhao; and

(iii) 12,000,000 Shares which are beneficially owned by Ms. Gao Yan, Mr. Zhao's spouse, pursuant to the grant of an option for 12,000,000 Shares under the Pre-IPO Share Option Scheme.

Other Information

(2) Ms. Gao Yan, the Company's executive Director, beneficially owns 12,000,000 Shares pursuant to the grant of an option for 12,000,000 Shares under the Pre-IPO Share Option Scheme. Ms. Gao is also deemed or taken to be interested in the following Shares for the purposes of the SFO:

(i) 1,726,000 Shares which are beneficially owned by Mr. Zhao Yihong, Ms. Gao's spouse;

(ii) 1,031,178,600 Shares which are deemed to be beneficially owned by Mr. Zhao as controlling shareholder of Foreshore Holding Group Limited;

(iii) 4,460,000 Shares which are deemed to be beneficially owned by Mr. Zhao as controlling shareholder of Better Day Holdings Limited; and

(iv) 24,000,000 Shares which are beneficially owned by Mr. Zhao pursuant to the grant of an option for 24,000,000 Shares under the Pre-IPO Share Option Scheme.

(3) 84.15% of the issued share capital of Foreshore is directly owned by Sea Network Holdings Limited. The entire issued share capital of Sea Network Holdings Limited is held by KCS Trust Limited, in its capacity as the trustee of a family trust established by Mr. Zhao Yihong as the settlor for the benefit of himself and his family members.

(4) Mr. Zhuo Fumin, the Company's non-executive Director, beneficially owns 400,000 Shares pursuant to the grant of an option for 400,000 Shares under the Pre-IPO Share Option Scheme. Mr. Zhuo is also deemed or taken to be interested in the 117,000 Shares beneficially owned by his wife for the purposes of the SFO.

(5) Mr. Wang Bing, the Company's non-executive Director, beneficially owns 400,000 Shares pursuant to the grant of an option for 400,000 Shares under the Pre-IPO Share Option Scheme. Mr. Wang is also deemed or taken to be interested in the 14,342,400 Shares indirectly owned by Ding Tian Capital Management (Cayman) Limited, a company which is controlled by Mr. Wang, for the purposes of the SFO. Ding Tian Capital Management (Cayman) Limited is the parent company of Ding Tian Greater China Strategy Fund, which beneficially owns 14,342,400 Shares.

(6) Mr. Huang Jingsheng, the Company's independent non-executive Director, beneficially owns 500,000 Shares pursuant to the grant of an option for 500,000 Shares under the Pre-IPO Share Option Scheme.

(7) Mr. Wong Lap Tat Arthur, the Company's independent non-executive Director, beneficially owns 500,000 Shares pursuant to the grant of an option for 500,000 Shares under the Pre-IPO Share Option Scheme.

(8) Ms. Xin Katherine Rong, the Company's independent non-executive Director, beneficially owns 500,000 Shares pursuant to the grant of an option for 500,000 Shares under the Pre-IPO Share Option Scheme.

(9) This is calculated based on 1,681,391,320 Shares, being the number of Shares in issue as at 30 June 2011.

* The letter "L" denotes the person's long position in such Shares.

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 30 June 2011, so far as known to any Director or chief executive of the Company, persons (other than a Director or chief executive of the Company) who had an interest in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

Substantial Shareholders	Number of Shares*	Approximate percentage of interest of total issued Shares (%)(5)
Foreshore Holding Group Limited(1)	1,031,178,600(L)	61.33%
KCS Trust Limited(1)	1,031,178,600(L)	61.33%
Sea Network Holdings Limited(1)	1,031,178,600(L)	61.33%
AllianceBernstein L.P.(2)	104,735,000(L)	6.23%
GGV III Entrepreneurs Fund L.P.(3)	102,788,640(L)	6.11%
Granite Global Ventures III L.L.C.(3)	102,788,640(L)	6.11%
Granite Global Ventures III L.P.(3)	102,788,640(L)	6.11%
FIL Limited(4)	96,433,000(L)	5.74%

(1) 84.15% of the issued share capital of Foreshore Holding Group Limited is directly owned by Sea Network Holdings Limited. The entire issued share capital of Sea Network Holdings Limited is held by KCS Trust Limited, in its capacity as the trustee of a family trust established by Mr. Zhao Yihong as the settlor for the benefit of himself and his family members.

(2) AllianceBernstein L.P. owns 99,846,000 Shares in the capacity as investment manager and is deemed or taken to be interested in 4,889,000 Shares, being interest of controlled corporations, for the purposes of the SFO.

(3) Granite Global Ventures III L.L.C. is the general partner of Granite Global Ventures III L.P., which beneficially owns 101,144,040 Shares, and GGV III Entrepreneurs Fund L.P., which beneficially owns 1,644,600 Shares. Granite Global Ventures III L.P. and GGV III Entrepreneurs Fund L.P. are parties to an agreement under section 317 of the SFO and are deemed or taken to be interested in a total of 102,788,640 Shares.

(4) FIL Limited is the parent company of non-U.S. investment advisors, including FIL Investment Management (Hong Kong) Limited.

(5) This is calculated based on 1,681,391,320 Shares, being the number of Shares in issue as at 30 June 2011.

* The letter "L" demotes the person's long position in such Shares.

Other than as disclosed above, as at 30 June 2011, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

Other Information

Pre-IPO Share Option Scheme

The Company adopted a Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 30 April 2010. The Pre-IPO Share Option Scheme gives the employees an opportunity to have a personal stake in the Company and to motivate the employees to optimize their performance and efficiency, and to retain the employees whose contribution are important to the long-term growth and profitability of the Group. No further options under the Pre-IPO Share Option Scheme can be granted after the date of listing of the shares of the Company on the Stock Exchange.

Details of the Pre-IPO Share Options outstanding and movements during the six months ended 30 June 2011 are set out in note 16 to the unaudited consolidated financial statements of this interim report.

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 8 September 2010.

The purpose of the Share Option Scheme is to provide an incentive to motivate, attract and retain eligible person, and to encourage them to optimize their performance efficiency, enhance the value of the Company and promote the long-term growth of the Company. This Scheme will provide the eligible participants, including employees, consultants, executives or officers of the Company to have a personal stake in the Company to achieve its intended purpose.

The Share Option Scheme shall be valid and effective for a period of 10 years from 8 September 2010, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

The maximum number of shares in respect of which may be issued upon exercise of all options to be granted under the Share Option Scheme and the Pre-IPO Share Option Scheme shall not, in aggregate, exceed 168,109,132, being 10% of the shares of the Company in issue immediately after the initial public offering ("IPO") on the listing date (i.e. 29 September 2010) which is the effective date of such scheme.

The maximum number of shares issued and to be issued upon exercise of the options granted to any eligible person under the Share Option Scheme shall not in any 12-month period up to the date of grant exceed 1% of the issued share capital of the Company from time to time. Any further grant of share options in excess of this limit is subject to the issue of a circular and shareholders' approval in general meeting. The period within which an option may be exercised under the Share Option Scheme or the Pre-IPO Share Option Scheme will be determined by the Board at its absolute discretion, save that no option may be exercised later than 10 years from the date of grant of the particular option. Under the Share Option Scheme, the exercise price in relation to each option shall be determined by the Board at its absolute discretion, but in any event shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of such option; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of such option; and (iii) the nominal value of a share on the date of grant of such option.

No share options were granted under the Share Option Scheme by the Company during the six months ended 30 June 2011 and there were no outstanding share options under the Share Option Scheme as at 30 June 2011.

Save as disclosed above, during the six months ended 30 June 2011, neither the Company nor any of its subsidiaries is a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any associated corporation and none of the Directors had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

Corporate Governance

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 30 June 2011 except with the following deviations:

Code Provision A.2.1

Under code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of both Chairman and Chief Executive Officer are performed by Mr. Zhao Yihong. Mr. Zhao is a co-founder of the Group and has 21 years of experience in China's food and beverage industry. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies currently and in the foreseeable future. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

Code Provision A.4.1

Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Mr. Zhuo Fumin and Mr. Wang Bing, being non-executive Directors, and Mr. Huang Jingsheng, an independent non-executive Director, are not appointed for a specific term. However, all Directors (including executive and non-executive) are subject to retirement by rotation at least once every three years at the annual general meeting in accordance with article 16.18 of the articles of association of the Company. The Board believes that this retirement by rotation requirement serves the same purpose as that of code provision A.4.1.

Audit Committee

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Mr. Wong Lap Tat Arthur, a Director with the appropriate professional qualifications and serving as the chairman of the Audit Committee, Mr. Huang Jingsheng and Ms. Xin Katherine Rong. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls and financial reporting matters including the review of the unaudited consolidated interim results of the Group for the six months ended 30 June 2011.

Other Information

Review of Interim Results

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2011 have been reviewed by Deloitte Touche Tohmatsu, the auditor of the Company, and the Audit Committee.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own securities dealing code for the Directors. Having made specific inquiries of all Directors, all Directors confirmed that they complied with the required standard as set out in the Model Code during the six months ended 30 June 2011.

Purchase, Sale or Redemption of the Company's Listed Securities

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the six months ended 30 June 2011.

Changes in the Information of Directors

There has been no change in the information on the Directors from 1 January 2011 to the date of this interim report that are required to be disclosed under Rule 13.51B(1) of the Listing Rules.

Dividends

The Board has approved an interim dividend of HK$0.02 per share for the six months ended 30 June 2011, with a dividend payout ratio of approximately 24.4%, to the shareholders of the Company whose names appear on the register of members of the Company on 9 September 2011. The interim dividend will be paid on or around 22 September 2011.

Closure of the Register of Members

The register of members will be closed by the Company from 7 September 2011 to 9 September 2011, both days inclusive. During such period, no transfer of shares of the Company will be registered. In order to qualify for entitlement to receive the interim dividend, all completed transfer forms accomplished by the relevant shares certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 6 September 2011.

On behalf of the Board
ZHAO Yihong
Chairman

Hong Kong, 19 August 2011