



碧生源控股有限公司

Besunyen Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 926

草本健康

2013 Annual Results Corporate Presentation

March 2014

Agenda

- ❖ **Key Achievement**
- ❖ **Financial Highlights**
- ❖ **Business Review**
- ❖ **Future Plans**
- ❖ **Q & A**

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The background features a traditional Chinese ink wash painting style illustration of misty mountains and a tree on the left. The text 'Key Achievement' is prominently displayed in the center.

Key Achievement

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Key Achievement

No. 1 Market Share

The No.1 leading provider of therapeutic tea products in PRC under the self-owned brands “Besunyen”

- Market share of 22.7% in detox products in 2013
- Market share of 38.2% in slimming products in 2013
(According to SMERI in Feb 2014)



Changing New Package & Adjusting Price of Slimming Tea

The Group comprehensively improved the graphic designs on packages .

The pricing of Besunyen Slimming Tea has been adjusted to the same level as that of Besunyen Detox Tea since 1 January 2014.

Extensive Retail Distribution Networks

One of the largest retail distribution networks in PRC

- 125,000 retail outlets
- 148 first class distributors
- 630 sub-distributors

Key Achievement

Human Resources Management

As at 31 December 2013, the Group had about 1,015 employees in mainland China and Hong Kong (2012: 2,085 headcounts) .

During the year, sales management system of the Group has been integrated from 7 districts and 27 provincial offices into 13 regions, and the sales team was gradually reduced from 1,584 members at the beginning of the year to 685 members at the end of the year.

Strengthening Brand Image

The registered trademark consisting of “Besunyen and device”, as used by Beijing Outsell on products classified under Class 30 as teas and tea substitutes, was approved as a well-known trademark.

Ongoing Development of E-commerce Business

The Group is proactively exploring an electronic marketing model suitable for the Company’s products.

The Company integrated e-commerce sales team in the second half of 2013. As of 31 December 2013, the Group has been formally operating its official Sina Weibo and WeChat public account “Besunyen”.

Strengthening traditional offline sales channels while expanding the Company’s retail network by the O2O interactive marketing .

Financial Highlights

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Income Statement Highlights

('000 RMB)	FY2013	FY2012	Changes (%)
Revenue	487,500	475,182	2.6%
Gross profit	406,103	392,119	3.6%
Gross margin	83.3%	82.5%	+0.8ppt.
Operating loss	(96,946)	(295,253)	(67.2%)
Loss on disposal of a subsidiary	-	(6,700)	(100%)
Impairment loss recognized in respect of property, plant and equipment	-	(41,744)	(100%)
Loss before taxation	(96,946)	(343,697)	(71.8%)
Net loss	(89,976)	(342,187)	(73.8%)
Loss per share (Basic)(unit:RMB)	(0.06)cents	(0.22)cents	(72.8%)
Loss per share (Diluted)(unit:RMB)	(0.06)cents	(0.22)cents	(72.8%)

Financial Performance- Sustainable Recovery

Revenue

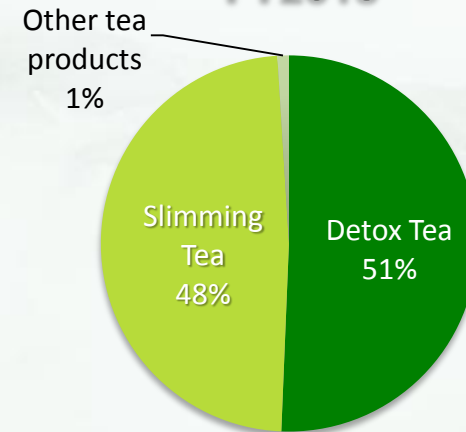
(RMB in millions)



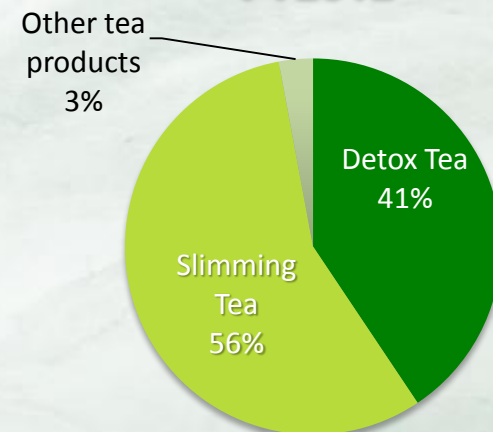
FY: For the year ended 31 Dec

Revenue Breakdown

FY2013



FY2012



Expense Rates

('000 RMB)	FY2013	% of revenue	FY2012	% of revenue	Change(%)
Other income	35,777	7.3%	22,118	4.7%	61.8%
Selling and marketing expenses	(384,312)	78.8%	(562,721)	118.4%	(31.7%)
-Advertising expenses	(211,816)	43.4%	(311,782)	65.6%	(32.1%)
Administrative expenses	(100,595)	20.6%	(112,068)	23.6%	(10.2%)
R&D costs	(18,484)	3.8%	(15,279)	3.2%	20.9%
Loss on disposal of a subsidiary	-	-	(6,700)	1.4%	(100%)
Impairment loss recognized in respect of property, plant and equipment	-	-	(41,744)	8.8%	(100%)

Efficiency of Working Capital

(Days)	For the year ended 31 Dec 2013	For the year ended 31 Dec 2012
Inventory turnover days	31	36
Trade receivables and bills receivables turnover days	19	94
-Trade receivables turnover days	11	13
Trade payables and trade bills payables turnover days	45	22

Balance Sheet, Cash Position and CAPEX

('000 RMB)	As of	
	31 Dec 2013	31 Dec 2012
Cash & cash equivalents	207,578	447,478
Term deposit with initial term of over three months and pledged bank deposits	214,631	-
Total	422,209	447,478
Bank loans	-	-
Current ratio	3.54X	4.07X
Leverage ratio ⁽¹⁾⁽²⁾	Net Cash	Net Cash

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

(2) Leverage ratio = Debt / Total assets

('000 RMB)	For the year ended	
	31 Dec 2013	31 Dec 2012
Net Cash from/ (used in) operation activities	8,968	28,778

('000 RMB)	For the year ended	
	31 Dec 2013	31 Dec 2012
CAPEX	35,805	89,736

The background features a traditional Chinese ink wash painting style illustration of misty mountains and a tree on the left. The text 'Business Review' is centered in a bold, green, sans-serif font.

Business Review

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Current Product Portfolio

Health Food



Besunyen Slimming Tea



Besunyen Detox Tea



Mei An Granules

Tea Beverage



Lemon Ginger Tea



Chrysanthemum Goji Tea



Brown Sugar Ginger Tea



Rose Black Tea



Taiju Chrysanthemum Green Tea

Sales and Marketing-SWOT Analysis

Strengths

■ Brand

- Enjoyed high brand awareness by leveraging leadership position
- Been accepted with “health and safety” of brand proposition through the claim of nature ingredients

■ Product

- Effective product advantages for both detox and slimming teas been proved for 13-year sales
- Stable product formula along with effective product performance

■ Price

- Less expensive prices well accepted by all class of consumers
- Sufficient margin to support marketing activities

■ Channel

- Well coverage on OTC stores, which fits the nature of channel in healthcare products
- Developed KA and e-commerce business simultaneously to fit the trend of current channel shift

■ Advertising and Promotion

- Clear advertising claim and consistent strategy
- Marketing operations fit the nature of healthcare products

Weaknesses

■ Product

- Consumers got bored on the same package graph for 13 years
- Product design close to FMCG which is not compliant for the OTC outlets
- Weak on the image of functional products due to the lack of professional elements on the package design
- Weak on the shelf presentation because of flat of package design

■ Channel

- Distributers’ lack of confidence to the company; and the stores lack of interactions with the company
- OTC stores also lack of interactions with consumers

■ Advertising and Promotion

- Using hard-sale advertising approaches without consumer interactions
- All advertising investment on traditional media but it was getting less effective
- Trial on new media but has not reached economies of scale

Sales and Marketing-SWOT Analysis

Opportunities

- High product acceptance
- Strong leadership position against weak competitors
- Significant market potential in functional tea products
- China Central government's strong supports in healthcare industry
- FDA's punch on "4-illegal" healthcare business
- Media friendly to soften negative information
- Sponsorships on some charities of TV programs have gained brand recognition from consumers

Threats

- Misusage in consumption of product leads to consumers' dis-satisfaction
- Consumers' suspicions on the function of products
- Brand switch by high-margin competitors in the OTC outlets
- The changes in collection of advertising information among the young generations
- Lack of clear media strategy against the fragile media age

Sales and Marketing-Goals and Strategy

Issues

- Need to emphasize on real leading position?
- Need to resolve the aging of products?
- Need to regain the confidence from channel?

Goals

- Brand power: To position leading brand on functional tea products in consumers' mind
- Product pull efforts: To point out products' advantages and benefits
- Purchasing reasons: To provide consumers with a sufficient reason to buy the products
- Channel push efforts: To regain channels' confidence through quick sales turnover
- Merchandising: To demonstrate impressive shelf presentation through consumer promotion and salespeople training

Sales and Marketing-Goals and Strategy

Strategy

■ Enhance product power

- Upgrade package design to gain high, premium, and professional image

■ Reinforce channel power

- Downsize and flatten sales organizational structure
- Establish channel franchise through inviting distributors and OTC store managers to visit Besunyen Beijing office
- Reinforce sales morale by arranging senior salespeople and their families to visit Besunyen Beijing office
- Focus on large chain OTC stores to increase unit store sales
- Set up SOP system for the salespeople to increase sales productivity
- Set up performance evaluation system and incentive program to ensure the achievement of sales target

■ Strengthen communication power

- Clarify Besunyen is a functional tea brand and in the leading position in this category
- Advertising slogan is “Functional good tea, Besunyen”
- Advertising Icon is “Oriental tea professional”
- Advertising proposition: “wait and wait”
- Creative: Self-made video
- Media mix: Off line and online, tradition media along with new media

Extensive Retail Distribution Network

Integrated Sales Channels

About 117,500
Retail Pharmacies



About 7,500
Supermarkets
and Hypermarkets
(KA)



E - Commerce



Extensive Sales Network

- By the end of 2013, the restructuring work on traditional sales channel has been substantially completed.

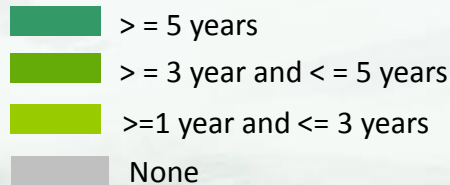
Number of first class distributors: 31 Dec 2013: **148**

Number of sub-distributors: 31 Dec 2013: **630**

Number of retail outlets: 31 Dec 2013 : **125,000** (31 Dec 2012: 131,000)

- In the second half of 2013, the Group gradually provided more resources to high-quality distributors and retail terminals which have stable sales and maintain sustainable room of growth.
- In 2013, the sales team was reduced from 1,584 to 685.

Market Presence⁽¹⁾



(1) Defined as years of operation in the geographic market since the establishment of a local sales team, as of 31 Dec, 2012



Product Research and Development

- Besunyen will put more emphasis on development of healthcare functional products from 2014.
- Research and Develop **teabags which have the functions as below:**
 - (1) alleviating physical fatigue
 - (2) promoting immunity
 - (3) relieving nutritional anemia
- The Group has proactively prepared to register for over ten kinds of other therapeutic tea.
- The Group is putting more efforts at promotion of technique and standard in OCT medicine teabag Maishuping(脉舒平) which helps stabilize blood pressure so as to lay a solid foundation for its official launch to the market.

Sales and Marketing

Build “Besunyen” brand

- Carried out “Three Screens” program utilizing advertising platforms on TV, the Internet and public transportation.
- Sponsorship of “The Biggest Loser” (超级减肥王), “King Wang” (大王小王), “2014 Mini Spring Festival Gala”(2014年小年夜春晚), “Let’s Get Married”(我们结婚吧), University Advertisement Art Show-Academy Award (大学生广告艺术节学院奖), “Keep the Earth Blue, Carbon Low in China” (留住蓝色地球之美丽中国低碳行)
- Set up the Besunyen Public Fund(碧生源缘公益基金)
- Award-winning Company: “China Advertising Great Wall Award”, “Renowned Brand Award”, “Top 10 Credible China Health Care Products Brands”, “2013 China CSR Outstanding SME Award”, etc.



Ongoing Development of E-commerce Business

- The Group is proactively exploring an electronic marketing model suitable for the Company's products. Besunyen products are sold on its own retail website 7cha.com and other professional B2C websites.

The Group's own e-commerce website

www.7cha.com



Other popular B2C e-commerce platforms



Our online marketing campaigns worked in collaborations with traditional media to improve brand awareness among young shoppers

- The Company integrated e-commerce sales team in the second half of 2013. As of 31 December 2013, the Group has **been formally operating its official Sina Weibo and WeChat public account "Besunyen"**.
- E-commerce team will **establish the O2O interactive marketing** to expand the Company's retail network, which will in turn drive the growth of the Company's income and profit.

Future Plans

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Outlook

Promising Long-Term Industry Growth

- China will enter into a slower but more sustainable growth phase.
- Long term trend of rapid urbanization and increasing disposable income in China will escalate consumer demand for health and healthy lifestyle products, in turn offering better long term market potential for detox and slimming as well as other new products of the Group
- The China Health Care Association held a conference in June 2013 in Beijing to eliminate four illegal activities within the health food industry. The initiatives offer more room for growth of leading health food enterprises like Besunyen.
- 10 October 2013, China Food and Drug Administration amended the existing Food Safety Law of PRC



Remain cautious on the Group's performance in 2014

Growth Strategies

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

Enhance sales network and distribution channels

Build “Besunyen” brand
“Besunyen and device” was approved as a Well-known Trademark in December 2013



Development of pipeline products

Develop more healthcare functional products

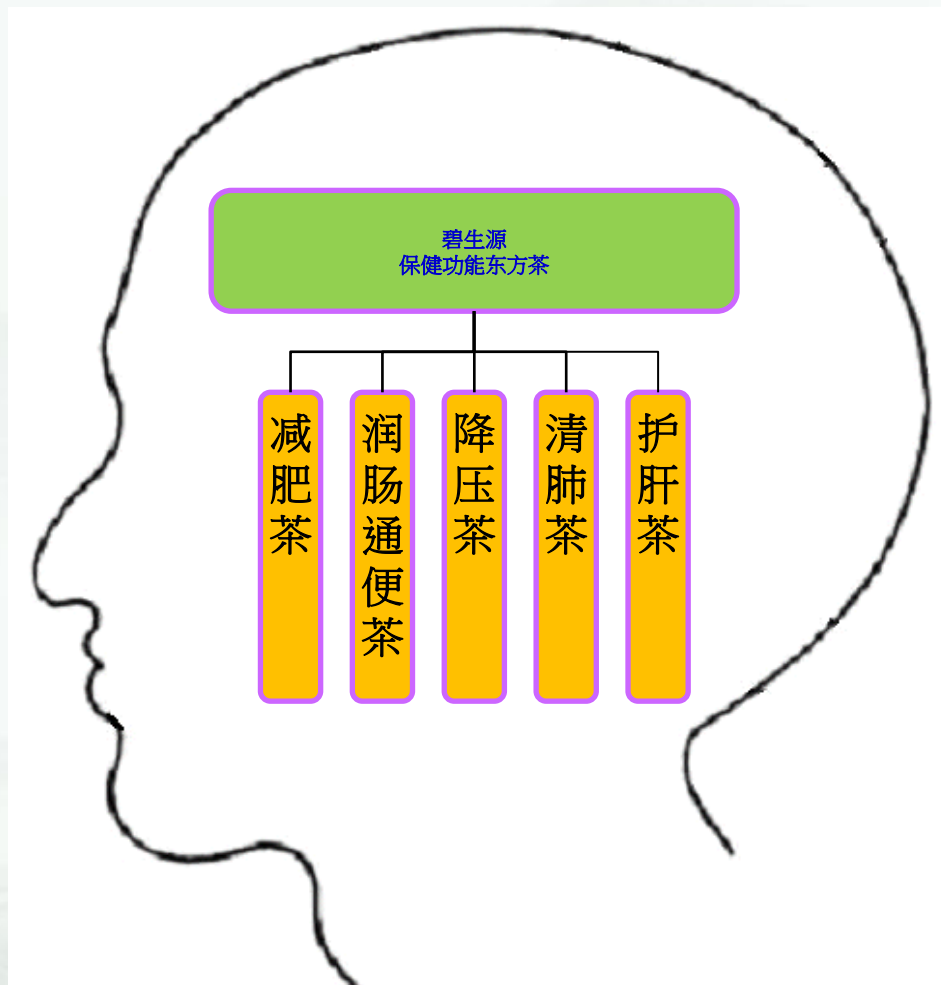
Improve overall operation efficiency, and cost control

We aim at developing “Besunyen” as a renowned brand in China, establishing our strong image of providing functional teas with the fundamental concept of herbal health, and enabling our consumers to experience the efficiency of our products within a green lifestyle.



商品定位

消费者脑海中，如何印象或想象我们碧生源品牌。





包装展示：常润茶



常润茶外包装



常润茶内袋



包装展示：减肥茶



减肥茶外包装

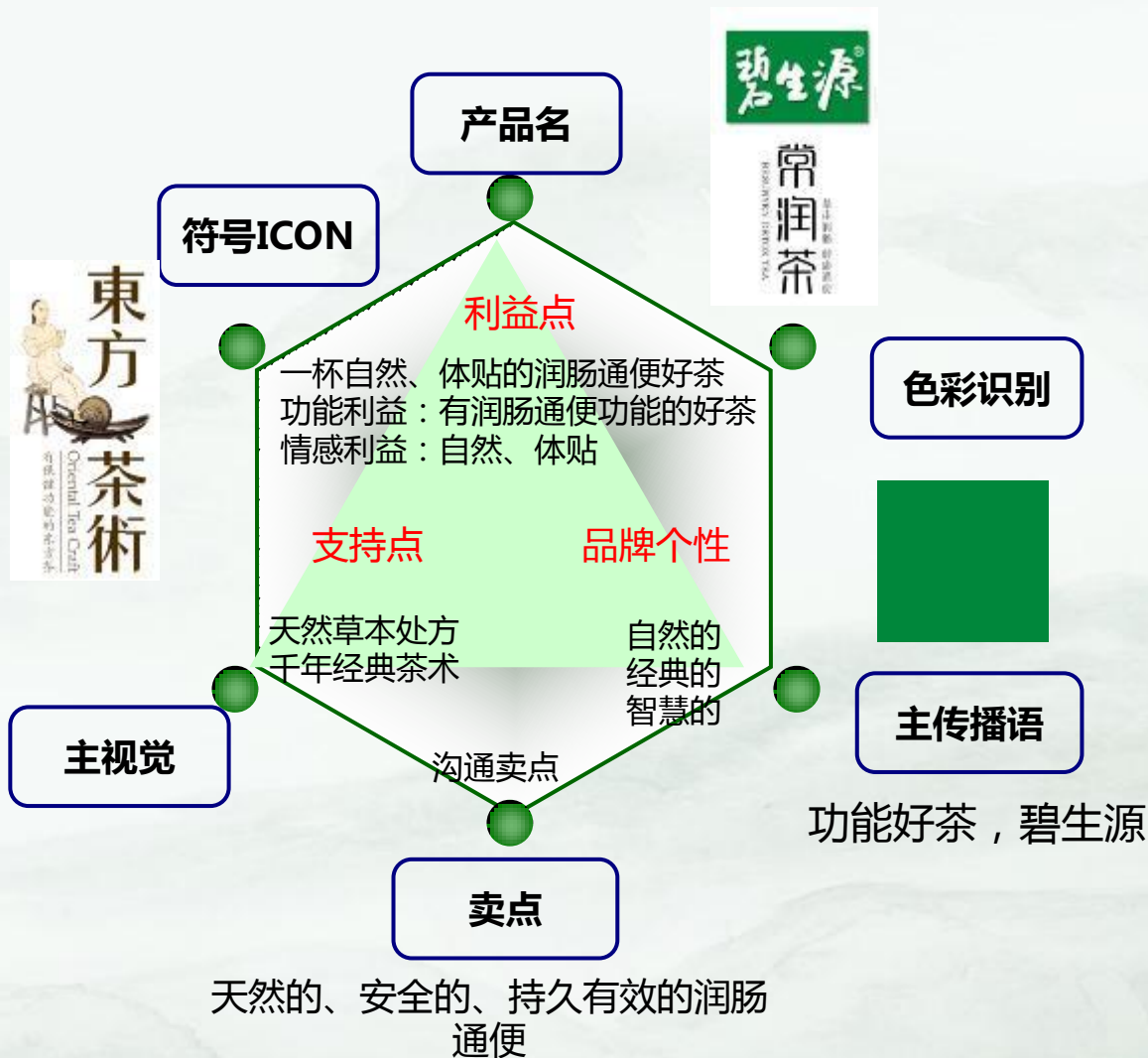


减肥茶内袋



碧生源产品价值钻石图

碧生源常润茶是一杯自然体贴的润肠通便好茶。源自天然草本处方的千年经典茶术，带给消费者天然安全、持久有效的润肠通便功能。



碧生源®

東方
茶術



有保健功能的東方茶
Oriental Tea Craft

功能好茶 碧生源



草市潤腸 健康通便

碧生源®

碧生源®



有保健功能的东方茶
Oriental Tea Craft

東方茶術

功能好茶 碧生源



草市减肥 健康享受

碧生源®

碧生源®

東方茶術

有保健功能的東方茶
Oriental Tea Craft

功能好茶 碧生源



草本潤腸 健康通便



劲生源®

功能好茶 碧生源

東方茶術

20贈5袋

劲生源®

減肥茶

淨含量: 62.5克(2.5克x20袋+12.5克)

都市減肥 健康享受

QR CODE



The image displays four illuminated posters for 'Jing Sheng Yuan' (碧生源) tea, arranged in a row. Each poster features a different tea variety and a whimsical illustration of tea boxes with characters.

- Poster 1 (Leftmost):** Features a green header with the brand name '碧生源' and the slogan '功能好茶 碧生源'. The main text reads '東方好茶 碧生源' and '東方茶術'. The illustration shows two tea boxes on a green hill with two small figures.
- Poster 2:** Features a red header with the brand name '碧生源' and the slogan '功能好茶 碧生源'. The main text reads '東方好茶 碧生源' and '東方茶術'. The illustration shows two tea boxes on a blue sea with two small figures under a red umbrella.
- Poster 3:** Features a green header with the brand name '碧生源' and the slogan '功能好茶 碧生源'. The main text reads '功能好茶 碧生源' and '東方茶術'. The illustration shows two tea boxes on a green hill with two small figures.
- Poster 4 (Rightmost):** Features a red header with the brand name '碧生源' and the slogan '功能好茶 碧生源'. The main text reads '功能好茶 碧生源' and '東方茶術'. The illustration shows two tea boxes on a blue sea with two small figures under a red umbrella.

A row of four smaller, partially visible posters below the main row, showing similar branding and illustrations.

碧生源®



東方
茶術

古保健功能的新方茶

功能好茶 碧生源



草本潤腸 健康通便

动生源
功能好茶 碧生源
东方茶术

减肥茶
20罐5袋

净含量: 42.5克 (2.5克x10罐) + 12.5克

受享健康 减肥法宝

碧生源

功能好茶 碧生源
東方茶術



碧生源 常潤茶

碧生源

功能好茶 碧生源
東方茶術

CHINA TEA CULTURE
中國茶文化



都市減肥 健康享受



碧生源
功能好茶 碧生源
東方茶術

開胃茶



碧生源
功能好茶 碧生源
東方茶術

減肥茶

5茶









Media Strategies – New Media

- Combination of traditional media and new media
- Advertising budget in new media should be over than 30% in total
- Apply self-made video and implanted advertising in the new media

Q & A

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