碧生源控股有限公司

BESUNYEN HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 926)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

The Group's revenue amounted to RMB563.9 million for 2014, representing an increase of 15.7% as compared to RMB487.5 million for 2013.

The gross profit margin increased to 84.3% for 2014 from 83.3% for 2013.

The Group recorded a profit and total comprehensive income of RMB45.0 million for 2014, as compared to a loss and total comprehensive expense of RMB90.0 million for 2013.

The basic and diluted earnings per share was RMB0.03 for 2014, as compared to the basic and diluted loss per share of RMB0.06 for 2013.

FINAL DIVIDEND

The Board has resolved to recommend for payment of a final dividend of HK2 cents per share (HK$31,388,000 in aggregate) for the year ended 31 December 2014, subject to the approval by the shareholders of the Company at the forthcoming annual general meeting.

The board (the "**Board**") of directors (the "**Directors**") of Besunyen Holdings Company Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2014, together with the comparative figures for the corresponding period in 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

		Year ended 31 December	
		2014	2013
	NOTES	***RMB'000***	*RMB'000*
Revenue	3	**563,888**	487,500
Cost of sales		**(88,607)**	(81,397)
Gross profit		**475,281**	406,103
Other income		**49,290**	35,777
Other gains and losses		**(2,334)**	(1,420)
Selling and marketing expenses		**(358,813)**	(384,312)
Administrative expenses		**(92,393)**	(100,595)
Research and development costs		**(14,839)**	(18,484)
Other expenses		**(11,662)**	(30,692)
Impairment loss recognised in respect of intangible assets		**—**	(3,323)
Gain on disposal of a subsidiary		**9,977**	—
Profit (loss) before tax	4	**54,507**	(96,946)
Income tax (expense) credit	5	**(9,472)**	6,970
Profit (loss) and total comprehensive income (expense) for the year		**45,035**	(89,976)
Earnings (loss) per share			
Basic *(RMB)*	7	**0.03**	(0.06)
Diluted *(RMB)*	7	**0.03**	(0.06)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

		At 31 December	
		2014	2013
	NOTES	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**352,056**	423,583
Prepaid lease payments		**58,850**	60,202
Investment properties		**394,012**	324,805
Intangible assets		**1,933**	2,215
Non-current deposits		**5,439**	1,278
Deferred tax assets		**12,850**	14,496
		825,140	826,579
CURRENT ASSETS			
Inventories		**5,114**	5,674
Trade and bills receivables	8	**14,121**	14,184
Deposits, prepayments and other receivables	9	**34,805**	38,802
Pledged bank deposits		**813**	13,631
Term deposits with initial term of over three months		**—**	201,000
Bank balances and cash		**477,753**	207,578
		532,606	480,869
Assets classified as held for sale		**—**	7,600
		532,606	488,469
CURRENT LIABILITIES			
Trade and bills payables	10	**10,381**	17,232
Other payables and accrued expenses	11	**147,771**	115,974
Tax payable		**1,707**	2,794
		159,859	136,000
Liabilities associated with assets classified as held for sale		**—**	11,897
		159,859	147,897
NET CURRENT ASSETS		**372,747**	340,572
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,197,887**	1,167,151

	At 31 December	
	2014	2013
	RMB'000	*RMB'000*
CAPITAL AND RESERVES		
Share capital	**89**	89
Reserves	**1,182,946**	1,151,253
	1,183,035	1,151,342
NON-CURRENT LIABILITIES		
Deferred government grant	**6,326**	7,112
Deferred tax liabilities	**6,833**	7,104
Other non-current liabilities	**1,693**	1,593
	14,852	15,809
	1,197,887	1,167,151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its holding company is Foreshore Holding Group Limited (incorporated in the British Virgin Islands). The address of the registered office of the Company is The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands, and the principal place of business of the Company is 10/F., Besunyen Building, Linglong Tiandi, No.160 West 4th Ring Road North, Haidian District, Beijing 100036, the People's Republic of China (the "**PRC**").

The principal activities of the Company and its subsidiaries are the manufacture and sales of therapeutic tea products.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following amendments to IFRSs and a new Interpretation.

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

IFRIC — Int 21 Levies

The Group has applied IFRIC — Int 21 Levies for the first time in the current year. IFRIC — Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

IFRIC — Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

New and revised IFRSs issued but not effective

The Group has not early adopted the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 1	Disclosure Initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

Other than described below, the directors of the Company consider the application of the new and revised IFRSs would not have any material impact on the consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company are in the process of assessing the impact of application of IFRS 9 in the future on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 15 Revenue from Contracts with Customers

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company are in the process of assessing the impact of application of IFRS 15 in the future on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the invoiced value of therapeutic tea products sold to customers by the Group less returns, discounts, rebates, and sales related 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 segment information is presented other than entity-wide disclosures.

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

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Detox tea	**251,570**	246,898
Slimming tea	**307,738**	235,805
Other tea products	**4,580**	4,797
	563,888	487,500

Major customers

No single customer contributed over 10% or more of total revenue of the Group for the years ended 31 December 2014 and 2013.

Geographical disclosures

The Group operates in the PRC and substantially all of its customers are located in the PRC. Substantially all of the non-current assets of the Group are located in the PRC.

4. PROFIT (LOSS) BEFORE TAX

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Profit (loss) before tax for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
— salaries and other allowances	**123,600**	123,063
— share-based compensation	**2,278**	5,808
— retirement benefit scheme contributions	**5,189**	6,635
Total staff costs	**131,067**	135,506
Gross rental income from investment properties	**(19,749)**	(18,016)
Less:		
Direct operating expense (including depreciation) incurred for investment properties that generated rental income during the year	**11,487**	10,633
Direct operating expense (including depreciation) incurred for investment properties that did not generate rental income during the year	**175**	976
	(8,087)	(6,407)
Amortisation of intangible assets	**304**	594
Auditors' remuneration	**2,784**	4,577
Cost of inventories recognised as expense (including write-down of inventory amounting to RMB681,000 (2013: RMB9,834,000))	**88,607**	81,397
Depreciation of property, plant and equipment	**30,589**	34,175
Depreciation of investment properties	**10,608**	10,029
Impairment of non-current deposits	**39**	721
Loss (gain) on disposal of property, plant and equipment	**233**	(13)
Release of prepaid lease payments	**1,352**	1,352
(Reversal of) allowance for doubtful debts	**(370)**	301

5. INCOME TAX EXPENSE (CREDIT)

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
The expense (credit) comprises		
Current tax:		
PRC Enterprise Income Tax	**8,926**	5,648
Over provision in prior year:		
PRC Enterprise Income Tax	**(829)**	(14,041)
	8,097	(8,393)
Deferred tax:		
current year	**1,375**	1,423
	9,472	(6,970)

The Company was incorporated in the Cayman Islands and Besunyen Investment (BVI) Co., Ltd. was incorporated in the British Virgin Islands ("**BVI**") that are tax exempted under the tax laws of the Cayman Islands and the BVI.

During 2014, Beijing Outsell Health Product Development Co., Ltd. ("**Beijing Outsell**") obtained the approval from tax bureau in respect of the application of the preferential tax rate of 15% which applies to High and New Technology Enterprise for three years from 2014 to 2016.

Except for Beijing Outsell, the remaining PRC subsidiaries are subject to a unified Enterprise Income Tax rate of 25% for 2014 and 2013.

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

6. DIVIDENDS

An interim dividend of HK$0.0125 per share (total dividend of HK$19,618,000 or RMB15,620,000) in respect of the interim period ended 30 June 2014 was declared in August 2014 and paid during the year ended 31 December 2014. Subsequent to the end of the reporting period, the Directors have proposed a final dividend of HK$0.02 per share with an aggregate amount of approximately HK$31,388,000 for the year ended 31 December 2014, which is subject to approval by the shareholders of the Company at the forthcoming general meeting.

No dividend was proposed or paid for the year ended 31 December 2013.

7. EARNINGS (LOSS) PER SHARE

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

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Earnings (loss) attributable to owners of the Company:		
Earnings (loss) for the purpose of calculating basic and diluted earnings (loss) per share	**45,035**	(89,976)

	Year ended 31 December	
	2014	2013
	'000	*'000*
Numbers of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	**1,530,189**	1,523,256
Effect of dilutive potential ordinary shares:		
Restricted shares granted by the Company	**210**	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) per share	**1,530,399**	1,523,256

The computation of diluted earnings per share for the year ended 31 December 2014 does not assume the exercise of the Company's outstanding share options as the exercise price of these share options was higher than the average market price of its shares.

The computation of diluted loss per share for the year ended 31 December 2013 does not assume the exercise of the Company's outstanding share options as it would result in a decrease in loss per share.

The weighted average number of ordinary shares shown above has been arrived at after adjusting the effect of shares repurchased by the Company and the shares held by the Company's restricted share award scheme under the Trust for the both years ended 31 December 2014 and 2013.

8. TRADE AND BILLS RECEIVABLES

	At 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**2,703**	14,552
Bills receivables	**11,616**	200
Less: allowance for doubtful debts	**(198)**	(568)
Total	**14,121**	14,184

The Group allows a credit period of 60–180 days to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the date of delivery of goods, which approximated the respective revenue recognition dates.

	At 31 December	
	2014	2013
	RMB'000	*RMB'000*
0–90 days	**13,795**	12,407
91–180 days	**174**	1,392
181–365 days	**152**	385
Total	**14,121**	14,184

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines credit limits by customer internally. Limits and scoring attributed to customers are reviewed every year.

Included in the Group's trade and bills receivables are debtors with an aggregate carrying amount of approximately RMB152,000 (2013: RMB385,000) which are past due at 31 December 2014, for which the Group has not provided for an impairment loss. The Group does not hold any collateral over these balances.

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

	At 31 December	
	2014	2013
	RMB'000	*RMB'000*
181–365 days	**152**	385

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

No interest is charged on trade receivables. Allowances on trade receivables are made based on estimated irrecoverable amounts from the sales of goods by reference to past default experience and objective evidences of impairment determined by the difference between the carrying amount and the present value of the estimated future cash flow discounted at the original effective interest rate.

Movement in the allowance for doubtful debts

	2014	2013
	RMB'000	*RMB'000*
At the beginning of the year	**568**	267
Impairment loss (reversed) recognised on receivables	**(370)**	301
At the end of the year	**198**	568

9. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2014	2013
	RMB'000	*RMB'000*
Prepaid advertising	**14,178**	20,286
Other prepayments	**9,595**	7,742
Other receivables	**6,342**	5,884
Interest receivables	**2,936**	3,058
Prepaid lease payments	**1,352**	1,352
Prepayment to suppliers	**402**	480
Total	**34,805**	38,802

10. TRADE AND BILLS PAYABLES

	At 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade payables	**1,733**	3,601
Trade bills payables	**8,648**	8,131
Bills payables for purchase of property, plant and equipment	**—**	5,500
Total	**10,381**	17,232

The credit period granted by suppliers is 60–90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe. The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	At 31 December	
	2014	2013
	RMB'000	*RMB'000*
0 to 90 days	**1,409**	3,519
91 to 180 days	**191**	82
181 to 365 days	**51**	—
Over 1 year	**82**	—
Total	**1,733**	3,601

The following is an aged analysis of trade bills payables presented based on issuance date at the end of the reporting period:

	At 31 December	
	2014	2013
	RMB'000	*RMB'000*
0 to 90 days	**8,648**	8,131

11. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December	
	2014	2013
	RMB'000	*RMB'000*
Prepayments from customers	**33,670**	13,940
Accrued payroll	**23,526**	14,655
Accrued expenses	**22,438**	13,468
Accrued sales rebate	**22,130**	18,951
Other payables	**19,458**	25,322
Other tax payables	**18,115**	17,687
Others	**7,000**	7,000
Payable for land use right	**—**	3,000
Deferred government grant	**786**	786
Payable for advertising expenses	**648**	1,165
Total	**147,771**	115,974

BUSINESS REVIEW AND PROSPECTS

Overview

The Group mainly engages in the development, production, sale and promotion of therapeutic tea. For the last 14 years, the Group has always been focusing on the business of the Besunyen Detox Tea and Besunyen Slimming Tea (the "**Two Teas**").

In respect of the global industrial landscape, Southeast Asian and North American countries have edges over China in terms of land and labor costs, which has inevitably driven the latest wave of industrial shift. On the other hand, the United States have identified their industrial hollowing-out problem during the economic crisis and the government launched various industrial policies to support the manufacturing sector, and the United States companies have moved their plants back home one after another. The manufacturing sector of China, the once "world factory", has hit its bottom. It is now facing the challenges of upgrading, transforming and restructuring to high-end manufacturing.

The Bank of China issued the *Economic and Financial Outlook Report 2015* in Beijing on 2 December 2014, which gave a review on China's macro-economic trend in 2014, pointed out that against the backdrop of "superimposition of three stages" and subject to factors such as demands weakening, excessive production capacity and property market restructuring. The economy of China continued to slow down in 2014. Although GDP exceeded RMB60 trillion for the first time, the year on year growth only stood at 7.4%, significantly lower than the average annual increase rate of around 10% for the 36 years since the reform and opening-up.

As mentioned in the "Several Opinions on Promoting the Development of the Health Care Services Industry" issued by the State Council on 1 November 2013, by 2020, China will basically establish a well-structured health care services industry system providing diversified and lifelong services, build up a number of well-known brands and health care services industry clusters operating in a benign cycle, and achieve international competitiveness to a certain extent, such that the public demands in health care services can be satisfied basically. The total market size of the health care services industry will exceed RMB8 trillion, and will become an important driver of sustainable economic and social developments.

The revenue of the Group in 2014 was RMB563.9 million, representing an increase of 15.7% as compared with the revenue of RMB487.5 million in 2013. Gross profit increased from RMB406.1 million in 2013 to RMB475.3 million in 2014, representing an increase of 17.0%. At the same time, the gross profit margin increased from 83.3% in 2013 to 84.3% in 2014. On the other hand, the total operating expenses in 2014 (including selling and marketing expenses, administrative expenses and research and development costs) were RMB466.0 million, representing a decrease of 7.4% as compared with RMB503.4 million 2013. No impairment loss on intangible assets was recognised in 2014 (2013: RMB3.3 million). For the above-mentioned reasons, the Group recorded a net profit of RMB45.0 million in 2014, while the net losses in 2013 were RMB90.0 million.

Building on the growth level under the "new normal" as stated by Chairman Xi, we firmly believe that China's economy will maintain a steady growth. At the same time, benefiting from the national policies in favor of the grand health industry, there will be ample opportunity for development of health care products. In addition, as a result of the improving national income level and the increasing awareness of self health care, the demands in health care products increased significantly. Moreover, Chinese society has approached the age of aging, the apparent and potential demands in health care products are considerable. Under this extremely favorable external environment for health care products, as a leading brand and supplier of therapeutic tea in China, the Group will continue to sufficiently leverage on Besunyen's brand awareness across the country, national channels and terminals network advantages, to complete innovative research and development and introduce strategic partners, with a view to enhance the core competent of our brand, and will continue to cater for the demands of consumers in health care products, so as to create reasonable profit returns for our shareholders in the long run.

INDUSTRY, MARKET AND COMPETITION

According to a study in the United States, the estimated average reported constipation prevalence rate in the United States ranges between 12%-19%, just after the number of occurrence of hypertension. The Digestion Department of Internal Medicine of the Sixth Affiliated Hospital of the Sun Yat-sen University stated that "the domestic prevalence rate of constipation is very high, which is 6% among natural population, while the prevalence rate of chronic constipation in the 60+ group is as high as 22%." Constipation related issues could be very serious, dry stool will lead to constipation difficulties, resulting in increased intra-abdominal pressure, higher blood pressure, and induce ischemic angina, cardiac arrhythmia, myocardial infarction and cerebral infarction.

The Institute for Health Metrics and Evaluation of Washington University had analyzed 1,700 investigation reports, covering 188 countries and regions during 1980 to 2013, and the study found that currently 2.1 billion out of the approximately 7 billion population in the world are obese. During the 33 years, the overweight or obese male population has increased from 28.8% to 36.9% and the overweight or obese female population has increased from 29.8% to 38%. The United States is the country with the highest overweight or obese population, amounting to 160 million in aggregate, in which 86.90 million fall within the obese population, accounting for 13% of the total number of obese in the world. In China, the overweight population has reached 22.4% and the obese population has also reached 62 million, accounting for 9% of the world and ranks number two globally.

Obesity is not only an isolate disease, but also a high-risk factor underlying type 2 diabetes, cardiovascular diseases, hypertension, stroke and various cancers. It has been classified by the World Health Organization as one of the top 10 high-risk disease inducing factors. Obesity not only affects the quality of life, but also imposes heavy burden to the public health services system of the society.

Inheriting the essence of traditional Chinese medicine, combining with the healthy elements of tea leaves and following the concept of "medicine food homology", Besunyen developed therapeutic tea products with laxative and slimming effects. As consumers are increasingly pursuing for safe and reliable green and natural herbal products, products of Besunyen have received continuous approval from consumers for 14 years. According to the "statistics of 2013 Big Varieties Health Products Sales TOP 20 (Retail Market) (二零一三年保健品大品種銷售TOP 20 (零售市場))" released by Sinohealth Intelligence (Group) Co., Ltd. on 1 March 2014, the Group's Besunyen Detox Tea and Besunyen Slimming Tea ranked number 10 and 13, respectively.

Besunyen Detox Tea and Besunyen Slimming Tea compete with similar products in the market, including health care products, medicines or other types of products. In particular, they enjoy absolute leading brand competitive advantages over related products sold in retail pharmacies. According to an investigation report on retail pharmacies in China issued by China Southern Medicine Economy Research Institute ("SMERI") on 15 February 2015, Besunyen Detox Tea continued to rank top in the market segment of aperient and laxative products in terms of retail sales for seven consecutive years, despite the fact that its market share was 21.67% in 2014, representing a year-on-year decrease of 1 percentage point. Besunyen Slimming Tea continued to rank top in the market segment of slimming products for five consecutive years, enjoying a market share of 42.69% in 2014, representing a year-on-year increase of 4.5 percentage points.

BUSINESS REVIEW

Building on the solid foundation laid down by our remarkable operation and management restructuring efforts in 2013, the Group adopted systematic and strategic management initiatives in 2014. By reshaping our brand, upgrading product packages, enhancing channels' confidence, expanding our sphere of influence among terminals and facilitating the justifications for customers' to select the products of Besunyen, Besunyen not only has consolidated its market, but also rapidly reversed and enhanced our overall operational effectiveness. Set forth below is our status of business development during the year:

Package Upgrading and Price Increase

Repositioning and Package Upgrading

2014 is a year about reshaping and pursuing for changes and breakthrough for Besunyen. By 14 years of accumulation, the "effectiveness" gene in the Besunyen brand has taken its shape. This core value supports the long term competitiveness of Besunyen. In respect of marketing, we have emphasized on and reshaped the substance of Besunyen's brand and its leading position in the industry so as to enhance the value of our brand. In respect of brand positioning, we reinforced the idea of "oriental tea-making technique" and advocated for the "quality functional tea, Besunyen" advertisement theme to attract highly focused attention from consumers. By activating internal and external resources, we have: transformed from a traditional health care product oriented model to a product value oriented model; presented our identity of and value as oriental functional tea specialist for consumers' recognition; and established our identity and position as a leader in oriental functional tea as well as fostered the development of Besunyen Detox Tea and Besunyen Slimming Tea.

For a clear portrait of our brand positioning and advocation, the Group comprehensively revised the graphic designs of our packages on 1 January 2014. The packages adopted pictures of herbs, the raw materials of our products, as the new elements to adequately present the natural herbs substance of our brand, while taking the gene of the brand to an optimal level, in order to present the logo of the brand with improved conciseness, freshness and trendiness. We have uplifted the identity of Besunyen to a higher level by provoking changes in our brand value, so that Besunyen will become the representative product among functional teas. This facilitates the justifications for consumers to buy and solidifies consumers' belief, so that Besunyen will come out on top of their list of preferred products. We have reshaped the brand and upgraded the packages, while strategically enhancing the competitive advantages of Besunyen, thereby enabling the sales performance of Besunyen to record a positive and rapid growth in 2014.

Preliminary Alignment of the Price of Besunyen Slimming Tea with Psychological Price Level

The price of Besunyen Slimming Tea has long been lower than that of Besunyen Detox Tea, however, the consumer group of slimming tea is less price sensitive towards the slimming products. While brand value is reflected in the price of a product and the psychological awareness of the consumers, undoubtedly, the price of Besunyen Slimming Tea used to represent a discount over the psychological price level of the consumers. In addition, the key production elements, raw materials and staff costs, experienced cost inflation in the recent years due to price increase in commodities. Therefore, with a view to align with the psychological price level of the consumers and the production costs, the price of Besunyen Slimming Tea had been increased to the same level as Besunyen Detox Tea on 1 January 2014.

Improving Brand Image and Establishing Leading Position

Title Sponsor for Besunyen Divas Hit the Road(《碧生源花兒與少年》) Program on Hunan Satellite TV

The tone for advertisement strategy and advertisement creation was set upon making of the strategic decision on brand reshaping and package upgrading in early 2014. An advertisement series, from the notification of "new packages on shelves" to the advocation of "quality functional tea, Besunyen" to the credential declaration of "sales volume exceed 3 billion bags in 14 years", had completed shooting successively, making media strategy and media placement our priorities for the year. For the purpose of strengthening the brand recognition and credibility of Besunyen, the Group continued to embark on various promotional and interactive activities through various media, including TV, print media, outdoor media, public transportation mobile media, as well as internet and new media. Among which, our sponsorship for the hit show "*Besunyen Divas Hit the Road*"（《碧生源花兒與少年》） on Hunan Satellite TV and the popular show "*King Wang*" (《大王小王》) on Hubei Satellite TV received extremely positive feedback, thereby achieving deep placement of the advertisements of Besunyen Detox Tea and Besunyen Slimming Tea. *Besunyen Divas Hit the Road* broadcasted 8 episodes for 1 episode per week consecutively from 25 April 2014 onwards, with the rating points hitting 2.5%, the highest rating points for the same time slot among all satellite TV channels across the country.

Hosting of European Family Trip

With a view to amplify the advertising effect of broadcasting *Besunyen Divas Hit the Road*, we have launched large scale public relations activities of "*European Family Trip*" on Mango TV and various websites, and activated social media platforms such as Weibo and WeChat so as to roll out our marketing plan for comprehensive and close contact with channel distributors, sub-distributors, terminal retailers and consumers. A series of promotional activities were also carried out at the same time, such as the lucky draw for a family trip to Europe, buying products to get free T-shirt, online game of Divas Hit the Road, forwarding Weibo and WeChat messages to participate in lucky draws. The objectives of the above are to amplify the effect of the TV advertisement, create WeMedia broadcast and integrate the online and offline interactive communications.

Hosting of the Besunyen Cup Charity Advertising Contest

In the spring of 2014, the Twelfth (2013-2014) Chinese University Students Advertisement Art Show Academy Award "Besunyen Cup Charity Advertising Contest" hosted by the China Advertising Association conducted the assessment and selection of the graphic works on the theme of charity at the headquarters of Besunyen. Hundreds of university students from about a dozen universities participated in the contest with more than one hundred thousand works submitted. Through the appraisal, we delivered the Besunyen's concepts of "Herbal", "Healthy", "Functional" and "Oriental" to the university students, which built a good brand image of Besunyen in the minds of young people.

Participation in the IAA World Congress

The 43rd "IAA World Congress" was held at China National Convention Center in Beijing in mid-May 2014. Besunyen is the only product-oriented exhibitor at the congress. On the sub-forum of the congress, Besunyen announced its plan to submit an application of the world's intangible cultural heritage for the "Oriental tea-making technique" (東方茶術), a move aiming at promoting the traditional tea culture and leading the development of the whole industry.

Official Cooperation Partner of the Chinese Figure Skating Team

Besunyen cares about the sports affairs of China, and Beijing Outsell was authorized by the Winter Sports Management Center of the General Administration of Sport of China, it is entitled to use the title of the "Official Cooperation Partner of the Chinese Figure Skating Team" in (among others) advertisement, packages and promotion events, and to use the combined logo with Chinese Figure Skating Team and the collective images of the Chinese Figure Skating Team. The figure skating team fully represents the elegance postures and healthy images of the athletes, which is in line with the positioning of the Besunyen brand. At the same time, the capability of the Chinese Figure Skating Team ranks number one in Asia and is first-class in the world, which resonance to the leading position of Besunyen in the therapeutic tea arena, thus the cooperation can achieve "win-win" effect.

Close Cooperation with Channel Allies

The Group divides our sales regions across the country into 13 large regions and 44 districts, spanning across 31 provinces, autonomous regions and municipals, and served about 125,000 over-the-counter ("**OTC**") pharmacies and retail terminals in shopping malls and supermarkets via the distributors, sub-distributors and the sales team directly under the Group. Moreover, by means of the dynamics of brand attraction and channels' promotion, the sale of the Besunyen Detox Tea and Besunyen Slimming Tea has a coverage of about 400,000 pharmacies across the country.

Hosting of the "Back Home" Program for Distributors

In 2014, with a view to provide a better understanding of the Company and products for distributors, the Group initiated the "BACK HOME" (「回家」) program, specifically inviting customers, including distributors, sub-distributors and OTC chain stores, to visit Besunyen's headquarters, Besunyen Building located in West 4th Ring Road North, Beijing, and production base located in Fangshan, Beijing. There were a total of 200 visitors paid visits to our Company during the year. We have received a total of 110 customers, including distributors, sub-distributors and OTC chain stores. Through the "BACK HOME" program, the Company and customers, including distributors, sub-distributors and OTC chains, cultivated deeper mutual trust. The Company also took this opportunity to conduct in-depth discussion and analysis with the customers in respect of the mode of cooperation, inventory management and retail channel management.

Channels Enhancement: Supporting the Excellence while Eliminating the Inferior

In 2014, in order to maintain the stability of the channels and manage the product pricing system of the Company effectively, the Company formulated clear distributors and sub-distributors standards, focused the resources of our Group in the key distributors that have delivered more contributions to the Company. Through restructuring and integrating the distributors and sub-distributors channels, the Company's products can flow in a targeted direction as designed by the Company, further enhancing our control in the product pricing system and the sales channels. As of 31 December 2014, the number of distributors of the Group decreased from 148 at the end of 2013 to 102, while the number of sub-distributors decreased from 630 at the end of 2013 to 480. Through this series of "supporting the excellence while eliminating the inferior" management initiatives, the Company has not only enhanced the management of the channels but also further supported the development of distributors that have contributed more to the Company, such that the Company, distributors and sub-distributors can grow together, thereby establishing a sound, mutually supportive and closely cooperative relationship and facilitating the growth in sales effectively.

System: Mobile Phone Terminal System in Place

Thanks to the advanced technologies, the Group has fully put in place a mobile terminal management system for our sales staff in August 2014, covering 13 regions and 44 districts across the country. Market information, such as the name of outlet, time, location, transaction data, goods displayed and POP management, of the customers visited by our sales staff are logged into the mobile phones and uploaded to the sales management center in the headquarters on real time basis. The data effectively facilities improvements of sales management of the Company after being organized and analyzed.

Alliance: Strategic Alliance with Chain Stores

As a result of the introduction of the new *Good Supply Practice for Pharmaceutical Products* ("GSP") of China, chain store model gaining momentum in pharmacies operation, the number of chain pharmacies increased from 159,200 in 2013 to 243,800 in 2014, representing a growth rate of 53%. In anticipation of this structural change of the pharmacy chain industrial format, the Group took the initiative to join hand with the top 100 OTC chains at the beginning of the 2014. And the Group participated in the China Drug Retailing Information Conference held in Hainan on 14 August 2014 to have face to face contacts and exchanges with the management of national large scale pharmaceutical retail chains. The Group formed strategic alliance and conducted close cooperation with 103 large scale pharmacy chains, covering 23,000 pharmacy chain terminals.

Online-offline Interactive E-commerce

In proactive reaction to the trend of the go online thinking and the changes in shopping habits of the post 1990's new generation, the Group has continuously exploring digital marketing models for the Company's product as we deem fit, availing the products of the Group on our self-owned retail website 7cha.com, as well as other professional B2C websites. The online platform not only displays and sells the Group's core products well received in physical stores, but also focuses on promoting the Company's newly-launched products and products specifically designed for online shoppers.

During the second half of 2014, the Company restructured and integrated the e-commerce sales team. As of 31 December 2014, the Group's official Sina Weibo and WeChat public accounts "Besunyen" have already commenced official operation. The e-commerce team has also worked with our traditional channels sales team for a number of times to embark on a series of online marketing activities. The Company tried to leverage on the new media to interact with more young and trendy user groups, so as to facilitate the development of e-commerce, and enhance the brand awareness of Besunyen among the young consumer groups.

While strengthening the traditional offline sales channels, it is expected that the e-commerce team will expand the Company's retail network by the establishment of an online-offline interactive marketing model, in turn delivering income and profit growth for the Company.

Talents Admission and Share Option Incentives

Engagement of Chief Operating Officer

After the strategic restructuring of the Group calling for "horizontalization of organization, optimization of structure and rationalization of procedures" in 2013, our organization and staff have been streamlined. 2014 is a critical year for Besunyen to internally implement in-depth management initiatives to enhance efficiency and externally grasp the opportunities arising from the grand health industry. And therefore, upon approval from the Board, we engaged Ms. Zhao Yuanhua as the chief operating officer of Besunyun in August 2014. Ms. Zhao is responsible for the management of production, marketing, sales, e-commerce and human resources. She will work towards a more systematic and efficient operation mechanism of the Group.

Campus Recruitment and Talent Pool Training

For the purpose of training up a pool of talents, the Group visited several colleges and universities in China in June 2014 for recruitment of fresh graduates. After one month's isolated training, they were designated to the Beijing sales department to receive two months of practical sales and sales techniques training. Upon completion of the training, these post-1990s youngsters were designed to different regions in the country to engage in the basic sales operations, who will become sales skeleton of the Company in the future.

For the purpose of enhancing the operational abilities and management skills of middle and senior management, management members of different levels have been sent to join trainings such as Trout positioning, leadership diamond, High Brain and trainings for directors and secretary to the Board of listed companies since February 2014.

Joining Hands with the Harvard Business School in Case Study and Course Program

In August 2014, the Group has the honor to be selected as one of the teaching plans in the case study analysis program of the Harvard Business School among the 156 cooperation partners of the Harvard Business School in 13 countries all over the world. The professor from the Harvard Business School responsible for the case study materials visited the Beijing headquarters of the Group twice to interview with the senior management of Besunyen, so as to obtain first-hand and genuine operational and management data. The case study on the 14 years of Besunyen's operation will be adopted as the live scenario-based teaching materials for the discussion and analysis by students of the Harvard Business School during their classes.

At the same time, another group of six Harvard Business School students participated in the "FIELD" (Field Immersion Experiences for Leadership Development) course jointly organized by the Group and the School. The course aims at train-up of business leaders by acquisition of practical experience through on-site participation in operation and management. This is a mandatory course for the first-year students of the Harvard Business School. From October 2014 onwards, the senior management of the Group and the team of students from Harvard conducted distance interactive discussions on the project content, after which the student team arrived at our Besunyen Beijing headquarters on January 2015 to undergo a 10-day on-site internship. The students put forward their ideas after conducting consumer research and study in China. Subsequently, they presented their ultimate project proposal. At the same time, the students acquired from Besunyen abundant practical experience and intellectual knowledge in operation and management of enterprise, which cannot be acquired by discussion in classroom.

Share Equity Incentives

In October 2014, with a view to incentivize the management staff, the Group introduced the stock option incentive policy upon approval by the Board. A total of 44,860,000 share options had been granted under the share option scheme to 91 participants, including Directors, staff and advisors.

Quality Products with Professional Accreditation

Evidence-based Medicine and Scientific Study

On 27 June 2014, the fifth Healthplex & Nutraceutical China exhibition was officially convened in Shanghai, and the "Result of Evidence-based Medicine on Besunyen Functional Tea Bag (碧生源功能袋泡茶循證醫學結果)" by the Evidence-based Medicine Project Seminar of Health Care Food was announced at the exhibition. According to the initial experimental results, Besunyen Detox Tea and Besunyen Slimming Tea are effective, safe and applicable. The seminar provided scientific answers regarding the effectiveness and safety of Besunyen products through evidence-based medicine method to consumers and health care food industry.

This Evidence-based Medicine Project regarding Health Care Food was a large scale scientific and systematic research project on health care food sponsored by China Health Care Association. Institutions participated in the experiments include Shanghai Municipal Center for Decease Control & Prevention, the Second Military Medical University, Institute of Chinese Materia Medica under China Academy of Chinese Medical Sciences (中國醫學科學院中藥研究所), etc. Besunyen Detox Tea and Besunyen Slimming Tea received the accreditations from the Project of Evidence-based Medicine regarding Health Care Food, once again demonstrated the effectiveness of the Group's products.

GMP Regulations

The Group has approximately 13,600 square meters of production plant that is GMP-compliant (health care products), with approximately 1,400 square meters of 100,000 grade clean area constructed up to GMP (health care products) standards. The Group also adopted 18 production lines assembled under the state of art Italian IMA-C24 fully automatic tea bag packaging machine in the world. The machine is equipped with the specifically designed "cotton thread nautical knot for tea bag and tag fixing" technology for hygienic and safety purpose. The Group put much emphasis on the management and control of both the source for safety food production and the entire production process. Procurement and utilization of all raw materials has been consistently in compliance with national requirements.

Awards and Honors

Well-known Trademarks in China

In December 2013, the Trademark Office of State Administration for Industry & Commerce of the PRC ("**Trademark Office**") issued its "*Approval of the Recognition of 'Besunyen and device' trademark as a Well-known Trademark*". According to the relevant provisions of the "*Trademark Law*", "*Implementing Regulations of the Trademark Law*" and "*Provisions for the Determination and Protection of Well-known Trademarks*", the Trademark Office has recognised the registered trademark of "Besunyen and device", as used by Beijing Outsell on products classified under the International Classification of Goods and Services for the Purposes of the Registration of Trademarks Class 30, tea leaves and tea leaves substitutes, as a well-known trademark after review and examination.

Beijing Famous Brand Enterprise

The Group has received the following awards and honors:

The Beijing Administration for Industry & Commerce recognised Besunyen as "Famous Trademark" in 2010

The Beijing Quality Association issued "Famous Brand" to Besunyen in 2012

Beijing Annals • Industry Volume

Besunyen's name has been entered into the 1999–2010 "Beijing Annals • Industry Volume • Health Care Chapter" by Beijing Municipal government in 2013. The contributions from Besunyen to the industrial development of Beijing municipal will remain in the official document ever after.

Top Ten Brand with Public Credibility

As at 30 March 2014, the Fifth China Credible Health Care Products Forum and the Fifth Credible Health Care Products and Brands Selection Activity Commendation Conference were officially held in Beijing. The senior officials from National Health and Family Planning Commission (NHFPC), the China Food and Drug Administration (SFDA), China Health Care Association, the State Administration for Industry & Commerce, the Ministry of Commerce, General Administration of Quality Supervision, Inspection and Quarantine and other relevant departments participated in the conference. Besunyen has been granted the honor of the Credible Health Care Product Brand for the Fifth Forum in this selection activity. The products under Besunyen, including the two traditional teas have been granted the honor of the Credible Health Care Product for the Fifth Forum. The Chairman of China Health Care Association, Mr. Zhang Fenglou, presented the "Top 10 Credible China Health Care Product Brands " award to Besunyen. Since Besunyen has already received the award in three consecutive sessions of the Forum (2010, 2012 and 2014), Besunyen also received the honorable title of "Famous Brand for China Health Care Industry".

Accredited High and New Technology Enterprise

The wholly-owned subsidiary of the Group, Beijing Outsell received the High and New Technology Enterprise Certificate issued by the Beijing Municipal Science & Technology Commission on 30 October 2014 for an effective term of three years.

Charity Works

Received the Ninth Annual People's Corporate Social Responsibility Award — the Case of the Year Award

On 3 July 2014, the establishment ceremony of "Besunyen Charity Fund" jointly established by Besunyen and the Beijing Charity Association was held in the Besunyen Building located in West 4th Ring Road North, Beijing. Besunyen has donated RMB5 million (payable during a period of 10 years for RMB0.5 million per year) into the fund for charity affair, such as conducting social relief activities, providing services to the people in need, serving as complementary aids to the social security system.

The People.com hosted the Ceremony for the ninth Annual People's Corporate Social Responsibility Award Ceremony on 18 December 2014, during which the "Besunyen Charity Fund" received the ninth Annual People's Corporate Social Responsibility Award — the Case of the Year Award.

Received the "China Corporate Social Responsibility — Best Charity Demonstration Award"

On 15 January 2015, the "Seventh China Corporate Social Responsibility Summit and the Release of China Corporate Social Responsibility Report Whitepaper 2014"was officially held. Besunyen received the "China Corporate Social Responsibility — Best Charity Demonstration Award 2014" in the submit. We are increasingly committed to the performance of social responsibility, at the same time, the performance of social responsibility is the key to realize sustainable development. As a leading enterprise in therapeutic tea product in China, Besunyen actively participated in charity works for the last 14 years and launched various charity projects, such as the establishment of "Besunyen Special Charity Fund", participation in disaster and poverty relief and construction of water storage projects. Besunyen has continuously made charity contributions over the years.

PROSPECTS

Macro Economy

The Economic Forecasting Division of State Information Centre estimates that, as the property market continues to trend down, it is expected that China's 2015 economic growth rate will be slower than 2014, which translated to about 7.0% of GDP growth and 2.4% of CPI growth. From the perspective of "Troika", the foreign trade in 2015 may improve slightly from that of last year, and consumption is also expected to remain basically stable. Despite strengthened efforts in investment, the domestic financing ability is subject to policy limitations. Overall speaking, the economic growth rate will slowdown in 2015, but the possibility of tumbling down can be ruled out. The economy is going to remain in a "low growth + low inflation" landscape throughout the year.

Repositioning and Consumer Base Expansion

In 2015, the Group expand the scope of the consumer population by repositioning, with the message dissemination having been upgraded from functional purpose in the past to preventive health care. In respect of media strategy and media mix, in addition to the official strategic partnership with the Figure Skating Team under the General Administration of Sport of China, the Group will also sponsor two classic programs, namely, the "King Wang" (大王小王) on Hubei Satellite TV and "Doctor" (我是大醫生) on Beijing Satellite TV. Combined with local televisions and radio stations across the country, it will form a three dimensional communication model with wide coverage and in-depth communication.

Focusing on Terminals and Strict Cost Control

The Group will adhere to the sales strategy of last year and will stay focused on implementing its marketing initiatives for Besunyen Detox Tea and Besunyen Slimming Tea. It will launch a new 40-bags tailor-made package in 2015 for exclusive supply to large scale chain pharmacies with key cooperation. At the same time, we will keep optimizing the sales channels, further enhance the management of sales terminals, closely monitor market inventories, take an active role in maintaining the relationship with sale terminals personnel. In addition, by leveraging on our cooperation with the China Figure Skating Team, positive promotion of the Company's products will be strengthened, while promoting the concept of a healthy living to the market as well as to the public. The Group expects to maintain a steady growth in terms of the Company's sales of the Two Teas in 2015 by the above-mentioned series of efforts. The Group will continue to prudently control the advertising expenses, and further expand advertising influence in the manner of media communications achieved by online and offline interaction, so as to obtain a cost-effective marketing communications effect with relatively economical measures, and will seek to deliver further contribution to the shareholders by increasing income and saving cost.

New Products Go With New Business

According to the statistics of China Chamber of Commerce for Import & Export of Medicines & Health Products (CCCMHPIE), the scale of China's grand health care industry was around RMB2 trillion in 2013. By the end of the "Twelfth Five-Year" in 2016, the scale of China's health care industry is expected to be about RMB3 trillion, ranking number one in the world. In the case of the United States, health care services is the largest industry in the United States, accounting for 17.6% of its GDP in 2009.

China's health care industry will undergo rapid development attributable to various reasons. In terms of consumer demands, as China's per capita nominal GDP exceeded US$6,000, the household spending in China has entered into a structural upgrading stage. The spending in services as represented by the health care spending will continue to expand, and the demands in health care spending will increase significantly. In terms of population, the elderly population in China reached 194 million in 2012, representing an aging level of 14.3%. The elderly population in China had exceed 200 million in 2013. The arrival of "The Age of Aging" will further release the market demands for health care industry.

The Group has always leveraged on our own resources advantage in the health care industry, and keeps abreast of the development of related health care functional products, aiming at meeting the demands for healthy living. With dedicated efforts in the grand health care industry including medical, medicine, equipment and traditional Chinese medicine by Chinese government, the Group will take the initiative to expand into the pharmaceutical and medical services industry to enhance Besunyen's competitive position in the industry by way of merger and acquisition or cooperation under the guidance of the relevant policies. In the short term, the Group will actively select the products which have market development potential in domestic and overseas markets by leveraging on the advantages of wide coverage nationwide sales network. The Group will quickly access the strategic market segments by way of agency, cooperation or joint venture, aiming at enriching product structure, enhancing the dynamic of sales channels and bringing higher profits for the Group.

FINANCIAL REVIEW

Operating Results

The following table sets forth the operating results of the Group for the indicated years ended 31 December:

	For the year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Revenue	**563,888**	487,500
Cost of sales	**(88,607)**	(81,397)
Gross profit	**475,281**	406,103
Other income	**49,290**	35,777
Other gains and losses	**(2,334)**	(1,420)
Selling and marketing expenses	**(358,813)**	(384,312)
Administrative expenses	**(92,393)**	(100,595)
Research and development costs	**(14,839)**	(18,484)
Other expenses	**(11,662)**	(30,692)
Impairment loss recognised in respect of intangible assets	**—**	(3,323)
Gain on disposal of a subsidiary	**9,977**	—
Profit (loss) before tax	**54,507**	(96,946)
Income tax (expense) credit	**(9,472)**	6,970
Profit (loss) and total comprehensive income (expense) for the year	**45,035**	(89,976)
Earnings (loss) per share		
Basic *(RMB)*	**0.03**	(0.06)
Diluted *(RMB)*	**0.03**	(0.06)

Revenue

	For the year ended 31 December			
	2014		2013	
	RMB'000	***Percentage of total***	*RMB'000*	*Percentage of total*
Revenue:				
Besunyen Detox Tea	**251,570**	**44.6%**	246,898	50.6%
Besunyen Slimming Tea	**307,738**	**54.6%**	235,805	48.4%
Other tea products	**4,580**	**0.8%**	4,797	1.0%
Total	**563,888**	**100.0%**	487,500	100.0%

The Group's revenue bottomed out gradually from 2013 onwards and increased by 15.7% from RMB487.5 million in 2013 to RMB563.9 million in 2014. Among which, the revenue of Besunyen Detox Tea increased by 1.9% from RMB246.9 million in 2013 to RMB251.6 million in 2014, mainly attributable to an increase in average selling price ("**ASP**") (revenue divided by sales volume), the sales volume decreased slightly from 174.4 million tea bags in 2013 to 172.8 million tea bags in 2014. The revenue of Besunyen Slimming Tea increased by 30.5% from RMB235.8 million in 2013 to RMB307.7 million in 2014, mainly attributable to an increase in selling price, the sales volume remained stable at 215.1 million tea bags as compared with 2013.

In 2014, through the Group's dedicated and positive market promotion, Besunyen's brand image was enhanced, followed by improved consumer recognition. The ASP of Besunyen Detox Tea and Besunyen Slimming Tea were RMB1.42 and RMB1.10 per bag respectively in 2013, and RMB1.46 and RMB1.43 per bag respectively in 2014. The ASP of Besunyen Detox Tea increased by 2.8% and the ASP of Besunyen Slimming Tea increased by 30.0%.

Cost of Sales and Gross Profit

	For the year ended 31 December			
	2014		2013	
	RMB'000	***Percentage of revenue***	*RMB'000*	*Percentage of revenue*
Total cost of sales	**88,607**	**15.7%**	81,397	16.7%
Gross profit	**475,281**	**84.3%**	406,103	83.3%

The Group's cost of sales increased by 8.9%, from RMB81.4 million in 2013 to RMB88.6 million in 2014. Cost of sales as a percentage of revenue decreased from 16.7% in 2013 to 15.7% in 2014. The decrease was mainly due to an increase in average selling price.

As a result of an increase in revenue by 15.7% and an increase in cost of sales by 8.9% in 2014 from 2013, the gross profit of the Group increased by 17.0% from RMB406.1 million in 2013 to RMB475.3 million in 2014. Gross profit margin of the Group increased from 83.3% in 2013 to 84.3% in 2014.

Other Income

RMB49.3 million of other income in 2014 (2013: RMB35.8 million) mainly comprises of interest income amounted to RMB16.7 million (2013: RMB10.9 million), a government grant of RMB12.8 million (2013: RMB4.9 million) provide by the Chinese government to support the business in which the Group engages, and rental income from investment properties of RMB19.7 million (2013: RMB18.0 million).

Selling and Marketing Expenses

	For the year ended 31 December			
	2014		2013	
	RMB'000	***Percentage of revenue***	*RMB'000*	*Percentage of revenue*
Advertising expenses	**163,737**	**29.0%**	211,816	43.4%
Other marketing and promotional expenses	**77,227**	**13.7%**	50,990	10.5%
Staff cost	**84,784**	**15.0%**	82,058	16.8%
Others	**33,065**	**5.9%**	39,448	8.1%
Total	**358,813**	**63.6%**	384,312	78.8%

Selling and marketing expenses of the Group decreased by 6.6% from RMB384.3 million in 2013 to RMB358.8 million in 2014. In 2014 advertising expense and other expenses decreased by 22.7% and 16.2% respectively as compared with 2013, and other marketing and promotional expenses and staff cost increased by 51.5% and 3.3% respectively as compared with 2013.

As the revenue increased by 15.7%, and total selling and marketing expenses decreased by 6.6% from 2013, the percentage of selling and marketing expenses to revenue decreased significantly from 78.8% in 2013 to 63.6% in 2014.

Advertising expenses in 2014 decreased substantially by 22.7% as compared to 2013. During 2014, the Group embark on various promotional and interactive activities through various media, including TV, print media, outdoor media, public transportation mobile media as well as internet and new media. Among which, our sponsorship for the hit show "Besunyen Divas Hit the Road" (《碧生源花兒與少年》) on Hunan Satellite TV and the popular show "King Wang" (《大王小王》) on Hubei Satellite TV received extremely positive feedback, thereby achieving deep placement of the advertisements of the Two Teas. National recognition of the "Besunyen" brand has been enhanced with cost effectiveness.

The increase in other marketing and promotional expenses (including terminals sales expenses, promotional expenses and gifts expenses, etc.) is mainly attributable to the Group's increased sales activities in point-of-sale terminals.

Administrative Expenses

	For the year ended 31 December			
	2014		2013	
	RMB'000	***Percentage of revenue***	*RMB'000*	*Percentage of revenue*
Staff costs	**32,358**	**5.7%**	41,551	8.5%
Office expenses	**18,497**	**3.3%**	21,451	4.4%
Professional fees	**31,006**	**5.5%**	21,202	4.3%
Depreciation and amortisation	**9,032**	**1.6%**	13,116	2.7%
Others	**1,500**	**0.3%**	3,275	0.7%
Total	**92,393**	**16.4%**	100,595	20.6%

Administrative expenses of the Group decreased by 8.2% from RMB100.6 million in 2013 to RMB92.4 million in 2014.

Administrative expenses as a percentage of revenue decreased from 20.6% in 2013 to 16.4% in 2014, mainly due to the Company's stepped up efforts in internal management.

Research and Development Costs

	For the year ended 31 December			
	2014		2013	
	RMB'000	***Percentage of revenue***	*RMB'000*	*Percentage of revenue*
Research and development costs	**14,839**	**2.6%**	18,484	3.8%

The Group's research and development costs decreased by 19.7% from RMB18.5 million in 2013 to RMB14.8 million in 2014. Research and development costs as a percentage of revenue also decreased from 3.8% in 2013 to 2.6% in 2014.

Impairment Loss on Intangible Assets

	For the year ended 31 December			
	2014		2013	
	RMB'000	***Percentage of revenue***	*RMB'000*	*Percentage of revenue*
Impairment loss on intangible assets	**—**	**—**	3,323	0.7%

The Group conducts impairment tests on intangible assets annually or more frequently if there is any indication that the intangible assets may be impaired. No impairment loss on intangible assets had been recognised by the Group in 2014 (2013: RMB3.3 million).

Taxation

Income tax expenses of the Group turned from RMB7.0 million of credit in 2013 to RMB9.5 million of expenses in 2014, mainly attributable to an increase of taxable income of the Group.

Profit (Loss) and Total Comprehensive Income (Expense) for the Year of the Group

Due to the aforementioned factors, the profit (loss) and total comprehensive income (expense) for the year of the Group turned from a loss of RMB90.0 million in 2013 to a profit of RMB45.0 million in 2014.

Use of the Net Proceeds from the Initial Public Offering ("IPO")

The net proceeds from the IPO amounted to approximately RMB1,033.2 million. The net proceeds have been applied by the Company according to the manner disclosed in the use of proceeds in the prospectus. Therefore, the respective uses of the net proceeds up to 31 December 2014 is as follows:

	Net Proceeds from IPO		
	Available	**Used**	**Unused**
	RMB'000	*RMB'000*	*RMB'000*
Acquisition of new production equipment and building new production facilities	364,913	267,658	97,255
Establishment of the East China Regional Headquarters	150,000	77,518	72,482
Beijing new office building	123,664	123,664	—
Expansion of distribution network, channels and brand building	73,092	73,092	—
Design and research and development of new products	146,185	60,495	85,690
Upgrading of ERP and overall IT system	43,855	8,702	35,153
Loan repayment	73,000	73,000	—
Working capital	58,474	58,474	—
Total	1,033,183	742,603	290,580

Liquidity and Capital Resources

In 2014, funds and capital expenditure required for the operation of the Group mainly derived from the cash flow generated from its internal operations as well as the proceeds from the IPO.

Cash Flows

The following table summarizes the net cash flows of the Group for the indicated years ended 31 December:

	For the year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Net cash from operating activities	**109,200**	8,968
Net cash from/(used in) investing activities	**173,332**	(244,883)
Net cash used in financing activities	**(15,620)**	—
Net increase/(decrease) in cash and cash equivalents (before accounting for the effect of foreign exchange rate changes)	**266,912**	(235,915)
Effect of foreign exchange rate changes	**102**	(824)
Increase/(decrease) in cash and cash equivalents (after accounting for the effect of foreign exchange rate changes)	**267,014**	(236,739)

In 2014, the Group's net cash from operating activities was RMB109.2 million (2013: RMB9.0 million of net cash inflow) compared to a net profit of RMB45.0 million (2013: RMB90.0 million of net loss). The difference was mainly attributable to the depreciation of investment properties of RMB10.6 million, the depreciation of property, plant and equipment of RMB30.6 million and an increase of RMB34.8 million in other payables and accrued expenses. Net cash from investing activities of the Group in 2014 was RMB173.3 million (2013: RMB244.9 million of net cash outflow), mainly due to redemption of short term investment. The net cash used in financing activities of the Group in 2014 was RMB15.6 million (2013: nil), mainly for the payment of dividends.

Bank Balances, Cash and Bank Borrowings

As of 31 December 2014, the bank balance and cash of the Group in aggregate was RMB477.8 million (31 December 2013: RMB207.6 million), representing an increase of RMB270.2 million as compared to the previous year. It was mainly due to the recovery in 2014 of the RMB201.0 million term deposits subsisted as at 31 December 2013. Approximately 98.8% of the Group's bank balance and cash was in Renminbi. Meanwhile, as of 31 December 2014, the Group did not has any bank borrowings (31 December 2013: nil) and unused bank facilities (31 December 2013: nil).

Capital Expenditure

In 2014, capital expenditure of the Group amounted to RMB54.3 million (2013: RMB35.8 million), which mainly included expenses in acquisitions of properties, plants and production equipment as well as land-use rights. The following table sets forth the capital expenditure by the Group for the indicated years ended 31 December:

	For the year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Property, plant and equipment	**46,524**	33,794
Intangible assets	**4,743**	11
Land-use rights	**3,000**	2,000
Total	**54,267**	35,805

Investment Properties

The following table sets forth the details of investment properties as of the dates indicated:

	At 31 December	
	2014	2013
	RMB'000	*RMB'000*
Investment properties	**394,012**	324,805

The Group owns certain office properties in Besunyen Building of Linglong Tiandi located in No. 160 West 4th Ring Road North, Haidian District, Beijing 100036, Changcheng Building located in Shanghai, and industrial property unit located in Fangshan. At 31 December 2014, the Group is in the process of obtaining property certificates of the building with a total carrying value approximate to RMB323.9 million which is located in the PRC. The Group does not put all units of these properties into full use and has leased the unused units to independent third parties until the Group need to recover such units for business expansion in the future. The properties held for lease are classified as investment properties.

As at 31 December 2014, carrying amount of the investment properties amounted to RMB394.0 million (31 December 2013: RMB324.8 million). These investment properties are measured on the basis of cost method and depreciated on a straight-line basis over the estimated useful life of 30 years. As at 31 December 2014, the Group assessed the fair values of the investment properties based on a valuation carried out by an independent valuer unrelated to the Group and determined that the related fair values exceed the carrying amount of the investment properties. As such, no impairment is considered necessary.

Inventories

The Group's inventories included raw materials and packaging materials, work in progress (semi-finished goods) and finished goods. The following table sets forth the inventory analysis as of the dates as indicated:

	At 31 December	
	2014	2013
	RMB'000	*RMB'000*
Raw materials and packaging materials	**2,602**	2,724
Work in progress	**1,066**	1,139
Finished goods	**1,446**	1,811
Total inventories	**5,114**	5,674

The turnover days of the Group's inventories in 2014 (calculated by dividing the average inventories balances at the beginning and the end of the period by the cost of sales of the period, then multiplying the number of days during the period) was 22 days (2013: 31 days). The Group takes initiative to monitor its inventories level, and seeks to maintain the inventories of raw materials, work in progress and finished goods at a relatively low level while maintaing sufficient inventories of raw materials and packaging materials for production requirements. Throughout the entire distribution and retailing process, the Group monitors and evaluates sales performance and product trends, so as to better forecast the inventories requirements.

Trade and Bills Receivables

The Group generally requests distributors to pay before delivery of goods. For certain major distributors which have long-term cooperation relationship with the Group, the Group may allow more favorable payment and settlement terms. For example, if these distributors could provide valid evidence of payment to the Group, such as reliable banker's acceptance bills which, although recorded as bills receivables in the balance sheet of the Group prior to maturity or transfer by the Group to others, the Group considers that the risk is insignificant and in substance equivalent to payments, as such, the Group could deliver the goods. The Group usually provides a credit period of 60 days or a maximum of six months to a limited number of distributors. These are mainly distributors with good credit worthiness providing wholesaling services to supermarkets and convenience store chains (general industry practice allows credit sales). For distributors not entitled to a contracted credit period, they may apply for credit in respect of their procurement on an individual basis, and the Group would grant approval on a case by case basis considering market development needs, payment capabilities of the distributors and their payment records.

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

	At 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**2,703**	14,552
Bills receivables	**11,616**	200
Less: allowance for doubtful debts	**(198)**	(568)
Total	**14,121**	14,184

The following table sets forth the turnover days of trade receivables and bills receivables of the Group during the periods as indicated (calculated by dividing the average of the balance at the beginning and the end of the period by the revenue of the period, then multiplying the number of days during the period):

	For the year ended 31 December	
	2014	2013
Trade and bills receivables turnover days[(1)]	**7**	19
of which, trade receivables turnover days	**5**	11

(1) Since the prepayment from distributors in the form of bills receivables amounted to RMB4.7 million as at 31 December 2014 was recognised as revenue only when the products are produced and delivered to the distributors after 31 December 2014, therefore, the amount was deducted from the year end balance of bills receivables in the calculation of the turnover days.

The turnover days of the trade and bills receivables of the Group decreased from 19 days in 2013 to 7 days in 2014. It was mainly due to a significant decrease in receivables as of 31 December 2014. The Group adopted a more prudent credit policy and the trade receivables turnover days decreased from 11 days for the year ended 31 December 2013 to 5 days for the year ended 31 December 2014.

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

	At 31 December	
	2014	2013
	RMB'000	*RMB'000*
0–90 days	**13,795**	12,407
91–180 days	**174**	1,392
181–365 days	**152**	385
Total	**14,121**	14,184

Included in the Group's trade and bills receivables are debtors with an aggregate carrying amount of approximately RMB152,000 (2013: RMB385,000) which are past due at 31 December 2014, for which the Group has not provided for an impairment loss. The Group does not hold any collateral over these balances.

Trade and Bills 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 and bills payables analysis as of the dates as indicated:

	At 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade payables	**1,733**	3,601
Trade bills payables	**8,648**	8,131
Bills payables for purchase of property, plant and equipment	**—**	5,500
	10,381	17,232

The following table sets forth the turnover days of the Group's trade payables during the indicated years ended 31 December (calculated by dividing the average trade payables balances at the beginning and the end of the period by the cost of sales of the period, then multiplying the number of days during the period):

	For the year ended 31 December	
	2014	2013
Trade and bills payables turnover days	**57**	45
of which, trade payables turnover days	**11**	14

The turnover days of the trade and bills payables of the Group increased from 45 days in 2013 to 57 days in 2014, mainly due to a sharp increase in bills payables as of 31 December 2014. Since 2014, the Group made payments by bill settlements as far as practicable, which resulted in the amount of bills payables of the Group slightly increased from RMB8.1 million as at 31 December 2013 to RMB8.6 million as at 31 December 2014. Meanwhile, the Group strengthened its supplier management and maintenance of relationship with suppliers. Trade payables turnover days decreased from 14 days for the year ended 31 December 2013 to 11 days for the year ended 31 December 2014.

The following table summarizes the age of the Group's trade payables during the indicated years ended 31 December:

	At 31 December	
	2014	2013
	RMB'000	*RMB'000*
0–90 days	**1,409**	3,519
91–180 days	**191**	82
181–365 days	**51**	—
Over 1 year	**82**	—
Total	**1,733**	3,601

Risks in Foreign Exchange Rate

Substantially all operating income, cost of sales and expenses as well as administrative expenses of the Group are denominated in RMB. Apart from some bank deposits that are denominated in Hong Kong dollar and US dollar, most assets and liabilities of the Group are denominated in RMB. Since RMB is the functional currency of the Group, risks in foreign exchange rate mainly come from assets denominated in Hong Kong dollar and US dollar.

For the year ended 31 December 2014, the Group did not purchase any foreign exchange and interest rate derivative products or relevant hedging tools (2013: nil).

Material Acquisition or Disposal

No material acquisition or disposal had been undertaken by the Group for the year ended 31 December 2014.

Pledge of Assets

As of 31 December 2014, the Group had no pledged assets (as at 31 December 2013: nil).

Gearing Ratio

As of 31 December 2014, the Group's gearing ratio (total liabilities divided by total assets, in percentage) was 12.87% (as at 31 December 2013: 12.45%).

Contingent Liabilities and Guarantees

As of 31 December 2014, the Group had no material contingent liabilities or guarantees (as at 31 December 2013: nil).

Capital Commitments

As of 31 December 2014, the Group had capital commitments of RMB6.4 million (as at 31 December 2013: nil).

Human Resources Management

The Group regards high-quality employees as its most important resource. As at 31 December 2014, the Group had 1,014 employees in mainland China and Hong Kong (2013: 1,015 employees), which included 156 promotional staff employed by employment agents (2013: 178). For the year ended 31 December 2014, the total staff costs (including Directors' remunerations and non-cash compensation) was approximately RMB131.1 million (2013: RMB135.5 million). Employee remuneration is determined with reference to individual performance, work experience, qualification and current industry practice. Apart from basic remuneration and statutory pension benefit scheme, employee benefits also include discretionary bonus and share options.

The Group places emphasis on the recruitment, motivation and retention of suitable talents. Directors and some of the middle and senior management are entitled to share options under the share option scheme of the Company. On the other hand, the employees' share option scheme aims at incentivize staff, encourage them to work diligently to enhance the value and foster better long-term development of the Group. The Company has also adopted a restricted share award scheme to grant restricted shares to eligible employees.

The Group invests considerable efforts in the continuous education and training for our staff, so as to keep enhancing the knowledge, skill and team spirit of our staff. The Group often provides internal and external training courses to relevant staff as required.

FINAL DIVIDEND

The Board has resolved to recommend for payment of a final dividend of HK2 cents per share (HK$31,388,000 in aggregate) for the year ended 31 December 2014, subject to the approval by the shareholders of the Company at the forthcoming annual general meeting. An announcement containing information in relation to the record date and the period of closure of register of members for attending the forthcoming annual general meeting of the Company and for receiving the proposed final dividend for the year ended 31 December 2014, will be published separately when the date of the forthcoming annual general meeting of the Company is fixed.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance in order to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles and complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of The Rules Governing the Listing of Securities on the Stock Exchange for the year ended 31 December 2014, except for code provision A.2.1 of the CG Code.

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise the interests of the shareholders.

Code provision A.2.1 under the CG Code

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 25 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.

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 year ended 31 December 2014.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Wang Jing, a Director with the appropriate professional qualifications and serving as the chairman of the Audit Committee, Mr. Huang Jingsheng and Mr. Ren Guangming. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2014, reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company (http://ir.besunyen.com) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2014 will be dispatched to shareholders of the Company and available on the above websites in due course.

By order of the Board
Besunyen Holdings Company Limited
Zhao Yihong
Chairman and Chief Executive Officer

Hong Kong, 6 March 2015

As at the date of this announcement, the executive Directors are Mr. Zhao Yihong (Chairman and Chief Executive Officer) and Ms. Gao Yan (Vice Chairman); the non-executive Director is Mr. Zhuo Fumin; and the independent non-executive Directors are Mr. Huang Jingsheng, Mr. Wang Jing and Mr. Ren Guangming.