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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 2015

FINANCIAL HIGHLIGHTS

The Group's revenue amounted to approximately RMB662.8 million for 2015, representing an increase of 17.5% as compared to that of approximately RMB563.9 million for 2014.

The gross profit margin increased to 89.7% for 2015 from that of 84.3% for 2014.

The Group recorded a net profit attributable to the Company's equity shareholders of approximately RMB92.3 million for 2015, representing an increase of 105.1% as compared to that of approximately RMB45.0 million for 2014.

The basic and diluted earnings per share was approximately RMB0.06 for 2015, as compared to that of approximately RMB0.03 for 2014.

FINAL DIVIDEND

The Board has resolved to recommend for declaration and payment of a final dividend of HK5 cents per share (approximately HK\$78,169,000 in aggregate) out of the share premium account for the year ended 31 December 2015, subject to the approval by the Shareholders at the AGM to be held on 6 May 2016. The final dividend will be paid on or about 27 May 2016 to the Shareholders whose names appear on the register of members of the Company on 13 May 2016.

SPECIAL DIVIDEND

The Board resolved on 20 February 2016 to recommend for declaration and payment of a special dividend of HK5 cents per share (approximately HK\$78,169,000 in aggregate) out of the share premium account, subject to the approval by the Shareholders at the extraordinary general meeting to be held on 12 March 2016. The special dividend will be paid on or about 31 March 2016 to the Shareholders whose names appear on the register of members of the Company on 18 March 2016.

The board (the “**Board**”) of directors (the “**Directors**”) of Besunyen Holdings Company Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2015, together with the comparative figures for the corresponding period in 2014 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December	
		2015	2014
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	662,805	563,888
Cost of sales		(68,568)	(88,607)
Gross profit		594,237	475,281
Other income		40,205	49,290
Selling and marketing expenses		(431,939)	(358,813)
Administrative expenses		(104,793)	(92,393)
Research and development costs		(19,179)	(14,839)
Other expenses		(11,375)	(11,662)
Other losses, net		(2,717)	(2,334)
Gain on disposal of a subsidiary		—	9,977
Profit before income tax		64,439	54,507
Income tax credit/(expense)	4	23,775	(9,472)
Profit for the year		88,214	45,035
Profit attributable to:			
— Owners of the Company		92,291	45,035
— Non-controlling interests		(4,077)	—
		88,214	45,035
Other comprehensive income		—	—
Total comprehensive income for the year		88,214	45,035
Total comprehensive income attributable to:			
— Owners of the Company		92,291	45,035
— Non-controlling interests		(4,077)	—
Earnings per share attributable to owners of the Company (<i>RMB cents</i>)			
— Basic earnings per share	5	6.02	2.94
— Diluted earnings per share	5	6.02	2.94

CONSOLIDATED BALANCE SHEET

	As at 31 December 2015 <i>RMB'000</i>	As at 31 December 2014 <i>RMB'000</i> (As reclassified)	As at 1 January 2014 <i>RMB'000</i> (As reclassified)
ASSETS			
Non-current assets			
Property, plant and equipment	389,052	286,869	356,119
Land use rights	377,100	376,809	389,093
Investment properties	57,694	141,240	63,378
Intangible assets	9,608	1,933	2,215
Non-current deposits	6,755	5,439	1,278
Deferred income tax assets	38,723	12,850	14,496
	<u>878,932</u>	<u>825,140</u>	<u>826,579</u>
Current assets			
Inventories	6,188	5,114	5,674
Trade and bills receivables	6 17,404	14,121	14,184
Deposits, prepayments and other receivables	32,905	34,805	38,802
Pledged bank deposits	—	813	13,631
Term deposits with initial term of over three months	50,000	100,000	201,000
Cash and cash equivalents	425,858	377,753	207,578
	<u>532,355</u>	<u>532,606</u>	<u>480,869</u>
Assets classified as held for sale	—	—	7,600
Total assets	<u>1,411,287</u>	<u>1,357,746</u>	<u>1,315,048</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	8 89	89	89
Share premium	1,229,764	1,271,589	1,287,209
Other reserves	326,773	318,377	317,494
Accumulated losses	(316,851)	(407,020)	(453,450)
	<u>1,239,775</u>	<u>1,183,035</u>	<u>1,151,342</u>
Non-controlling interests	5,960	—	—
Total equity	<u>1,245,735</u>	<u>1,183,035</u>	<u>1,151,342</u>

	As at 31 December 2015	As at 31 December 2014	As at 1 January 2014
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(As reclassified)	(As reclassified)
LIABILITIES			
Non-current liabilities			
Deferred government grants	6,325	6,326	7,112
Deferred income tax liabilities	8,429	6,833	7,104
Other non-current liabilities	1,698	1,693	1,593
	16,452	14,852	15,809
Current liabilities			
Trade and bills payables	7,577	10,381	17,232
Other payables and accrued expenses	135,110	147,771	115,974
Current income tax liabilities	6,413	1,707	2,794
	149,100	159,859	136,000
Liabilities classified as held for sale	—	—	11,897
Total liabilities	165,552	174,711	163,706
Total equity and liabilities	1,411,287	1,357,746	1,315,048

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. GENERAL INFORMATION

Besunyen Holdings Company Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company’s registered office is The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands. The principle activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) are the manufacturing and sales of therapeutic tea products and slimming medicines.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

2. BASIS OF PREPARATION

The consolidated financial statements of Besunyen Holdings Company Limited have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”). The consolidated financial statements have been prepared under the historical cost convention.

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

Amendment to IAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendments from annual improvements to IFRSs — 2010–2012 Cycle, on IFRS 8, ‘Operating segments’, IAS 16, ‘Property, plant and equipment’ and IAS 38, ‘Intangible assets’ and IAS 24, ‘Related party disclosures’.

Amendments from annual improvements to IFRSs — 2011–2013 Cycle, on IFRS 3, ‘Business combinations’, IFRS 13, ‘Fair value measurement’ and IAS 40, ‘Investment property’.

The adoption of abovementioned amendments did not have any significant impact on the Group’s consolidated financial statements.

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The chief operating decision maker (“**CODM**”) has been identified as the Executive Directors of the Company who review the Group’s internal reporting in order to assess performance and allocate resources.

In prior years, the CODM had only identified the manufacturing and sales of tea products as a single reportable segment. In 2015, the Group has expanded its business activities to sales of slimming medicines through the acquisition of a subsidiary, and the financial information on this business segment was also presented to the Group’s CODM on a standalone basis. Accordingly, the Group had two reportable segments namely, the tea products segment and the slimming medicine segment for the year ended 31 December 2015.

The CODM evaluates the performance of the reportable segments based on their revenue, gross profit and operating results which derived from gross profit to include selling and marketing expenses and research and development costs. The CODM does not assess the assets and liabilities of the operating segments.

Revenue

The revenue segment information reported to CODM for the years ended 31 December 2015 and 2014 is as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Tea products segment		
— Detox tea	274,007	251,570
— Slimming tea	323,378	307,738
— Other tea product	2,032	4,580
	<u>599,417</u>	563,888
Sliming medicine segment		
— Slimming medicine	63,388	—
	<u>662,805</u>	<u>563,888</u>

The segment results for the year ended 31 December 2015 are as follows:

	Tea products segment <i>RMB'000</i>	Slimming medicine segment <i>RMB'000</i>	Total <i>RMB'000</i>
Total revenue	599,417	63,388	662,805
Inter-segment revenue	—	—	—
Revenue from external customers	599,417	63,388	662,805
Cost of sales	(56,454)	(12,114)	(68,568)
Gross profit	542,963	51,274	594,237
Selling and marketing expenses	(365,439)	(66,500)	(431,939)
Research and development costs	(19,179)	—	(19,179)
Segment results	158,345	(15,226)	143,119
Other income			40,205
Other losses			(2,717)
Administrative expenses			(104,793)
Other expenses			(11,375)
Profit before income tax			64,439
Income tax credit			23,775
Profit for the year			<u>88,214</u>
Depreciation	(31,157)	(65)	(31,222)
Amortisation	(9,260)	(535)	(9,795)
Reversal of impairment of property, plant and equipment*	28,507	—	28,507

*: *The reversal of impairment of property, plant and equipment as recognised has been offset against the ‘cost of sales’ of the tea produces segment for the year ended 31 December 2015.*

The segment results for the year ended 31 December 2014 are as follows:

	Tea products segment RMB'000
Revenue from external customers	563,888
Cost of sales	(88,607)
	<hr/>
Gross profit	475,281
	<hr/>
Selling and marketing expenses	(358,813)
Research and development costs	(14,839)
	<hr/>
Segment results	101,629
Other income	49,290
Other losses, net	(2,334)
Administrative expenses	(92,393)
Other expenses	(11,662)
Gain on disposal of a subsidiary	9,977
	<hr/>
Profit before income tax	54,507
Income tax expense	(9,472)
	<hr/>
Profit for the year	<u>45,035</u>
Depreciation	<u>(30,265)</u>
Amortisation	<u>(12,588)</u>

Non-current assets are all located in the PRC.

All the revenue derived from any single external customer were less than 10% of the Group's total revenue for the years ended 31 December 2015 and 2014.

4. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
Current income tax:		
Current income tax on profit for the year	(6,286)	(8,926)
Adjustments in respect of prior year	3,849	829
	<hr/>	<hr/>
Total current tax	<u>(2,437)</u>	<u>(8,097)</u>
Deferred income tax:		
Origination and reversal of temporary differences	26,212	(1,375)
	<hr/>	<hr/>
Income tax credit/(expense)	<u>23,775</u>	<u>(9,472)</u>

The Company was incorporated in 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.

The tax rate applicable to the Group's subsidiary incorporated in Hong Kong is 16.5% for the year ended 31 December 2015 (2014: 16.5%). No provision for Hong Kong profit tax has been made as the Group's subsidiary in Hong Kong has no estimated assessable profit derived or generated in Hong Kong for the year ended 31 December 2015 (2014: Nil).

In February 2015, Beijing Outsell Health Product Development Co., Ltd. ("**Beijing Outsell**"), a subsidiary of the Group, has obtained the High and New Technology Enterprise ("**HNTE**") qualification for three years from 2014 to 2016, in which the applicable income tax rate during the approved period is 15%. All other PRC subsidiaries of the Group are subject to the statutory enterprise income tax rate of 25% (2014: 25%) (the "PRC statutory tax rate").

5. EARNINGS PER SHARE

(a) Basic

Basic earnings per share ("**EPS**") is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares under Restricted Share Award Scheme.

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Profit attributable to owners of the Company	<u>92,291</u>	<u>45,035</u>
Weighted average number of ordinary shares in issue (<i>thousand</i>)	<u>1,532,083</u>	<u>1,530,189</u>
Basic EPS (<i>RMB cent per share</i>)	<u><u>6.02</u></u>	<u><u>2.94</u></u>

(b) Diluted

The share options granted and restricted share awarded by the Company have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and awarded shares granted by the Company (collectively forming the denominator for computing the diluted EPS). The share options had anti-diluted effect to the Group for the years ended 31 December 2015 and 2014. In addition, there were no unvested restricted shares which would result in dilutive effect to the Group as at 31 December 2015 and 2014. No adjustment is made to earnings (numerator). Accordingly, the diluted earnings per share is the same as the basic earnings per share for the years ended 31 December 2015 and 2014.

6. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade receivables	5,881	2,703
Bills receivables (a)	<u>11,724</u>	<u>11,616</u>
	17,605	14,319
Less: allowance for impairment	<u>(201)</u>	<u>(198)</u>
Total	<u><u>17,404</u></u>	<u><u>14,121</u></u>

- (a) Bills receivable are all bank acceptance notes with maturity dates within six months.
- (b) The Group allows a credit period of 20–180 days to its customers. The following is an ageing analysis of trade and bills receivables (net of allowance for doubtful debts) based on the dates of deliveries of the related goods to the customers.

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
0–90 days	10,865	13,795
91–180 days	6,482	174
181–365 days	29	152
Over 365 days	28	—
Total	17,404	14,121

7. TRADE AND BILLS PAYABLES

The ageing analysis of the trade and bills payables based on invoice date were as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
0 to 90 days	7,447	10,057
91 to 180 days	130	191
181 to 365 days	—	51
Over 1 year	—	82
	7,577	10,381

8. SHARE CAPITAL

	Number of ordinary shares (thousands)	Nominal value of ordinary shares USD\$	Equivalent nominal value of ordinary share RMB'000
<i>Authorised:</i>			
Ordinary shares of USD\$0.00000833333 each			
At 1 January 2014, 31 December 2014 and 2015	6,000,000	50,000	341
<i>Issued and fully paid:</i>			
At 1 January 2014 and 31 December 2014	1,569,422	13,079	89
At 1 January 2015	1,569,422	13,079	89
Share repurchased and cancelled	(2,451)	—	—
At 31 December 2015	1,566,971	13,079	89

During the year ended 31 December 2015, the Company has acquired 2,451,000 of its own shares through purchases on the Hong Kong Stock Exchange. Such shares were cancelled upon the repurchase. The total amount paid to acquire the shares was HK\$2,320,000 (equivalent approximately RMB1,932,000) and has been deducted from share premium within shareholder's equity.

As at 31 December 2015, 36,801,567 shares (2014: 37,967,567 shares) were held by the Company's the Restricted Share Award Scheme.

9. DIVIDENDS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Interim dividend declared and paid of HK\$1.25 cents (2014: HK\$1.25 cents) per ordinary share	15,715	15,620
2014 final dividend declared and paid of HK\$2 cents per ordinary share	<u>24,178</u>	<u>—</u>
	<u>39,893</u>	<u>15,620</u>

A special dividend of HK5 cents per share, amounting to a total dividend of HK\$78,169,000, is to be proposed at the special general meeting on 12 March 2016.

In addition, an annual dividend in respect of the year ended 31 December 2015 of HK5 cents per share, amounting to a total dividend of HK\$78,169,000, is to be proposed at the annual general meeting on 6 May 2016.

As the above dividends are declared after the balance sheet date, such dividends as declared are not recognised as dividends payable as at 31 December 2015.

10. REVERSAL OF IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

In 2012, the Group had recognised a provision for impairment on the production plant and facilities of the cash-generating unit for the manufacturing and sales of the Group's therapeutic tea products (the "tea products CGU") (collectively the "key operating assets"), considering the sustained unfavourable business performance of the Group and the uncertain outlook of the therapeutic tea market in 2011 and 2012. The provision amount was estimated by reference to the recoverable amounts of the key operating assets as determined based on the value-in-use calculations which used pre-tax cash flow projections based on financial budget approved by management covering a five-year period and cash flows beyond the five-year period are extrapolated using a growth rate which did not exceed the long-term industry average.

With the Group's strategic changes in the strategies of marketing and products diversification, the popularity of the Group's therapeutic tea products has been established and kept improving and the Group has achieved persistent increase in the sales of its therapeutic tea products for the past three consecutive years. In addition, the Directors are of the view that economic outlook of the therapeutic tea market will remain positive and therefore concluded that the events and circumstances which led to the impairment as previously recognised are no longer existed. Management has therefore revisited the key assumptions as adopted in the impairment assessment as conducted in 2012 to reassess the recoverable amounts of the key operating assets in the current year by reference to the latest financial budget as approved by management covering the upcoming five-year period. The annual growth rate used in the financial for the 5 year period is 5%. The growth rate considers the long-term average growth rate used in the financial budget for the industry and the expected market penetration of the Group's products. A terminal value is calculated based on the expected residual value of key operating assets. The pre-tax discount rate used was 18%.

Based on the impairment assessment in the current year, the Directors concluded that it is not required to maintain the provision for impairment on those key operating assets of the tea products CGU. Accordingly, a full impairment reversal of approximately RMB28,507,000 has been credited to 'cost of sales' for the year ended 31 December 2015.

11. PRIOR YEAR RECLASSIFICATIONS

The Company has reassessed the classification of certain items of the consolidated balance sheet for the year ended 31 December 2014:

- (a) A one-year term bank deposit of RMB100 million, was previously classified as part of the Group's cash and cash equivalents as at 31 December 2014, has been reclassified as "Term deposits with initial term of over three months" in the consolidated balance sheet. This item has also been excluded for the consolidated statement of cash flows.
- (b) Certain prepayment for land use rights in the amounts of approximately RMB65,187,000 and RMB252,772,000, respectively, have been reclassified from property, plant and equipment and investment properties as at 31 December 2014 as land use rights.

Accordingly, certain comparative figures as presented in the consolidated financial statements have been reclassified.

These reclassifications have no impact to consolidated statement of comprehensive income.

BUSINESS REVIEW AND PROSPECTS

Overview

In 2015, the overall business operation for enterprises became more difficult due to the backdrop of the overall economic slowdown in the PRC, the intense market competition, the changes in sales channels and decline in consumer purchasing power.

Despite the immense market challenges faced by the Group in the past year, we still continued to increase operating efficiency by increasing efforts in brand, R&D (research and development) and food safety, optimizing the organizational structure, adjusting the mode of business operation and marketing strategies as well as lifting the retail price of the Besunyen Detox Tea and Besunyen Slimming Tea (collectively, the “**Two Teas**”). Besides, the Group also constantly introduced innovative products to offer more high-quality choices for the consumers. The aforesaid strategies in 2015 have gradually led the Group to a sound development path towards profiting from the healthcare industry, ensured the Group’s steady financial status and provided a solid foundations for the Group’s future development.

The revenue of the Group in 2015 was RMB662.8 million, representing an increase of 17.5% as compared with that of RMB563.9 million in 2014. The gross profit increased by 25.0% from RMB475.3 million in 2014 to RMB594.2 million in 2015. Meanwhile, the gross profit margin grew from 84.3% in 2014 to 89.7% in 2015. On the other hand, the total operating expenses of the Group (including selling and marketing expenses, administrative expenses and R&D costs) in 2015 were RMB555.9 million, representing an increase of 19.3% as compared with that of RMB466.0 million in 2014. The Group recorded a net profit attributable to shareholders of the Company of RMB92.3 million in 2015, representing an increase of 105.1% as compared with that of RMB45.0 million in 2014.

The Board proposed the payment of a final dividend of HK5 cents per share and a special dividend of HK5 cents per shares to shareholders (the “**Shareholder(s)**”) of the Company in recognition of their support for the Group. Each of the total amount of final dividend and special dividend amounted to approximately HK\$78,169,000 respectively.

Against the backdrop of the PRC’s overall economic slowdown and decline in the purchasing power in 2015, the exceptional performance of Besunyen first attributed to the trust and promotion of over 400,000 chain and standalone retail pharmacies nationwide and in the meantime thanked to the support of over 400 distributors and sub-distributors as well as business partners. Also, the Group extends gratitude to tons of consumers for their love of and loyalty to Besunyen Two Teas and LARLLY Orlistat, and to the remarkable suppliers for their long-term supply of high-quality raw materials to Besunyen. Finally, gratitude also goes to the solidarity and hardwork of all staff. All mentioned above greatly helped Besunyen to attain the performance in 2015.

Industry, market and competition

Besunyen Detox Tea and Besunyen Slimming Tea enjoy absolute leading brand competitive advantages over similar products. According to an investigation report on retail pharmacies in the PRC issued by the China Southern Medicine Economy Research Institute on 5 March 2015, Besunyen Detox Tea continued to rank top in the market segment of aperient and laxative products in terms of retail sales of healthcare products, medicines or other types products sold in the retail pharmacies for eight consecutive years, and the market share of which was 21.81% in 2015, representing a year-on-year

increase of 0.14 percentage point. Besunyen Slimming Tea continued to rank top in the market segment of slimming products for six consecutive years, enjoying a market share of 42.26% in 2015, representing a year-on-year decrease of 0.43 percentage points.

LARLLY Orlistat has topped the list for the market segment in slimming medicines, with its market share of 47.10% in 2015.

Business Review

2015 was the ending of the national “Twelfth Five-Year Plan”, and also the fifteenth anniversary of the Group as well as the sixth anniversary of the Company’s stock being listed. Along with the steady development of the Two Teas business and rapid growth in the sales of the new product LARLLY Orlistat, the Company’s business development has entered a new starting point, a new journey and a new platform. The Company’s management adhered to the guideline “One Focus and Two Dimensions”, and stabilised the existing businesses while developing new businesses.

1. Strengthening Brand Strategy and Enhancing Core Competitiveness of the Brand

During the reporting period, the Group engaged in the following several priorities for brand building:

- *Adopting multi-brand strategy to develop a clear brand awareness of consumers*

The brand “Besunyen” was applicable to the Two Teas; the brand “LARLLY” to Orlistat slimming medicine; and the brand “Tea+” to herbal teas. When promoting the brands, the Company identified the connotation of each brand and built a clear brand image based on products of different functions, allowing the consumers to have a clear awareness of all brands of the Group.

- *Expanding consumer base of the Two Teas to consolidate leadership*

Through research into consumers in early 2015, in respect of advertising communication, the positioning of the Two Teas consumer base was expanded from the function-centric consumers in the past to cover those demanding health precaution in an effort to increase consumer base. Accordingly, the advertising theme of the year, “Detoxify Yourself to Keep in Shape”, was run throughout the 2015 advertising communication activities.

- *Fine adjustment to price to cater to the demand of channels and terminals for profit*

The raw materials in key production elements, and operating costs experienced cost inflation in the recent years due to price increase in commodities in recent years. Moreover, the demand of channels and terminal pharmacies for profit has been increasingly higher, and the consumers’ awareness of product price depends on the match between the brand value and the product price. From the consumers’ awareness, the price of Besunyen Two Teas used to represent a discount over the psychological price level of the consumers. To alleviate the cost burden and satisfy the demand of channels and terminals for profit, the Group has increased the retail price of 25-pack Besunyen Two Teas by 16.7% from RMB59.8 to RMB69.8 per box since March 2015.

- *Combining national and local media to achieve the effect of wider coverage and higher audience ratings*

Regarding the media placement for 2015, the Group followed three principles: (1) communication coverage from the air to the ground; (2) from traditional to digital communication media; (3) ways of placement focusing on hot spots and implementation.

In 2015, the Company continued to be the title sponsor of the medical science programme “I’m a Great Doctor” (“我是大醫生”) on Beijing Satellite TV so as to attain a rational and high-end consumer base. The Company also continued to be the title sponsor of the classic lifestyle programme “King Wang” (“大王小王”) on Hubei Satellite TV to enhance promotional results through the high audience ratings and constantly appeal to loyal users. In addition to the title sponsor of these two major satellite TV stations for national advertisement coverage, the Group also carried out hot spots marketing by placing on-line variety show “Running Man” (“奔跑吧兄弟”) on the on-line digital platforms like Tencent, IQIYI and Youku Tudou. The Group also sponsored outstanding TV programs in key sales areas, such as “Dialect Contest” (“方言大賽”) on Jiangsu Variety Channel, “Darlings Run Amok” (“暴走甜心”) on Zhejiang Qianjiang City Channel and “Dance Carnival” (“舞動嘉年華”) on Chengdu TV, together with some off-line activities and placement. A multi-dimensional and intertwining advertisement dissemination model with wide coverage and deep communication was formed by combining the national coverage of satellite TVs, the local cultural traits of provincial TVs, the media audience ratings and the outdoor advertising to gather population.

- *Sponsoring the “Besunyen Cup” Charity Advertising Contest*

Besunyen also obtained title sponsorship of the thirteenth Chinese University Students Advertisement Art Show Academy Award the “Besunyen Cup” Charity Advertising Contest on April 2015. The contest lasted for 10 months, covered 31 cities, visited over 40 universities, held 42 creative lectures and was rounded off. Many students participated in and welcomed the contest, hence creating a sound and profound brand reputation for Besunyen.

2. Upholding the Classic Oriental Tea-making Technique and Opening Besunyen Health Maintenance Tea Art Pavilion

“Herbal Natural Besunyen — Health Maintenance Tea Art Pavilion” was completed on 16 September 2015, and received guests after the establishment, as a gift for the celebration “Forming Ties · Pursuing Dreams · Fifteenth Anniversary”. The whole pavilion, based on the story line of “oriental tea-making technique, classic road, forming ties with tea, cherishing ties and fulfilling dreams, embracing the future”, guided the visitors to experience a corporate museum where they could interact and which is characterized by culture and unique style of Besunyen. Besunyen Health Maintenance Tea Art Pavilion welcomes all friends for visit and guidance.

3. Innovation and Breakthrough for a New Start Forming Ties · Pursuing Dreams · Fifteenth Anniversary of Besunyen

- *Forming ties with Beijing*

Besunyen held the fifteenth anniversary celebration themed “Forming Ties · Pursuing Dreams · Fifteenth Anniversary” at the plant located in Fangshan District and at the Orient MGM International Hotel on 17 September 2015. More than 1,000 guests and friends in the fields of medicine, health and media across the country gathered in Beijing to enjoy the great celebration.

For 15 years since establishment, Besunyen has witnessed the development of the PRC’s healthcare industry and also played its role in making innovation and breakthroughs as a leader in the healthcare and food industry.

- *Rebuilding channels and enhancing cooperation with chain stores*

Starting from 8 November 2015 and lasting for 28 days, 12 celebrations of Besunyen fifteenth anniversary were held in 12 provinces and cities nationwide and major sales areas. Distributors, sub-distributors, heads of chain pharmacies and retail pharmacies were invited to attend the celebrations, and over 100 guests were present in each celebration. Besunyen built trust with the management and staff from top 100 chain pharmacies in the PRC through face-to-face communication and interaction with them, consolidated the brand image of the Two Teas and LARLLY Orlistat in channels and terminals and laid a solid base for the promotion of the Group’s products.

4. Launching New Products to Start New Career Development

- *Launching “LARLLY Orlistat” slimming tea*

“LARLLY Orlistat” slimming tea was launched in Shanghai in the spring of 2015, and hugely favoured by consumers. Also, it was gradually launched in Beijing, Tianjin, Zhejiang, Jiangsu, Sichuan, Guangdong and other provinces and cities, allowing Besunyen to successfully cover the high-end consumer bases in the market segments of weight loss and weight management.

- *Launching “Tea+” herbal tea*

Launched in May 2015, “Tea+” herbal tea is specially designed for urban white-collar ladies, and has found its way into market segments like high-speed railways and EMUs, aviation, hotels, universities, gyms, group-buying and office buildings. It was well received by the market and popular with consumers.

Cupped Tea+ herbal tea was officially put into production and market in December 2015, and a strategic corporation was entered into with Zhengzhou Railway Bureau, indicating that on the high-speed railways and EMUs, passengers can readily enjoy Besunyen teas on their journey.

5. Formulating Scientific Marketing Management System, Improving Yields and Building Core Competitiveness in Channels and Terminals

- *Optimizing channels to enhance coverage*

In early 2015, through integrating the distribution systems of distributors and sub-distributors and active support from them, the Company took the initiative to distribute its products to more sales terminals, and optimized the traditional channel management system through the terminal maintenance of distributors and sub-distributors.

- *Developing 40-pack teas and forming alliance with chain pharmacies for win-win*

The Group rolled out a new 40-pack strategic cooperative products in May 2015 for large chain pharmacies working closely with the Group. The 40-pack strategic cooperative product was favoured by chain pharmacies and achieved win-win with large chain pharmacies, and meanwhile satisfied the consumers' demand for large packs.

- *Setting up Supervising Department to independently monitor sales performance of terminals*

The Group set up the supervising department in early 2015, aiming to independently, objectively and rapidly monitor the performance of salesmen in terminal market as a reference for the performance appraisal of the salesmen. Meanwhile, the Group promptly collected marketing activities of the competing brands in the market in order to improve and enhance the mechanism for sales management assessment.

- *Holding "Besunyen Cup" Top Storekeeper and Clerk Trial*

Besunyen joined hands with First Pharmacy (第一藥店) to host the eighth "Besunyen Cup" Super Show Top Storekeeper and Clerk Trial. The activity was launched in April 2015 and the audition was smoothly completed at the end of May. The number of online enrollment nationwide reached nearly 30,000, and 13 special chain trainings were organized. 120 people from 70 chain pharmacies attended 5 regional contests across the country. The 6 champions, runner-ups and second runner-ups selected in the final were present in the PRC Drug Retailing Information Conference. This contest mobilized 1,100 chain pharmacies, covered a total of 12 regions in major areas, municipalities and provinces, and significantly shortened Besunyen's ties with frontier storekeepers and clerks from pharmacy chains. The sales of Besunyen Two Teas in pharmacies doubled during the event compared with that of last month.

- *Introducing mobile terminal management system to enhance efficient sales management*

The Group has fully activated its mobile terminal management system for sales staff since August 2014. Information such as the name of the customer visited, route, time, location, transaction volume, transaction amount, products display, promotion activities, promotional material management, customer feedback and supervisor enquiry is all processed in the mobile terminal management system. Meanwhile, information logged into the mobile phones is synchronised with the sales management centre in the headquarters on a real time basis to form a comprehensive sales management system between the headquarters and regions. After ten months of implementation and operation of the mobile terminal management system for sales staff, management capability and efficiency of the Company have been greatly enhanced in respect of operation decision, sales execution, market services and productivity of sales staff, etc..

6. Establishing Besunyen Business School to Nurse Successors

The Group established Besunyen Business School in early 2015, which is responsible for building the corporate culture and the staff's shared values and sense of mission within the Company. The school also organized team building to build teamwork of staff. Besides, it introduced executive training courses to sharpen the management capabilities and skills of the management. Continuing the "Star Program" in 2014, the Group recruited high-calibre graduates from major colleges and universities nationwide from February to May of 2015 and identified dozens of graduates as the Group's "Stars" of 2015 after strict selection. After three months of intensive training, they were assigned to and interned in different departments to actively nurse career successors and perfect a talent echelon.

7. Forming Alliance with Yunnan Phytopharmaceutical to Arrange New Career Development Strategy of "One Focus and Two Dimensions"

The Group entered into a strategic agreement with Yunnan Phytopharmaceutical Co., Ltd. ("Yunnan Phytopharmaceutical") in September 2015, in order to establish a joint venture company, which will have an exclusive right at sales in certain products of Yunnan Phytopharmaceutical in the PRC. Besunyen took advantage of the most powerful product structure of Yunnan Phytopharmaceutical on the basis of its most excellent marketing experience in brands, channels, terminals, media and advertising. The two parties joined hands to create synergy advantages.

8. Focusing on New Product Development Projects

The Group's research and development centre team has conducted a number of new product development projects within the reporting period and focused on developing serial medicines, healthcare food and nutritional and dietary products in the fields of weight control and intestinal health. As at 31 December 2015, the Company held 20 rights to use technology, and obtained 21 healthcare food license permission numbers, one of which was obtained in 2015.

9. Establishing Food Safety System to Track Quality of Raw Materials in Supply Chains in Whole Process

- The herbal medicines and tea used in the production and the suppliers of all inner and outer packing of the Group were rigorously screened. In addition to qualification examination and on-site review, the Group also conducted site visits and verification of key suppliers annually.
- The Group developed the list of qualified suppliers and implemented dynamic supervision and management and updates. On one hand, suppliers with more excellent performance were introduced, on the other, suppliers with quality risk were eliminated.
- In daily management, the Group calculated and analyzed timely delivery rate and pass rate of the suppliers, and communicated with the suppliers on a regular basis to improve its management level.
- The Group kept complete and detailed records about the supplier selection, review, quality inspection of supplies as well as annual quality summary of supplies to ensure the qualification compliance of the suppliers and the integrity and traceability of the information on raw materials.

- Including the management of suppliers into the management of the Group's food quality and safety traceability system can further ensure product safety and quality.

10. Information on Production Enterprise Environmental Policies and Daily Control Measures of Besunyen

Subsidiaries of the Group, including Beijing Outsell, Beijing Besunyen Food and Beverage Co., Ltd. and Beijing Besunyen Pharmaceutical Co., Ltd., are located in the Qiushi Industrial Park, Fangshan District, Beijing. The plant is a garden-like plant with beautiful environment, convenient transportation and clean air. Also, it carried out large areas of greening and hardened the group, meeting the national requirements of policies and laws on food, healthcare food and medicines.

Since its establishment, the Group has always paid attention to national environmental protection policies, placed emphasis on environmental protection issues and actively implemented the following principles: priority to protection, emphasis on prevention, integrated governance, public participation and liability assumption of damages. Also, it conducted sustainable development management of enterprise in accordance with Environmental Protection Law of the People's Republic of China, Atmospheric Pollution Prevention and Control Law of the People's Republic of China, Solid Waste Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Water, Law of the People's Republic of China on Prevention and Control of Pollution of Environmental Noise, Energy Conservation Law of the People's Republic of China and Cleaner Production Promotion Law of the People's Republic of China and other laws and regulations. The Group coordinated and developed the relationship between production and environmental protection and synchronised production development with pollution prevention. Also, it encouraged all staff to raise their awareness of environmental protection, care for the plant environment, promote production and improve efficiency. The Group implemented the relevant national, local or its own environmental protection regulations, policies and national, local or industry environmental standards. Besides, the Group consciously accepted the management and supervision of local government and environmental protection authorities. And it took comprehensive measures to prevent and control pollution, enabling the pollution produced by the Group to comply with the local environmental requirements. The information on the production environmental policies and daily control measures implemented by the Group in 2015 is hereby detailed as follows:

(1) Raw materials:

The raw materials used by the Group were Chinese herbal medicines, green tea, black tea, etc.. Chinese herbal medicines were the raw materials which were both medicine and food. The production personnels were offered a health check on a regular basis. Packaging materials include carton and tea filter paper, and were nontoxic and harmless to human body.

(2) Management of waste water, exhaust gas, waste residues:

The production workshop of the Group was 100,000 grade clean area. The temperature and humidity control during the production were controlled and the production personnel needed to wear working clothes before production operation. No industrial waste water was produced during the production. There was only domestic waste water in the plant which was directly discharged into the urban sewage system, so the water sources were not polluted. Dust generated in the production process was collected by dust catching and collection facilities before processed to prevent the dust from preventing the atmosphere and the

environment. Exceedingly small amounts of Impurity in raw materials and domestic waste were transported by third-party transportation companies to nearby wasteyards for centralized processing. The packaging waste was recycled by the waste recycling department.

(3) Cleaner Production:

The Group is now actively promoting cleaner production audits and carrying out energy conservation, consumption reduction and cleaner production in line with the requirements of the Cleaner Production Promotion Law of the People's Republic of China and of the National Development and Reform Commission and the Beijing Municipal Environmental Protection Bureau.

Through implementing a series of environmental policies, the Group can curb environmental pollution, reduce end treatment pressure, alleviate the burden on enterprises, substantially bolster market competitiveness and achieve the strategy of sustainable development.

PROSPECTS

Macro-Economy

According to the announcements released by the National Bureau of Statistics, the PRC's economy will still be confronted with complex and changing international situations in 2016, and some industries will remain the downward state. But on the other hand, new industries, new formats and new business models are booming as well. Overall, the Chinese economy will continue to grow steadily in 2016. International Monetary Fund holds the same growth forecast for the Chinese economy in 2016 and 2017 as compared with the previous forecast, and believes that the 6% to 6.5% GDP growth is a safe range for the current Chinese economy.

The year 2016 is the start of the "Thirteenth Five-Year Plan" as well as the "dashing" key period for the PRC to achieve the goal of building a moderately prosperous society. According to the statistics of China Chamber of Commerce for Import & Export of Medicines & Health Products (CCCMHPIE), the scale of the PRC's pan healthcare industry was around RMB2 trillion in 2013. In 2016, the scale of the PRC's pan healthcare industry is expected to be about RMB3 trillion, ranking number one in the world.

Efficiently Implementing Six Career Priorities and Seeking New Growth Points under the Guidance of Career Development Strategy

Confronted with the opportunities and challenges of the external environment in 2016, the Group will efficiently implement six business priorities and seek new growth points:

- (1) **Two Teas division:** Focus on chain pharmacies and enhance sales of a single product. In 2016, the Company will focus on the market, increase new consumers and maintain the existing ones for Besunyen Detox Tea, and plan to nurse ten chain customers with the sales of RMB10 million through in-depth cooperation with chains.
- (2) **LARLLY division:** LARLLY Orlistat slimming medicine was introduced into the market in 2015 and has taken a remarkably leading position in the market. Looking into 2016, this will be the opportunity LARLLY Orlistat embraces rapid growth and expansion.

- (3) **E-commerce division:** Differentiation in e-commerce products in 2015 and the introduction of e-commerce lines to new products attracted tons of new customers. Along with the constant launch of our new products, we are convinced that our e-commerce revenues in 2016 will witness a significant increase.
- (4) **Non-mainstream channel division:** Besunyen Two Teas and Tea+ herbal tea were gradually introduced to high-speed railways, aviation, hotels, universities, gyms and office buildings, and attained remarkable results. 2016 shall be the one when non-mainstream channel business develops by leaps and bounds.
- (5) **Yunnan Phytopharmaceutical division:** For Besunyen, Yunnan Phytopharmaceutical business is the one which can generate new increases in the Group's performance.
- (6) **Strategic joint ventures, equity participation, mergers and acquisitions:** Centred on the guideline of "One Focus and Two Dimensions" formulated by the Company, foreign strategic investment, mergers and acquisitions will be another driver in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Operating Results

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

	Year ended 31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	662,805	563,888
Cost of sales	(68,568)	(88,607)
Gross profit	594,237	475,281
Other income	40,205	49,290
Selling and marketing expenses	(431,939)	(358,813)
Administrative expenses	(104,793)	(92,393)
Research and development costs	(19,179)	(14,839)
Other expenses	(11,375)	(11,662)
Other losses, net	(2,717)	(2,334)
Gain on disposal of a subsidiary	—	9,977
Profit before income tax	64,439	54,507
Income tax credit/(expense)	23,775	(9,472)
Profit for the year	88,214	45,035
Profit attributable to:		
— Owners of the Company	92,291	45,035
— Non-controlling interests	(4,077)	—
	88,214	45,035
Other comprehensive income	—	—
Total comprehensive income for the year	88,214	45,035
Total comprehensive income attributable to:		
— Owners of the Company	92,291	45,035
— Non-controlling interests	(4,077)	—
	88,214	45,035
Earnings per share attributable to owners of the Company <i>(RMB cents)</i>		
— Basic earnings per share	6.02	2.94
— Diluted earnings per share	6.02	2.94

Revenue

	For the year ended 31 December			
	2015		2014	
	<i>RMB'000</i>	<i>Percentage of total</i>	<i>RMB'000</i>	<i>Percentage of total</i>
Revenue:				
Besunyen Detox Tea	274,007	41.3%	251,570	44.6%
Besunyen Slimming Tea	323,378	48.8%	307,738	54.6%
Slimming medicines	63,388	9.6%	—	—
Other tea products	2,032	0.3%	4,580	0.8%
Total	662,805	100.0%	563,888	100.0%

The Group's revenue bottomed out gradually from 2013 onwards and increased by 17.5% from RMB563.9 million in 2014 to RMB662.8 million in 2015. Among these, the revenue of Besunyen Detox Tea increased by 8.9% from RMB251.6 million in 2014 to RMB274.0 million in 2015, mainly attributable to an increase in average selling price ("ASP") (revenue divided by sales volume). The sales volume also increased slightly from 172.8 million tea bags in 2014 to 174.5 million tea bags in 2015. The revenue of Besunyen Slimming Tea increased by 5.1% from RMB307.7 million in 2014 to RMB323.4 million in 2015, mainly attributable to an increase in ASP, and the sales volume slightly increased from 215.1 million tea bags in 2014 to 218.5 million tea bags as well. The Group launched LARLLY Orlistat, a slimming medicine, in April 2015. In the slimming segment, the Group has extended from the slimming therapeutic tea market to the slimming medicines market to cover the entire slimming market segment. LARLLY Orlistat slimming medicine has been highly praised by consumers since its launch with stable sales growth. In 2015, the revenue of LARLLY Orlistat reached RMB63.4 million.

In 2015, 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 RMB1.57 and RMB1.48 per bag respectively (2014: RMB1.46 and RMB1.43) in 2015. The ASP of Besunyen Detox Tea increased by 7.5% and the ASP of Besunyen Slimming Tea increased by 3.5%.

Cost of Sales and Gross Profit

	For the year ended 31 December			
	2015		2014	
	<i>RMB'000</i>	<i>Percentage of revenue</i>	<i>RMB'000</i>	<i>Percentage of revenue</i>
Total cost of sales	68,568	10.3%	88,607	15.7%
Gross profit	594,237	89.7%	475,281	84.3%

The Group's cost of sales decreased by 22.6% from RMB88.6 million in 2014 to RMB68.6 million (net of the reversal of impairment of property, plant and equipment of RMB28.5 million) in 2015. Cost of sales as a percentage of revenue decreased from 15.7% in 2014 to 10.3% in 2015.

As a result of an increase in revenue by 17.5% and a decrease in cost of sales by 22.6% in 2015 as compared with 2014, the gross profit of the Group increased by 25.0% from RMB475.3 million in 2014 to RMB594.2 million in 2015. Gross profit margin of the Group increased from 84.3% in 2014 to 89.7% in 2015.

During the year, considering the business of the Two Teas has recovered gradually since 2013, and such business performed well during past few years with revenue increase year over year, after assessment, the management determined to reverse the impairment associated with the property, plant and equipment which was recognised in 2012, such reversal of RMB28.5 million had been offset against the cost of sales for the current year. The gross profit margin would be approximately 85.4% for 2015 excluding such impact.

Other Income

Other income mainly comprises interest income of RMB15.3 million (2014: RMB16.7 million), a government grant of RMB5.7 million (2014: RMB12.8 million) provided by the PRC government to support the Group's business, and rental income from investment properties of RMB19.1 million (2014: RMB19.7 million).

Selling and Marketing Expenses

	For the year ended 31 December			
	2015		2014	
	<i>RMB'000</i>	<i>Percentage of revenue</i>	<i>RMB'000</i>	<i>Percentage of revenue</i>
Advertising expenses	219,533	33.1%	163,737	29.0%
Other marketing and promotional expenses	98,685	14.9%	86,522	15.3%
Staff costs	89,732	13.6%	86,031	15.3%
Others	23,989	3.6%	22,523	4.0%
Total	<u>431,939</u>	<u>65.2%</u>	<u>358,813</u>	<u>63.6%</u>

Selling and marketing expenses of the Group increased by 20.4% from RMB358.8 million in 2014 to RMB431.9 million in 2015, which are primarily attributable to the expenses as incurred by the newly acquired subsidiary Guangzhou Runliang Pharmaceutical Co., Ltd. (“**Guangzhou Runliang**”). Among the amount, advertising expenses, other marketing and promotional expenses, staff cost and other expenses in 2015 increased by 34.1%, 14.1%, 4.3% and 6.5% respectively as compared with 2014.

As the revenue increased by 17.5%, and total selling and marketing expenses increased by 20.4% from 2014, the percentage of selling and marketing expenses to revenue increased from 63.6% in 2014 to 65.2% in 2015.

Advertising expenses in 2015 increased substantially by 34.1% as compared to 2014. During 2015, the Group embarked 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 these, our title sponsorships for the medical science programme “I’m a Great Doctor” (“**我是大醫生**”) on Beijing Satellite TV and the classic lifestyle programme “King Wang” (“**大王小王**”) on Hubei Satellite TV continued in 2015. Apart from the title sponsorships on the two major satellite TV stations with national advertising coverage, specific marketing campaigns were launched by advertising on the internet variety show “Running Man” (“**奔跑吧兄弟**”) on internet and digital platforms such as QQ, iQIYI and Youku Tudou. Title sponsorships for good TV

programmes such as “Dialect Competition” (“方言大賽”) on Jiangsu Variety Channel, “Runaway Sweetheart” (“暴走甜心”) on Zhejiang Qianjiang City Channel and “Dancing Carnival” (“舞動嘉年華”) on Chengdu TV were put forth in key sales regions. Enormous media resources were deployed to boost the marketing efforts of the slimming medicine LARLLY Orlistat, a new product of the Group. Product recognition and awareness were enhanced through the use of media to stimulate the desire of consumers, thereby facilitating its sales.

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

Administrative Expenses

	For the year ended 31 December			
	2015		2014	
	<i>RMB’000</i>	<i>Percentage of revenue</i>	<i>RMB’000</i>	<i>Percentage of revenue</i>
Staff costs	39,941	6.0%	30,673	5.4%
Office expenses	8,165	1.2%	5,841	1.0%
Professional fees	22,168	3.3%	27,395	4.9%
Travel and entertainment expenses	8,934	1.4%	6,046	1.1%
Others	25,585	3.9%	22,438	4.0%
Total	<u>104,793</u>	<u>15.8%</u>	<u>92,393</u>	<u>16.4%</u>

Administrative expenses of the Group increased by 13.4% from RMB92.4 million in 2014 to RMB104.8 million in 2015.

Administrative expenses as a percentage of revenue slightly decreased from 16.4% in 2014 to 15.8% in 2015.

Research and Development Costs

	For the year ended 31 December			
	2015		2014	
	<i>RMB’000</i>	<i>Percentage of revenue</i>	<i>RMB’000</i>	<i>Percentage of revenue</i>
Research and development costs	<u>19,179</u>	<u>2.9%</u>	<u>14,839</u>	<u>2.6%</u>

The Group’s research and development costs increased by 29.7% from RMB14.8 million in 2014 to RMB19.2 million in 2015. Research and development costs as a percentage of revenue also increased from 2.6% in 2014 to 2.9% in 2015.

Taxation

Income tax credit of the Group in 2015 was RMB23.8 million, which is different from the income tax expense of RMB9.5 million in 2014. The difference is mainly attributable to the net increase in deferred income tax assets of the Group.

Profit and Total Comprehensive Income for the Year of the Group

Due to the aforementioned factors, the total comprehensive income attributable to shareholders of the Company increased from RMB45.0 million in 2014 to RMB92.3 million in 2015.

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 and the announcement dated 16 June 2015 by the Company. The respective uses of the net proceeds up to 31 December 2015 are as follows:

	Net Proceeds from IPO		
	Available	Used	Unused
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Acquisition of new production equipment and building new production facilities	275,094	275,094	—
Establishment of the East China Regional Headquarters Beijing new office building	77,518	77,518	—
Design, research and development of new products	123,664	123,664	—
Upgrading ERP and overall IT system	62,981	62,981	—
Loan repayment	8,834	8,834	—
Expansion of traditional and on-line sales and distribution network, channels and brand building	73,000	73,000	—
Working capital	153,092	153,092	—
Investment in traditional and on-line medical and pharmaceutical industries	109,000	109,000	—
	150,000	—	150,000
Total	<u>1,033,183</u>	<u>883,183</u>	<u>150,000</u>

Liquidity and Capital Resources

In 2015, funds and capital expenditure required for the operation of the Group mainly derived from the cash flow as generated from its operating activities as well as the proceeds from the IPO.

Cash Flows

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

	For the year ended	
	31 December	
	2015	2014
	RMB'000	RMB'000
		(Reclassified)
Net cash from operating activities	63,446	109,200
Net cash from investing activities	26,160	73,332
Net cash used in financing activities	<u>(41,825)</u>	<u>(15,620)</u>
Net increase in cash and cash equivalents	<u>47,781</u>	<u>166,912</u>
Effect of foreign exchange rate changes	324	102
Net increase in cash and cash equivalents	<u>48,105</u>	<u>167,014</u>

In 2015, the Group's net cash from operating activities was RMB63.4 million (2014: RMB109.2 million). The difference primarily resulted from the operating cash outflow from the newly acquired subsidiary, Guangzhou Runliang, during the year. Net cash from investing activities of the Group in 2015 was RMB26.2 million (2014: RMB73.3 million), the decrease was mainly attributable to the less withdrawal of term-deposit with initial term of over three months. The net cash used in financing activities of the Group in 2015 was RMB41.8 million (2014: RMB15.6 million), mainly for the distribution of dividends and share repurchase.

Bank Balances, Cash and Bank Borrowings

As at 31 December 2015, the bank balance and cash of the Group in aggregate was RMB425.9 million (2014: RMB377.8 million), representing an increase of RMB48.1 million as compared to the previous year. Approximately 98.8% of the Group's bank balance and cash was in Renminbi. Meanwhile, as of 31 December 2015, the Group did not have any bank borrowings (31 December 2014: Nil) and unused bank facilities (31 December 2014: Nil).

Capital Expenditure

In 2015, cash payments for capital expenditure of the Group amounted to RMB39.5 million (2014: RMB54.3 million). The following table sets forth the capital expenditure as paid by the Group for the indicated years ended 31 December:

	For the year ended	
	31 December	
	2015	2014
	RMB'000	RMB'000
Property, plant and equipment	28,162	46,524
Intangible assets	2,120	4,743
Land use rights	<u>9,175</u>	<u>3,000</u>
Total	<u>39,457</u>	<u>54,267</u>

Investment Properties

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

	At 31 December	
	2015	2014
	RMB'000	RMB'000
	(Reclassified)	
Investment properties	<u>57,694</u>	<u>141,240</u>

The Group owns Besunyen Building, Linglong Tiandi located in No. 160 West 4th Ring Road North, Haidian District, Beijing 100036, certain office properties in Changcheng Building located in No. 3000, Zhongshan Road North, Putuo District, Shanghai. As at 31 December 2015, the Group was in the process of obtaining property certificates of the building with a total carrying value approximate to RMB46.4 million which is located in the PRC. The Group will not put all units of these properties into full use and has leased the unused units to independent third parties until the Group needs to recover such units for business expansion in the future. The properties held for lease are classified as investment properties.

As at 31 December 2015, carrying amount of the investment properties amounted to RMB57.7 million (2014: RMB141.2 million). The decrease was primarily due to the transfer out of an investment property for own-occupation to the property, plant and equipment during the year. The Group's 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 2015, the Group assessed the fair values of the investment properties based on a valuation carried out by an independent valuer 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-manufactured goods) and finished goods. The following table sets forth the inventory analysis as of the dates as indicated:

	At 31 December	
	2015	2014
	RMB'000	RMB'000
Raw materials and packaging materials	2,183	2,602
Work in progress	774	1,066
Finished goods	<u>3,231</u>	<u>1,446</u>
Total inventories	<u>6,188</u>	<u>5,114</u>

The turnover days of the Group's inventories in 2015 (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 21 days (2014: 22 days). The Group took initiative to monitor its inventories level, and sought to maintain the inventories of raw materials, work in progress and finished goods at a relatively low level while maintaining sufficient inventories of raw materials

and packaging materials for production requirements. Throughout the entire distribution and retailing process, the Group monitored and evaluated sales performance and product trends, so as to better forecast the inventories requirements.

Material Acquisition or Disposal

No material acquisition or disposal had been undertaken by the Group for the year ended 31 December 2015 (2014: Nil).

Pledge of Assets

As of 31 December 2015, the Group had no pledged assets (2014: Nil).

Gearing Ratio

As of 31 December 2015, the Group's gearing ratio (total liabilities divided by total assets, in percentage) was 11.73% (2014: 12.87%).

Contingent Liabilities and Guarantees

As of 31 December 2015, the Group had no material contingent liabilities or guarantees (2014: Nil).

Capital Commitments

As of 31 December 2015, the Group had capital commitments of RMB28.7 million (2014: RMB6.4 million).

Compliance with Laws and Regulations

During the year, so far as known to the Directors, there was no non-compliance with any relevant laws and regulations which would have a material impact on the Group.

Relationships with Employees, Suppliers and Customers

The Group endeavours to maintain sustainable development in the long term, continuously create value for its employees and customers, and foster good relationships with its suppliers. The Group understands that employees are its valuable assets, and the realisation and enhancement of employees' values will facilitate the achievement of the Group's overall goals. For the year ended 31 December 2015, the Group provided generous social security benefits to its employees to motivate them while heightening their sense of belonging. The Group also understands the importance of maintaining good relationships with its suppliers and customers to the overall development of the Group. The Group places emphasis on supplier selection and encourages fair and open competition to foster long-term relationships with quality suppliers on the basis of mutual trust. To maintain the competitiveness of its brand and products, the Group abides by the principles of honesty and trustworthiness and commits itself to consistently provide quality products to establish a reliable service environment for its customers. For the year ended 31 December 2015, there was no significant and material dispute between the Group and its suppliers and/or customers.

Human Resources Management

The Group regards high-quality employees as its most important resource. As at 31 December 2015, the Group had 1,231 employees in the PRC mainland and Hong Kong (2014: 1,014 employees), which included 113 promotional staff employed by employment agents (2014: 156 employees). The

increase in the number of staff was mainly due to the incorporation of Guangzhou Runliang into the Group. The staff costs (including remunerations of the Directors) were approximately RMB148.9 million for the year ended 31 December 2015 (2014: RMB131.1 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 senior and middle management executives enjoy share options under the pre-IPO share option scheme and the share option scheme adopted by the Company on 30 April 2010 and 8 September 2010, respectively, which are to motivate staff, to encourage them to work hard 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 declaration and payment of a final dividend of HK5 cents per share (approximately HK\$78,169,000 in aggregate) out of the share premium account for the year ended 31 December 2015, subject to the approval by the Shareholders at the forthcoming annual general meeting (“AGM”) to be held on 6 May 2016. The final dividend will be paid on or about 27 May 2016 to the Shareholders whose names appear on the register of members of the Company on 13 May 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4 May 2016 to 6 May 2016, both days inclusive. During such period, no transfer of shares of the Company (the “Shares”) will be registered. The record date for determining the eligibility to attend the AGM will be on 6 May 2016. 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 3 May 2016.

The register of members of the Company will be closed on 13 May 2016. On such day, no transfer of Shares will be registered. The record date for determining the eligibility to receive the final dividend will be on 13 May 2016. In order to be eligible for receiving the final dividend, 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 12 May 2016.

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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the year ended 31 December 2015, 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 26 years of experience in food and beverage industry in the PRC. 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.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own securities dealing code for the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they complied with the required standard as set out in the Model Code during the year ended 31 December 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

The Shares repurchased by the Company on the Stock Exchange during the year ended 31 December 2015 are as follows:

Month	No. of Shares repurchased	Price per Share		Total consideration HK\$’000
		Highest HK\$	Lowest HK\$	
December	2,451,000	0.99	0.90	2,320
Total	2,451,000	0.99	0.90	2,320

The above repurchase was made to increase the net assets and earnings per share of the Company.

Save as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the year ended 31 December 2015.

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 2015, 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 2015 will be dispatched to the Shareholders 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, 11 March 2016

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 Directors are Mr. Zhuo Fumin and Ms. Zhang Guimei; and the independent non-executive Directors are Mr. Huang Jingsheng, Mr. Wang Jing and Mr. Ren Guangming.