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 2013

FINANCIAL HIGHLIGHTS

The Group's revenue amounted to RMB487.5 million for 2013, representing an increase of RMB12.3 million (2.6%), as compared to RMB475.2 million for 2012.

The gross profit margin increased to 83.3% for 2013 from 82.5% for 2012.

Total operating expenses amounted to RMB503.4 million, representing a decrease of RMB186.7 million (27.1%), as compared to RMB690.1 million for 2012. In addition, impairment loss on intangible assets of RMB3.3 million was recorded in 2013 (2012: RMB8.8 million).

The loss and total comprehensive expense was RMB90.0 million for 2013, as compared to the loss and total comprehensive expense of RMB342.2 million for 2012.

The basic loss per share amounted to RMB0.06 for 2013, as compared to the basic loss per share of RMB0.22 for 2012.

The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2013.

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 2013 together with the comparative figures for the corresponding period in 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

		Year ended 31 December	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Revenue	3	**487,500**	475,182
Cost of sales		**(81,397)**	(83,063)
Gross profit		**406,103**	392,119
Other income		**35,777**	22,118
Other gains and losses		**(1,420)**	(4,315)
Selling and marketing expenses		**(384,312)**	(562,721)
Administrative expenses		**(100,595)**	(112,068)
Research and development costs		**(18,484)**	(15,279)
Other expenses		**(30,692)**	(6,263)
Impairment loss recognised in respect of intangible assets		**(3,323)**	(8,844)
Impairment loss recognised in respect of property, plant and equipment		**—**	(41,744)
Loss on disposal of a subsidiary		**—**	(6,700)
Loss before tax	4	**(96,946)**	(343,697)
Income tax credit	5	**6,970**	1,510
Loss and total comprehensive expense for the year		**(89,976)**	(342,187)
Loss per share			
Basic *(RMB)*	7	**(0.06)**	(0.22)
Diluted *(RMB)*	7	**(0.06)**	(0.22)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	At 31 December 2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**423,583**	473,531
Prepaid lease payments		**60,202**	61,554
Investment properties		**324,805**	267,393
Intangible assets		**2,215**	5,027
Non-current deposits		**1,278**	11,094
Deferred tax assets		**14,496**	15,237
		826,579	833,836
CURRENT ASSETS			
Inventories		**5,674**	8,108
Trade and bills receivables	8	**14,184**	49,882
Deposits, prepayments and other receivables	9	**38,802**	47,553
Pledged bank deposits		**13,631**	—
Term deposits with initial term of over three months		**201,000**	—
Bank balances and cash		**207,578**	447,478
		480,869	553,021
Assets classified as held for sale		**7,600**	—
		488,469	553,021
CURRENT LIABILITIES			
Trade and bills payables	10	**17,232**	2,750
Other payables and accrued expenses	11	**115,974**	127,402
Tax payable		**2,794**	5,614
		136,000	135,766
Liabilities associated with assets classified as held for sale		**11,897**	—
		147,897	135,766
NET CURRENT ASSETS		**340,572**	417,255
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,167,151**	1,251,091

		At 31 December	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
CAPITAL AND RESERVES			
Share capital		**89**	89
Reserves		**1,151,253**	1,235,421
		1,151,342	1,235,510
NON-CURRENT LIABILITIES			
Deferred government grant		**7,112**	7,898
Deferred tax liabilities		**7,104**	6,422
Other non-current liabilities		**1,593**	1,261
		15,809	15,581
		1,167,151	1,251,091

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 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, PRC.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") 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")

In the current year, the Group has applied the following new and revised IFRSs for the first time.

Amendments to IFRSs	Annual Improvements to IFRSs 2009 — 2011 Cycle
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income

Except as described below, the application of the 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.

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of IFRS 13 is broad: the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. For a non-financial asset, its fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application. In accordance with the transitional provisions of IFRS 13, the Group has not made any disclosure required for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to IAS 1, the Group's "consolidated statement of comprehensive income" is renamed as the "consolidated statement of profit or loss and other comprehensive income". The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the Group has renamed the "consolidated statement of comprehensive income" to "consolidated statement of profit or loss and other comprehensive income". Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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.

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle[2]
IFRS 9	Financial Instruments[3]
IFRIC 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application — the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised
4 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.

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. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting 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.

The directors of the Company anticipate that the adoption of IFRS 9 in the future may not have significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2013.

IFRIC–21 Levies

IFRIC–21 Levies addresses the issue of when to recognise a liability to pay a levy. 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.

The directors of the Company anticipate that the application of IFRIC–21 will have no material effect on the Group's consolidated financial statements.

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	
	2013	2012
	RMB'000	*RMB'000*
Detox tea	**246,898**	192,991
Slimming tea	**235,805**	268,311
Other tea products	**4,797**	13,880
	487,500	475,182

Major customers

No single customer contributed over 10% or more of total revenue of the Group for the years ended 31 December 2013 and 2012.

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. LOSS BEFORE TAX

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Loss before tax for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
— salaries and other allowances	**123,063**	165,262
— share-based compensation	**5,808**	9,355
— retirement benefit scheme contributions	**6,635**	10,807
Total staff costs	**135,506**	185,424
Gross rental income from investment properties	**(18,016)**	(4,126)
Less:		
Direct operating expense (including depreciation) incurred for investment properties that generated rental income during the year	**10,633**	3,741
Direct operating expense (including depreciation) incurred for investment properties that did not generate rental income during the year	**976**	450
	(6,407)	65
Amortisation of intangible assets (included in cost of sales)	**594**	3,432
Auditors' remuneration	**4,577**	4,471
Allowance for doubtful debts	**301**	156
Cost of inventories recognised as expense (include write-down of inventory amounted to RMB9,834,000 (2012: RMB2,857,000))	**81,397**	83,063
Depreciation of property, plant and equipment	**34,175**	32,950
Depreciation of investment properties	**10,029**	3,024
(Gain) loss on disposal of property, plant and equipment	**(13)**	1,742
Release of prepaid lease payments	**1,352**	1,445
Impairment of non-current deposits	**721**	—

5. INCOME TAX CREDIT

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
The credit comprises		
Current tax:		
PRC Enterprise Income Tax	**5,648**	2,553
Over provision in prior year:		
PRC Enterprise Income Tax	**(14,041)**	(1,184)
	(8,393)	1,369
Deferred tax:		
current year	**1,423**	(2,879)
	(6,970)	(1,510)

The income tax credit for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Loss before tax	**96,946**	343,697
Tax at PRC Enterprise Income Tax rate of 25% (2012: 25%)	**(24,237)**	(85,924)
Effect of preferential tax rate granted	**(2,401)**	—
Tax effect of tax losses/deductible temporary differences not recognised	**16,124**	40,460
Utilisation of tax losses previously not recognised	**(3,362)**	(1,476)
Tax effect of expenses not deductible for tax purposes	**20,947**	49,741
Over provision in prior year *(Note)*	**(14,041)**	(1,184)
Others	**—**	(3,127)
Tax credit for the year	**(6,970)**	(1,510)

Note: During current year, the tax bureau approved a higher deduction amount of advertising expenses applicable for Beijing Outsell Health Product Development Co., Ltd. ("Beijing Outsell") for 2011. The relevant tax refund was received in 2013.

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 2013, 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 two years from 2012 to 2013.

Except for Beijing Outsell, the remaining PRC subsidiaries are subject to a unified Enterprise Income Tax rate at 25% for the two years ended 31 December 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

No dividend was proposed or paid for the years ended 31 December 2013 and 2012.

7. LOSS PER SHARE

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

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Loss attributable to owners of the Company:		
Loss for the purpose of calculating basic and diluted loss per share	**(89,976)**	(342,187)

	Year ended 31 December	
	2013	2012
	'000	*'000*
Numbers of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**1,523,256**	1,565,102

The calculation of diluted loss per share for both years ended 31 December 2013 and 2012 does not assume the exercise of the Company's outstanding share options as it would result in a decrease in loss per share.

The calculation of diluted loss per share for both years ended 31 December 2013 and 2012 does not consider the effect of non-vested shares under the employee share award scheme 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 during both years ended 31 December 2013 and 2012.

8. TRADE AND BILLS RECEIVABLES

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**14,552**	15,317
Bills receivables	**200**	34,832
Less: allowance for doubtful debts	**(568)**	(267)
	14,184	49,882

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	
	2013	2012
	RMB'000	*RMB'000*
0–90 days	**12,407**	47,759
91–180 days	**1,392**	1,858
181–365 days	**385**	265
	14,184	49,882

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 RMB385,000 (2012: RMB265,000) which are past due at 31 December 2013, 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	
	2013	2012
	RMB'000	*RMB'000*
181–365 days	**385**	265

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

	2013	2012
	RMB'000	*RMB'000*
At the beginning of the year	**267**	111
Impairment loss recognised on receivables	**301**	156
At the end of the year	**568**	267

9. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Prepaid advertising	**20,286**	19,022
Other prepayments	**7,742**	14,523
Other receivables	**5,884**	5,647
Interest receivables	**3,058**	—
Prepaid lease payments	**1,352**	1,352
Prepayment to suppliers	**480**	7,009
	38,802	47,553

10. TRADE AND BILLS PAYABLES

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Trade payables	**3,601**	2,750
Trade bills payables	**8,131**	—
Bills payables for purchase of property, plant and equipment	**5,500**	—
	17,232	2,750

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 time frame. The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
0 to 90 days	**3,519**	2,570
91 to 180 days	**82**	180
	3,601	2,750

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	
	2013	2012
	RMB'000	*RMB'000*
0 to 90 days	**8,131**	—

11. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Other payables	**25,322**	4,838
Accrued sales rebate	**18,951**	19,288
Other tax payables	**17,687**	16,817
Accrued payroll	**14,655**	17,955
Prepayments from customers	**13,940**	45,773
Accrued expenses	**13,468**	12,785
Others	**7,000**	—
Payable for land use right	**3,000**	5,000
Payable for advertising expenses	**1,165**	4,160
Deferred government grant	**786**	786
	115,974	127,402

BUSINESS REVIEW AND PROSPECTS

Overview

The Group is a leading provider of therapeutic tea products in China, mainly engaging in the development, production, sales and marketing of therapeutic tea. Produced by using proprietary blends of high quality Chinese medicinal herbs and tea leaves, the Group's products are designed and marketed as effective, safe, affordable and convenient-to-use health food products for people with mild chronic or recurring health problems, as well as those seeking to maintain a healthy body and lifestyle. The Group believes that the "Besunyen" brand is a leading therapeutic tea brand in China.

The current global economic growth remains slow amid ever-changing growth factors. Recovery from the global economic crisis has been a difficult and complicated process. Vulnerability, uncertainty and imbalance have become main features of global economic development and different nations have been making corresponding adjustments. The inactive global economic growth in 2013 was due to reasons such as the sustained economic recession among member states of the European Union and developed nations such as the United States, though the situation has improved from previous years. World economies remained in a stage of slow recovery despite stimulus policies during the year, and the overall economic condition was relatively stagnant and maintained a momentum of "weak growth".

2013 was a year of volatility for China. In terms of the economy, China actively reduced its growth rate, and faced challenges in economic transformation and structural adjustment. In 2013, China's economy continued to experience an economic slowdown which has persisted for years. Since 2012, China's economic growth has entered into a new stage — the rapid growth rate of over 9% for ten years started to reduce to approximately 7%. If the economic slowdown in 2012 was regarded as an isolated incident, then 2013 clearly confirmed the momentum of such slowdown in China's economy. The decision-makers of the Chinese government are well-prepared to face such a long-term change in China's economy. A moderate slowdown is not only accepted; in fact, China's growth rate is being intentionally contained. When asked about the speed of economic development, President Xi Jinping revealed that "it is a matter of willingness rather than capability to accelerate the growth". Premier of the State Council Li Keqiang also stated on several occasions that China's economy has entered into a stage of medium to high speed growth, but this speed is still considered high among major global economies.

The revenue of the Group was RMB487.5 million in 2013, representing an increase of 2.6% as compared to the revenue of RMB475.2 million in 2012. Gross profit increased from RMB392.1 million to RMB406.1 million, representing an increase of 3.6%. Meanwhile, the gross profit margin increased from 82.5% in 2012 to 83.3% in 2013. On the other hand, the total operating expenses (including selling and marketing expenses, administrative expenses, research and development costs) of the Group in 2013 were RMB503.4 million, representing a decrease of 27.1% as compared to RMB690.1 million in 2012. There was impairment loss of RMB3.3 million in 2013 (2012: RMB8.8 million) in respect of intangible assets. Due to the said factors, the Group recorded a net loss of RMB90.0 million in 2013 as compared to a net loss of RMB342.2 million in 2012.

We are confident in China's economic growth momentum over the longer run, which we believe will continue to drive demand for health food products. As the leading brand and provider of therapeutic tea products in China, we will continue to maintain and strengthen our long-term leading competitive advantages, such as a strong national brand name, a national distribution and sales network, as well as innovative research and development. We will continue to maintain our well-established business strategy and business policy of satisfying consumers' demand for high-quality health food products.

INDUSTRY, MARKET AND COMPETITIONS

According to the professional analysis of Baidu Encyclopedia (百度百科), the prevalence of constipation among the Chinese population is 27%, representing approximately 360 million people. Constipation affects people of all age groups. Female patients outnumber male patients, while elderly patients outnumber prime-aged adult patients. High recurrence of severe constipation may even affect quality of life. In addition, there are approximately 75 million people in China who are obese and 235 million people who are over-weight, amounting to 310 million people in total. Therefore, aperient, laxative and slimming health products are becoming more important and necessary to consumers.

Inheriting the essence of traditional Chinese medicine and intergrating the healthy ingredients of tea leaves, and according to the Chinese medicinal concept of "medicine and food from the same source", Besunyen developed therapeutic tea products with laxative and slimming effects. Due to consumers' hot pursuit of safe and reliable green and natural herbal products, products of Besunyen have continuously received approval from consumers. According to the statistics of 2013 Big Varieties Health Products Sales TOP20 (Retail Market) (二零一三年保健品大品種銷售TOP20 (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 the 10th and 13th, respectively.

Besunyen Detox Tea and Besunyen Slimming Tea compete with other aperient, laxative and slimming products, including health food products, over-the-counter (OTC) drugs and other forms of related products. The two products of the Group are particularly competitive compared to other related products sold in retail pharmacies. According to the sampling survey report on retail pharmacies in China issued by China Southern Medicine Economy Research Institute ("SMERI") on 24 February 2014, Besunyen Detox Tea continued to be No. 1 in market share of aperient and laxative products in terms of retail sales value for six consecutive years, enjoying a market share of 22.7% in 2013 which is a 1.9% growth year-on-year. Regarding the market share of slimming products, Besunyen Slimming Tea has been No. 1 for four consecutive years, enjoying a market share of 38.2% in 2013, which is a 5.7% growth year-on-year.

BUSINESS REVIEW

In 2013, the Besunyen brand maintained its leading status in the Chinese therapeutic tea products market. During the year, we had the following business developments:

Optimising sales network of traditional channels

The Group has started to integrate its distributor network proactively since 2012 for the purpose of optimising and simplifying its management procedures in order to promptly respond to the market and serve consumers at the terminal of service channels, as well as reduce channel management costs. As at the end of 2013, optimisation of sales network of traditional channels was basically completed and the Group gradually provided more resources to high-quality distributors and retail terminals which have stable sales and which maintain sustainable room of growth. The Group also terminated co-operations with distributors with unsatisfactory performances and suspended services to retail terminals with poor sales results. As at the end of 2013, the number of the Group's first class distributors was streamlined to 148 and the number of sub-distributors was streamlined to 630. Through our distributors and sub-distributors, we were able to serve around 125,000 retail terminals, of which 94% are retail pharmacies. Meanwhile, the Group continued to expand its sales network in the retail pharmacy, large scale supermarket and chain store terminals.

Integration of traditional channels sales team

In mid-2013, focusing on the distribution of its nationwide sales network and based on the principle of providing more high-quality resources to sales terminals which contribute outstanding results to the Company, the Group simplified its operation procedures, streamlined its organisations and posts, and clearly defined the duties of all posts. Utilising a highly efficient management approach, the Group abandoned the traditional pyramid management model and now adopts a fast track management model which is able to adapt to the internet generation. 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 optimised from 1,584 members at the beginning of the year to 685 members at the end of the year.

Exploring e-commerce business

Currently, the Group is proactively exploring an electronic marketing model suitable for the Company's products. The Group's products are sold on its own retail website 7cha.com, as well as other professional B2C websites. The online platform does not only display and sell the Group's core products which have good sales performance in physical stores, but also puts persistent efforts in promoting the sales of newly-launched products of the Company and products which are specially designed for the online 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 also cooperated with sales teams of traditional channels for several times to launch a series of online marketing activities. The Company attempts to interact with more young and fashionable groups of users through new media so as to fuel the development of e-commerce. This may also promote Besunyen's brand awareness among young consumers.

While strengthening traditional offline sales channels, it is expected that the Company's retail network will be expanded by the online-offline interactive marketing established by e-commerce team, which will in turn drive the growth of the Company's income and profit.

Ongoing improvement of brand quality management

Currently, the Group has production factories of approximately 13,600 square meters which comply with Good Manufacturing Practices (GMP) standards and 1,400 square meters of Class 100,000 clean area in compliance with GMP standards. The Group also adopted 18 Italian IMA automatic production lines which meets advanced international standards. The Group places a great deal of emphasis on the management and control of both food production source safety and the overall production process. A strict management system has been continuously complied with for the purchase and use of all raw materials. In February 2013, the pharmaceutical company of the Group obtained a GMP certificate issued by China Food and Drug Administration ("CFDA"). During 2013, the Group's production base located in Fangshan, Beijing received and passed all the regular inspections by various relevant government authorities.

Fostering long-term brand building efforts and strengthening leading position in the industry

To strengthen Besunyen's brand awareness and reputation, the Group frequently launched various promotion and interactive activities in 2013 through different media outlets including TV, print media, outdoor media, internet new media and direct promotion. In particular, the Group focused its marketing efforts on the popular TV channels, such as CCTV2 and Hubei Satellite TV. The Group sponsored a large scale inspirational reality show on slimming "The Biggest Loser" (超級減肥王) on CCTV2; the Group also sponsored a popular program "King Wang" (大王小王) on Hubei Satellite TV; we co-operated with a local TV channel in Chengdu and launched a program called "Dancing Carnival" (舞動嘉年華) which was well received; the Group also thoroughly implanted advertisements of Besunyen Slimming Tea in "Let's Get Married" (咱們結婚吧), a contemporary romance TV series jointly broadcasted by satellite TV channels such as CCTV and Hubei Satellite TV. The Group sponsored an advertising campaign of "2014 Mini Spring Festival Gala" (二零一四年小年夜春晚) which was jointly held by TV channels in 23 cities at the end of December 2013 to further promote the image of the Company.

In October 2013, Besunyen was awarded the "China Advertising Great Wall Award" (中國廣告長城獎) and the "Renowned Brand Award" (知名品牌獎) by the China Advertising Association (中國廣告協會). In December, Besunyen Slimming Tea and Besunyen Detox Tea obtained "The 13th China International Healthcare Exhibition Outstanding Product Award" (第13屆中國國際保健博覽會優秀產品獎). Beijing Outsell, a wholly-owned subsidiary of the Company, was awarded "The 13th China International Healthcare Exhibition Outstanding Product Enterprise" (第13屆中國國際保健博覽會優秀企業獎). Besunyen brand was also pitched as one of the "Top 10 Credible China Health Care Product Brands" (中國保健品十大公信力品牌) by The China Health Care Association (中國保健協會). Besunyen was also awarded "2013 China Corporate Social Responsibility — Outstanding SME Award" (2013年度中國企業社會責任傑出中小企業獎) by Xinhua Net. These honors SME Award are the best praise and recognition of the principle "only produce outstanding healthcare products" which Besunyen has been insisting on for years.

The Group further developed its market status in the industry of teabag beverages. In October 2013, the Group was invited by You Nong Centre of Ministry of Agriculture of the PRC and the organising committee of 2013 Chinese Tea Exhibition (二零一三年中國茶葉博覽會), which was hosted by the said centre, to prepare and organise the first Chinese Teabag Brands Seminar (中國袋泡茶品牌論壇). The seminar was broadcasted by nearly 100 mainstream domestic media outlets. The seminar received positive response and recognition from society as well as gained praises in the industry. Various experts affirmed that "Chinese teabag brand building will experience breakthrough development under the lead of Besunyen".

Upgrading product image, changing new package and adjusting price of slimming tea

2013 was a year of striving and seeking changes and breakthroughs for Besunyen. Regarding marketing strategies, we emphasised on and rebuilt Besunyen brand's intrinsic value and leading position in the industry so as to promote its brand value. Regarding brand positioning, with "Eastern tea-making technique" (東方茶術) as the symbol and "high-quality functional tea, Besunyen" (功能好茶，碧生源) as the theme of advertising, we aimed at attracting consumers' intensive attention. In order to clearly position the brand and to deliver what the brand represents, the Group comprehensively amended the graphic designs on packages. Pictures of herbs, being the raw materials of our products, are elements of the new packages aiming at delivering the concept that our products are made of natural herbs. Presenting brand-new packages to consumers may also build a good brand image in their mind.

The price of Besunyen Slimming Tea has been remarkably lower than that of Besunyen Detox Tea for a long period of time. However, slimming tea consumers' price sensitivity towards slimming products is relatively low. Benefitting from Besunyen's leading position in the industry, the Group has a significant pricing advantage for both Besunyen Slimming Tea and Besunyen Detox Tea. Therefore, with an aim to realise the actual brand value of Besunyen Slimming Tea and to react to the higher consumers psychology orientation, the pricing of Besunyen Slimming Tea has been adjusted to the same level as that of Besunyen Detox Tea, which is close to the psychology orientation of consumers, since 1 January 2014. This also eliminates the price difference between the two products.

Social services

The Group has been proactively supporting social service activities. In April 2013, the Besunyen relief team reached the earthquake stricken area in Ya'an and participated in frontline relief work. In June 2013, an assistance scheme "Besunyen Public Fund" (緣公益) was officially set up to deliver positive energy to the society. In the same month, the Group also participated in a campaign called "Keep the Earth Blue" (留住藍色地球) initiated by National Development and Reform Commission to help popularise the environmental protection concept of low carbon emission. In January 2014, the Company was awarded the "2013 China Corporate Social Responsibility — Outstanding SME Award" by Xinhua Net.

PROSPECTS

Future development plan of the Group

According to "World Economic Situation and Prospects 2014" issued by the United Nations, it is forecasted that global economy will grow by 3% in 2014 and further increase to 3.3% in 2015. The global economy will recover in the coming two years as compared to the growth rate of only approximately 2.1% in 2013.

The annual Central Economic Working Conference was held in December 2013. One of its keynotes was to insist on advancement within economic stability as well as reform and innovation. For the speed of economic growth, the Central Economic Working Conference clearly indicated that "development should not be simplified as an increase in GDP" and "reasonable growth in GDP should be maintained and adjustments facilitated in economic structure". To achieve the target, China will continue to implement proactive fiscal policies and stable currency policies in 2014. Such a macro policy keynote is the same as that in 2013. As international economic environment may further recover, the external economic environment of China is expected to also improve. However, we will remain prudent towards the sales results of the Group in 2014. To maintain our long-term competitive advantages, we will continue to make investment in sales channels, brand building as well as new product research and development based on our own schedule. Meanwhile, we will closely monitor our expenses to ensure every single cent of expense will maximise the benefit of the Group.

New products

Based on our market position and experience in the healthcare industry in China, and utilising the resource advantages we have accumulated for years in the industry, the Group will put more emphasis on the development of healthcare functional products from 2014 onwards. This includes healthcare products which have the functions of alleviating physical fatigue, promoting immunity and/or relieving nutritional anemia which aim to satisfy the needs of people who pursue healthy lifestyles. With the new food safety laws and changes in regulations on healthcare product market in China, the Group will particularly focus on the future of the healthcare foods market. In order to adapt to the future requirements under the regulations of healthcare products, we have proactively prepared for the registration of over ten different kinds of therapeutic tea. In addition, the Group is putting more efforts at promoting the technique and standard of the OTC medicine teabag Maishuping which helps stabilise blood pressure so as to lay a solid foundation for its official launch to the market.

Our Group's sales network has the advantage of the potential to cover the entirety of China. In order to develop this potential, we are currently eagerly selecting high-quality health product varieties, as well as engaging in relevant discussions regarding agency collaborations. This is also to increase the Company's revenue through energising the force of our business channels.

Strengthening brand image

In December 2013, the Trademark Office of State Administration for Industry & Commerce of the PRC issued its "Approval of the Recognition of 'Besunyen and device' 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", and following further review and examination, the International Classification of Goods and Services for the Purposes of the Registration of Trademarks has determined that the registered trademark consisting of "Besunyen and device", as used by Beijing Outsell on products classified under Class 30 as teas and tea substitutes, is a well-known trademark.

As the requirements on production, sales and promotion of healthcare foods in China has become more stringent, and with our possession of knowledge required for the success in the healthcare product market, the brand reputation of Besunyen has been enhancing. The green healthcare products provided by the Group as well as our existing high-quality national distribution and sales network enables us to be positioned in a unique leading position in competition with other market players. 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.

FINANCIAL REVIEW

Operational Results

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

	For the year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Revenue	**487,500**	475,182
Cost of sales	**(81,397)**	(83,063)
Gross profit	**406,103**	392,119
Other income	**35,777**	22,118
Other gains and losses	**(1,420)**	(4,315)
Selling and marketing expenses	**(384,312)**	(562,721)
Administrative expenses	**(100,595)**	(112,068)
Research and development costs	**(18,484)**	(15,279)
Other expenses	**(30,692)**	(6,263)
Impairment loss recognised in respect of intangible assets	**(3,323)**	(8,844)
Impairment loss recognised in respect of property, plant and equipment	**—**	(41,744)
Loss on disposal of a subsidiary	**—**	(6,700)
Loss before tax	**(96,946)**	(343,697)
Income tax credit	**6,970**	1,510
Loss and total comprehensive expenses for the year	**(89,976)**	(342,187)
Loss per share		
Basic *(RMB)*	**(0.06)**	(0.22)
Diluted *(RMB)*	**(0.06)**	(0.22)

Revenue

	For the year ended 31 December			
	2013		2012	
	RMB'000	***Percentage of the total***	*RMB'000*	*Percentage of the total*
Revenue:				
Besunyen detox tea	**246,898**	**50.6%**	192,991	40.6%
Besunyen slimming tea	**235,805**	**48.4%**	268,311	56.5%
Other tea products	**4,797**	**1.0%**	13,880	2.9%
Total	**487,500**	**100.0%**	475,182	100.0%

With a steady improvement from the decline in 2012, the Group's revenue slightly increased by 2.6% from RMB475.2 million in 2012 to RMB487.5 million in 2013. Among which, the revenue of Besunyen Detox Tea increased by 27.9% from RMB193.0 million in 2012 to RMB246.9 million in 2013, mainly due to the increase of sales volume from 135.3 million tea bags in 2012 to 174.4 million tea bags in 2013. The revenue of Besunyen Slimming Tea decreased by 12.1%, from RMB268.3 million in 2012 to RMB235.8 million in 2013, mainly due to the decrease in sales volume from 252.7 million tea bags in 2012 to 215.1 million tea bags in 2013.

In 2013, through the Group's dedicated and positive efforts in marketing and promotion, Besunyen's brand image was enhanced by the increasing consumers' recognition. The average selling price ("ASP") (revenue divided by sales volume) of Besunyen Detox Tea and Besunyen Slimming Tea were RMB1.43 per bag and RMB1.06 per bag respectively in 2012, and RMB1.42 per bag and RMB1.10 per bag respectively in 2013. Although the ASP of Besunyen Detox Tea remained stable, the ASP of Besunyen Slimming Tea increased by 3.8%.

Cost of Sales and Gross Profit

	For the year ended 31 December			
	2013		2012	
	RMB'000	***Percentage of revenue***	*RMB'000*	*Percentage of revenue*
Total cost of sales	**81,397**	**16.7%**	83,063	17.5%
Gross profit	**406,103**	**83.3%**	392,119	82.5%

Cost of sales of the Group decreased by 2.0%, from RMB83.1 million in 2012 to RMB81.4 million in 2013. Cost of sales as a percentage of revenue decreased from 17.5% in 2012 to 16.7% in 2013. The decrease was mainly due to the reduction in production cost.

As a result of the increase in revenue by 2.6% and decrease in cost of sales by 2.0% in 2013 as compared to 2012, gross profit of the Group increased by 3.6% from RMB392.1 million in 2012 to RMB406.1 million in 2013. Gross profit margin of the Group increased from 82.5% in 2012 to 83.3% in 2013.

Other Income

RMB35.8 million of other income in 2013 (2012: RMB22.1 million) mainly comprises of an interest income amounting to RMB10.9 million (2012: RMB10.0 million), a government grant of RMB4.9 million (2012: RMB5.7 million) provided by the Chinese government to support the Group's operation, and rental income from investment properties of RMB18.0 million (2012: RMB4.1 million).

Selling and Marketing Expenses

	For the year ended 31 December			
	2013		2012	
	RMB'000	***Percentage of revenue***	*RMB'000*	*Percentage of revenue*
Advertising expenses	**211,816**	**43.4%**	311,782	65.6%
Other marketing and promotional expenses	**50,990**	**10.5%**	93,911	19.8%
Staff cost	**82,058**	**16.8%**	108,106	22.8%
Others	**39,448**	**8.1%**	48,922	10.3%
Total	**384,312**	**78.8%**	562,721	118.4%

Selling and marketing expenses of the Group decreased by 31.7% from RMB562.7 million in 2012 to RMB384.3 million in 2013. Advertising expenses, other marketing and promotional expenses, staff costs and others decreased by 32.1%, 45.7%, 24.1% and 19.4% respectively in 2013 as compared to 2012.

Although total selling and marketing expenses decreased by 31.7%, selling and marketing expenses as a percentage of revenue decreased substantially from 118.4% in 2012 to 78.8% in 2013, which was a result of the 2.6% increase in revenue as compared to 2012.

Advertising expenses in 2013 decreased substantially by 32.1% as compared to 2012. During 2013, the Group's advertising spending covered TV and other commercials as well as brand sponsorship activities, including television, print media, outdoor media, the internet new media and direct marketing. In particular, the Group carried out marketing activities on popular TV channels such as CCTV2 and Hubei Satellite TV. Among which, the Group sponsored "The Biggest Loser" (超級減肥王) on CCTV2, a large scale inspirational reality show about slimming; the Group also sponsored a popular program "King Wang" (大王小王) on Hubei Satellite TV; we also co-operated with a local TV channel in Chengdu and launched a program called "Dancing Carnival" (舞動嘉年華), all of which were well received. National recognition of the "Besunyen" brand has been enhanced with lower expenses.

The decrease in staff costs in relation to sales and marketing of the Group was mainly attributable to the proactive integration and enhancement of the sales team in 2013.

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

Administrative Expenses

	For the year ended 31 December			
	2013		2012	
	RMB'000	***Percentage of revenue***	*RMB'000*	*Percentage of revenue*
Staff costs	**41,551**	**8.5%**	53,869	11.3%
Office expenses	**21,451**	**4.4%**	27,610	5.8%
Professional fees	**21,202**	**4.3%**	19,767	4.2%
Depreciation and amortisation	**13,116**	**2.7%**	8,593	1.8%
Others	**3,275**	**0.7%**	2,229	0.5%
Total	**100,595**	**20.6%**	112,068	23.6%

Administrative expenses of the Group decreased by 10.2% from RMB112.1 million in 2012 to RMB100.6 million in 2013. Administrative expenses as a percentage of revenue decreased from 23.6% in 2012 to 20.6% in 2013, mainly due to the Company's effort in strengthening internal management.

Research and Development Costs

	For the year ended 31 December			
	2013		2012	
	RMB'000	***Percentage of revenue***	*RMB'000*	*Percentage of revenue*
Research and development costs	**18,484**	**3.8%**	15,279	3.2%

The Group's research and development costs increased by 21.0% from RMB15.3 million in 2012 to RMB18.5 million in 2013. Research and development costs as a percentage of revenue remained fairly stable for both years.

Impairment Loss recognised in respect of Intangible Assets

	For the year ended 31 December			
	2013		2012	
	RMB'000	***Percentage of revenue***	*RMB'000*	*Percentage of revenue*
Impairment loss recognised in respect of intangible assets	**3,323**	**0.7%**	8,844	1.9%

The Group tests intangible assets annually for impairment or more frequently if there are indications that intangible assets might be impaired. In 2013, the Group recognised impairment loss of RMB3.3 million (2012: RMB8.8 million) in respect of pharmaceutical intangible assets, as standards of drug inspection of Maishuping were subject to amendments.

Impairment Loss recognised in respect of Property, Plant and Equipment

	For the year ended 31 December			
	2013		2012	
	RMB'000	***Percentage of revenue***	*RMB'000*	*Percentage of revenue*
Impairment loss recognised in respect of property, plant and equipment	—	—	41,744	8.8%

The directors of the Company conducted a review of the cash-generating unit of healthcare products including property, plant and equipment in view of the Group's current operating results. No impairment loss (2012: RMB41.7 million) in respect of property, plant and equipment has been recognised in the current year.

Taxation

Income tax credit of the Group increased from RMB1.5 million in 2012 to RMB7.0 million in 2013. This was mainly due to refund of overpaid tax for the previous year resulted from the change in tax deduction for advertising fees from 15% to 30% as a percentage of net revenue of Beijing Outsell.

Loss and Total Comprehensive Expense for the Year of the Group

Due to the aforementioned factors, the loss and total comprehensive expense of the Group sharply decreased from loss of RMB342.2 million in 2012 to loss of RMB90.0 million in 2013.

Use of the Net Proceeds from the IPO

The net proceeds from the IPO amounted to approximately RMB1,033.2 million. The use of proceeds has been consistent with the disclosure in the prospectus of the Company, and the respective use of the net proceeds until 31 December 2013 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	222,498	142,415
Setup of the East China Headquarters	150,000	77,518	72,482
Beijing new office building	123,664	123,664	—
Extension of sales and distribution network, channels and brand building	73,092	73,092	—
Design, R&D of new products	146,185	49,952	96,233
Improvement of ERP and overall IT system	43,855	7,338	36,517
Loan repayment	73,000	73,000	—
Working capital	58,474	58,474	—
Total	1,033,183	685,536	347,647

Liquidity and Capital Resources

In 2013, funds and capital expenditure required in the operation of the Group mainly came from cash flow generated from its internal operations as well as the proceeds from the IPO.

Cash Flow

The following table summarises the net cash flow of the Group for the years ended 31 December as indicated:

	For the year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Net cash from operating activities	**8,968**	28,778
Net cash used in investing activities	**(244,883)**	(78,508)
Net cash used in financing activities	**—**	(103,824)
Net decrease in cash and cash equivalents (before effect of foreign exchange rate changes)	**(235,915)**	(153,554)
Effect of foreign exchange rate changes	**(824)**	(1,509)
Decrease in cash and cash equivalents (after effect of foreign exchange rate changes)	**(236,739)**	(155,063)

In 2013, net cash from operating activities of the Group was RMB9.0 million (2012: RMB28.8 million net cash inflow) and net loss was RMB90.0 million. The difference was mainly caused by a decrease in trade receivables and bills receivables amounting to RMB35.4 million, and a decrease in deposits, prepayments and other receivables amounting to RMB9.2 million, but offset by a decrease in other payables and accrued expenses amounting to RMB5.1 million. Net cash used in investing activities of the Group was RMB244.9 million (2012: RMB78.5 million), and it was mainly due to an increase in term deposits. The Group did not conduct any financing activities in 2013. The net cash used in financing activities of the Group in 2012 of RMB103.8 million was mainly for repurchase of shares.

Bank Balances and Cash and Bank Loans

As of 31 December 2013, the bank balance and cash of the Group totalled RMB207.6 million (as at 31 December 2012: RMB447.5 million), representing a decrease of RMB239.9 million as compared to the previous year. It was mainly due to the term deposits with initial term over three months of RMB201.0 million as at 31 December 2013 (as at 31 December 2012: Nil). Around 96.5% of the bank balance and cash of the Group was in Renminbi. In addition, as at 31 December 2013, the Group did not have any bank borrowings (as at 31 December 2012: Nil) and any unused bank credit lines (as at 31 December 2012: Nil).

Capital Expenditure

In 2013, capital expenditure of the Group was RMB35.8 million (2012: RMB89.7 million), which mainly included payment for purchases of properties, plants and production equipment as well as land-use rights. The following table sets forth capital expenditure by the Group for the years ended 31 December as indicated:

	For the year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Property, plant and equipment	**33,794**	82,756
Intangible assets	**11**	770
Land-use rights	**2,000**	6,210
Total	**35,805**	89,736

Investment Properties

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

	As of 31 December	
	2013	2012
	RMB'000	*RMB'000*
Investment properties	**324,805**	267,393

The Group owns certain office premises at Besunyen Building of Linglong Tiandi located at No. 160 West 4th Ring Road North, Haidian District, Beijing 100036 and Changcheng Building located in Shanghai. The Group does not hold the permanent titles of these properties. The Group will not fully use up all of the units of these properties and has leased the unused units to independent third parties until the Group needs to take up such units for the expansion of its operations in the future. The properties held for lease are classified as investment properties.

As at 31 December 2013, carrying value of the investment properties amounted to RMB324.8 million (31 December 2012: RMB267.4 million). These investment properties are measured using the cost model and depreciated on a straight-line basis over the estimated useful life of 30 years. As at 31 December 2013, the Group had estimated the fair values of the investment properties based on a valuation carried out by an independent valuer not connected with the Group and determined that the fair values were higher than the carrying values of these investment properties. As such, no impairment is considered required.

Inventories

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

	As of 31 December	
	2013	2012
	RMB'000	*RMB'000*
Raw materials and packing materials	**2,724**	4,205
Work in progress	**1,139**	784
Finished goods	**1,811**	3,119
Total inventories	**5,674**	8,108

The turnover days of the Group's inventories in 2013 (calculated by dividing the average amount of 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 31 days (2012: 36 days). The Group actively monitors its inventories level to ensure that the inventories volumes of raw materials, work in progress and finished goods remain at a rather low but sufficient level. Throughout the distribution and retail process, the Group monitors and evaluates sales performance and product trends, so as to better estimate inventories requirements.

Trade and Bills Receivables

The Group generally requests distributors to pay before the delivery of products. For certain major distributors having a long-term cooperation relationship with the Group, the Group may allow more favourable payment and settlement terms. For example, if these distributors provide an effective proof of payment to the Group, such as acceptance bills issued by a reliable bank, although such acceptance bills are listed as bills receivables before its maturity date or before the Group has transferred them to a third party, the Group deems such acceptance bills as low risk and regards the payment as settled, then the Group would deliver the products. 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 reliable and reputable distributors providing wholesale services to supermarkets and convenience store chains (general industry practice allows credit sales). For distributors not enjoying a credit period in the sales contract, they may apply for credit on an individual basis, and the Group would grant approval on a case by case basis considering marketing development needs, payment capabilities of the distributors and their past payment records.

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

	As of 31 December	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**14,552**	15,317
Bills receivables	**200**	34,832
Less: allowance for doubtful debts	**(568)**	(267)
Total	**14,184**	49,882

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

	For the year ended 31 December	
	2013	2012
Trade and bills receivables turnover days[(1)]	**19**	94
of which, trade receivables turnover days	**11**	13

(1) Since the advance payment from distributors amounting to RMB13.3 million in the form of bills receivables as at 31 December 2012 was recognised as turnover only when the products were made and shipped to the distributors after 31 December 2012, the amount was deducted from the end of 2012 balance of bills receivables in the calculation of the turnover period.

Trade and bills receivables turnover days of the Group decreased from 94 days in 2012 to 19 days in 2013. It was mainly due to the sharp decrease in bills receivables as at 31 December 2013. Since 2013, the Group encourages more cash settlements and only accepts payments from its distributors in the form of bank acceptance bills issued by reliable banks, which resulted in the amount of bills receivables of the Group significantly decreasing by RMB34.6 million, which is from RMB34.8 million as of 31 December 2012 to RMB0.2 million as of 31 December 2013. In the meantime, the Group adopted a more prudent credit policy and the trade receivables turnover days decreased from 13 days for the year ended 31 December 2012 to 11 days for the year ended 31 December 2013.

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

	As of 31 December	
	2013	2012
	RMB'000	*RMB'000*
0–90 days	**12,407**	47,759
91–180 days	**1,392**	1,858
181–365 days	**385**	265
Total	**14,184**	49,882

Included in the Group's trade and bills receivables are debtors with an aggregate carrying amount of approximately RMB385,000 (2012: RMB265,000) which are past due at 31 December 2013, 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 favourable credit terms of up to 90 days.

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

	As of 31 December	
	2013	2012
	RMB'000	*RMB'000*
Trade payables	**3,601**	2,750
Bills Payables	**8,131**	—
Bills Payables for purchase of property, plant and equipment	**5,500**	—
	17,232	2,750

The following table sets forth the turnover days of the Group's trade payables during the years ended 31 December as indicated (calculated by dividing the average amount of 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	
	2013	2012
Trade and bills payables turnover days	**45**	22
of which, trade payables turnover days	**14**	22

Trade and bills payables turnover days of the Group increased from 22 days in 2012 to 45 days in 2013. It was mainly due to the sharp increase in bills payables as of 31 December 2013. Since 2013, the Group encourages more bill settlements, which resulted in the amount of bills payables of the Group significantly increased from RMB nil as at 31 December 2012 to RMB13.6 million as at 31 December 2013. In the meantime, the Group strengthened its supplier management and maintenance of relationship with suppliers. Trade payables turnover days decreased from 22 days for the year ended 31 December 2012 to 14 days for the year ended 31 December 2013.

The following table summarises the age of the Group's trade and bills payables during the years ended 31 December as indicated:

	As of 31 December	
	2013	2012
	RMB'000	*RMB'000*
0–90 days	**3,519**	2,570
91–180 days	**82**	180
	3,601	2,750

Risks in Foreign Exchange Rate

The majority of sales income, costs and expenses of sales, as well as administrative expenses of the Group are denominated in Renminbi. Apart from some bank deposits that are denominated in Hong Kong dollar and US dollar, most assets and liabilities of the Group are denominated in Renminbi. Since Renminbi 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 2013, the Group did not purchase any foreign exchange, interest rate derivative products or relevant hedging tools (2012: Nil).

Material Acquisition or Disposal

No material acquisition or disposal was undertaken by the Group for the year ended 31 December 2013.

Pledge of Assets

As at 31 December 2013, the Group had no pledge of assets (as at 31 December 2012: Nil).

Gearing Ratio

As at 31 December 2013, the Group had gearing ratio (total liabilities divided by total assets, in percentage) of 12.45% (as at 31 December 2012: 10.91%).

Contingent Liabilities and Guarantees

As at 31 December 2013, the Group had no material contingent liabilities or guarantees (as at 31 December 2012: Nil).

Off-Balance Sheet Commitments and Arrangements

As of 31 December 2013, the Group had no off-balance sheet commitments or arrangements (as at 31 December 2012: Nil).

Capital Commitments

As of 31 December 2013, the Group had no capital commitment (as at 31 December 2012: RMB32.5 million).

Human Resources Management

The Group regards high-quality employees as its most important resource. As at 31 December 2013, the Group had about 1,015 employees in mainland China and Hong Kong (2012: 2,085 staff members), which includes 178 promotional staff employed by employment agents (2012: 384). For the year ended 31 December 2013, the total labour costs (including Directors' remunerations and non-cash share-based compensation) was approximately RMB135.5 million (2012: RMB185.4 million). Staff remuneration is formulated with reference to individual performance, work experience, qualification and current industry practice. Apart from basic salary and statutory pension welfare, staff welfare also includes discretionary bonus and stock options.

The Group places emphasis on the recruitment, motivation and retention of suitable talents. Directors and some of the senior and middle management executives enjoy share options based on the pre-IPO share option scheme adopted by the Company. On the other hand, the employees' share options scheme aims at giving staff members an incentive, to encourage them to work hard to enhance the value and foster better long-term development of the Group. In November 2011, the Company has also adopted a restricted share award scheme to grant restricted shares to eligible employees.

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

DIVIDENDS

The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2013.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 May 2014 to 9 May 2014, both days inclusive. During such period, no transfer of shares of the Company will be registered. The record date for determining the eligibility to attend the forthcoming annual general meeting (the "AGM") of the Company will be on 9 May 2014. In order to be eligible for attending the AGM, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 5 May 2014.

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 2013, 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 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 of the Company are performed by Mr. Zhao Yihong. Mr. Zhao is a co-founder of the Group and has 24 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 in the present 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 2013.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Company's audit committee comprises three independent non-executive Directors, namely Mr. Wong Lap Tat Arthur, a Director with the appropriate professional qualifications and serving as the chairman of the audit committee, Mr. Huang Jingsheng and Mr. Zhang Fenglou. The primary duties of the audit committee are to assist the Board in providing an independent view and supervision of the effectiveness of the financial reporting process, internal control and risk management system of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2013.

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 2013 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, 14 March 2014

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. Wong Lap Tat Arthur and Mr. Zhang Fenglou.