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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

THE OPERATION RESULTS OF THE GROUP

The revenue of the Group for the first half of 2019 was RMB338.2 million, representing an increase of 101.7% as compared with the revenue of RMB167.7 million for the same period of 2018.

Gross profit of the Group amounted to RMB246.8 million for the first half of 2019, representing an increase of 103.0% from the gross profit of RMB121.6 million for the same period of 2018. The gross profit margin of the Group for the first half of 2019 was 73.0%, representing a slight increase of 0.5 percentage point from the gross profit margin of 72.5% for the same period of 2018.

Total operating expenses (including selling and marketing expenses, administrative expenses, and research and development costs) of the Group for the first half of 2019 were RMB252.9 million, representing an increase of 50.2% as compared with the total operating expenses of RMB168.4 million for the same period of 2018.

The operating profit of the Group for the first half of 2019 is RMB222.9 million, excluding the gain on disposal of subsidiaries of RMB225.6 million, the operating loss of the Group for the first half of 2019 is RMB2.7 million, while the operating loss for the same period of 2018 is RMB35.8 million.

The Group recorded a total comprehensive income of RMB172.7 million for the first half of 2019, compared with the total comprehensive loss of RMB28.9 million for the same period of 2018.

The basic and diluted earnings per share attributable to owners of the Company for the first half of 2019 were both RMB10.48 cents (for the same period of 2018: both the basic and diluted losses per share attributable to owners of the Company were RMB1.64 cents).

INTERIM DIVIDEND

The Board has resolved to declare and pay an interim dividend of HK$0.11 per share (approximately HK$179,323,000 in aggregate) out of the share premium account for the six months ended 30 June 2019. The interim dividend will be paid on or around 31 October 2019 to the shareholders whose names appear on the register of members of the Company on 16 October 2019.

The board (the "**Board**") of directors (the "**Directors**") of Besunyen Holdings Company Limited (the "**Company**") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2019 (the "**Result Announcement**"), as below:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	*5*	**338,222**	167,669
Cost of sales of goods		**(91,434)**	(46,088)
Gross profit		**246,788**	121,581
Other income		**8,295**	12,360
Selling and marketing expenses		**(187,437)**	(105,200)
Administrative expenses		**(49,634)**	(51,591)
Research and development costs		**(15,856)**	(11,575)
Other expenses		**(2,281)**	(3,760)
Other (losses)/gains, net		**(2,594)**	2,411
Gain on disposal of subsidiaries	*6*	**225,571**	—
Operating profit/(loss)		**222,852**	(35,774)
Finance costs		**(3,758)**	(2,856)
Share of losses of investments accounted for using the equity method		**(11,586)**	(4,329)
Profit/(loss) before income tax		**207,508**	(42,959)
Income tax (expense)/credit	*7*	**(34,760)**	14,087
Profit/(loss) for the period		**172,748**	(28,872)

	Note	Unaudited Six months ended 30 June 2019 RMB'000	2018 RMB'000
Profit/(loss) is attributable to:			
— Owners of the Company		**167,173**	(26,195)
— Non-controlling interests		**5,575**	(2,677)
		172,748	(28,872)
Other comprehensive income		**—**	—
Total comprehensive income/(loss) for the period		**172,748**	(28,872)
Total comprehensive income/(loss) for the period is attributable to:			
— Owners of the Company		**167,173**	(26,195)
— Non-controlling interests		**5,575**	(2,677)
		172,748	(28,872)
Earnings/(losses) per share for the profit/(loss) attributable to owners of the Company (RMB cents)			
— Basic earnings/(losses) per share	*8*	**10.48**	(1.64)
— Diluted earnings/(losses) per share	*8*	**10.48**	(1.64)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited As at 30 June 2019** ***RMB'000***	Audited As at 31 December 2018 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**211,207**	210,266
Land use rights	*9*	**—**	117,176
Investment properties		**160,227**	144,996
Intangible assets		**175,775**	182,029
Right-of-use assets	*9*	**120,953**	—
Non-current deposits		**6,566**	12,573
Investments accounted for using the equity method		**80,134**	94,019
Deferred income tax assets		**30,377**	64,353
Total non-current assets		**785,239**	825,412
Current assets			
Inventories		**42,929**	30,472
Trade receivables	*10*	**84,150**	37,054
Bills receivables		**19,790**	13,747
Deposits, prepayments and other receivables		**104,248**	40,522
Restricted bank deposits		**4,802**	—
Short-term investments		**42,500**	38,300
Term deposits with initial term of over three months		**170,000**	—
Cash and cash equivalents		**209,110**	56,575
		677,529	216,670
Assets classified as held for sale		**95,727**	394,686
Total current assets		**773,256**	611,356
Total assets		**1,558,495**	1,436,768

	Note	Unaudited As at 30 June 2019 *RMB'000*	Audited As at 31 December 2018 *RMB'000*
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**94**	94
Share premium		**1,120,685**	1,120,685
Other reserves		**321,422**	321,384
Accumulated losses		**(310,958)**	(478,131)
		1,131,243	964,032
Non-controlling interests		**90,448**	84,873
Total equity		**1,221,691**	1,048,905
LIABILITIES			
Non-current liabilities			
Deferred government grants		**34,774**	35,167
Lease liabilities		**10,617**	—
Deferred income tax liabilities		**37,084**	36,867
Other non-current liabilities		**11,970**	14,647
Total non-current liabilities		**94,445**	86,681
Current liabilities			
Trade and bills payables	*11*	**19,045**	8,752
Other payables and accrued expenses		**111,295**	92,057
Contract liabilities		**16,381**	34,896
Borrowings		**81,000**	150,000
Lease liabilities		**6,804**	—
Current income tax liabilities		**499**	547
		235,024	286,252
Liabilities directly associated with assets classified as held for sale		**7,335**	14,930
Total current liabilities		**242,359**	301,182
Total liabilities		**336,804**	387,863
Total equity and liabilities		**1,558,495**	1,436,768

NOTES:

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 and other medicines.

The financial information in this Result Announcement is presented in Renminbi ("**RMB**"), unless otherwise stated.

The Group's unaudited interim condensed consolidated financial information was approved for issue by the board of directors of the Company on 23 August 2019.

2. SIGNIFICANT EVENTS AND TRANSACTIONS

The financial position and performance of the Group was particularly affected by the following transaction during the six months period ended 30 June 2019:

Pursuant to an equity transfer agreement entered into by A Li Yun Shan (Beijing) Business Consulting Co., Ltd. ("**A Li Yun Shan**"), an indirect wholly-owned subsidiary of the Company, and a third party, Tolsalco Pte Ltd. (the "**Purchaser**") dated on 31 December 2018 (the "**Agreement**"), A Li Yun Shan has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 100% equity interests in Beijing Chang Sheng Business Consulting Co., Ltd. ("**Beijing Chang Sheng**") which is a wholly-owned subsidiary of A Li Yun Shan as established on 18 July 2018, at a cash consideration of approximately RMB555,000,000. Beijing Chang Sheng is a vehicle company set up for the purpose of holding the equity interests in Besunyen Property Management Co., Ltd. ("**Besunyen Property**"), an indirect wholly-owned subsidiary of the Company which was established on 2 June 2017 and is the registered owner of a commercial building located in Beijing (the "**Besunyen Building**"). The disposal was completed on 8 March 2019, and the after-tax gain on such disposal was approximately RMB191,735,000 (Note 6). The significant increase of the Group's net profit for the six months ended 30 June 2019 is mainly attributable to the gain from the aforesaid disposal.

The Group has also entered into a property lease contract with the Purchaser to lease back certain portion of the Besunyen Building and the details of which has been set out in Note 9.

3. BASIS OF PREPARATION AND PRESENTATION

The Group's interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard 34 ("**IAS 34**") "Interim Financial Reporting". The interim condensed consolidated financial information should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (the "**2018 Annual Financial Statements**") and any public announcement made by the Company during the current period.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the 2018 Annual Financial Statements, except as described below.

The following new or amended standards, interpretations and annual improvements are mandatory for the first time for the Group's financial year beginning on 1 January 2019.

- IFRS 16 Leases
- Prepayment Features with Negative Compensation — Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures — Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- IFRIC 23 Uncertainty over Income Tax Treatments
- Plan Amendment, Curtailment or Settlement — Amendments to IAS 19

Except for the impact on the adoption of the IFRS 16 as described below, the adoption of the aforesaid new or amended standards, interpretation and annual improvements does not have any material impact on the Group's interim condensed consolidated financial information.

IFRS 16 "Leases"

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The Group's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.59%.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	**2,640**
Discounted using the Group's incremental borrowing rate of at the date of initial application	**2,552**
Less: Short-term leases recognised on a straight-line basis as expense	**(979)**
Low-value leases recognised on a straight-line basis as expense	**(12)**
Lease liability recognised as at 1 January 2019	**1,561**
Of which are:	
— Current lease liabilities	**793**
— Non-current lease liabilities	**768**
	1,561

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets as at the date of initial application.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets — increased by RMB118,737,000
- Land use rights — decreased by RMB117,176,000
- Lease liabilities — increased by RMB1,561,000

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standards:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease".

The Group has not early adopted the new standards and amendments to IFRSs that have been issued and not yet effective for the year ending 31 December 2019 in the interim condensed consolidated financial information.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

5. 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.

The CODM had identified the manufacturing and sales of tea products and also the sales of sliming and other medicine as separate reportable segments, namely the tea products segment and the slimming and other medicine segment.

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 segment.

The segment results for the six months ended 30 June 2019 are as follows:

	Tea products segment *RMB'000*	Slimming and other medicine segment *RMB'000*	Total *RMB'000*
Total revenue	**224,796**	**113,426**	**338,222**
Inter-segment revenue	**—**	**—**	**—**
Revenue from external customers	**224,796**	**113,426**	**338,222**
Timing of revenue recognition			
At a point in time	**224,796**	**113,426**	**338,222**
Cost of sales	**(50,614)**	**(40,820)**	**(91,434)**
Gross profit	**174,182**	**72,606**	**246,788**
Selling and marketing expenses	**(150,048)**	**(37,389)**	**(187,437)**
Research and development costs	**(4,397)**	**(11,459)**	**(15,856)**
Segment results	**19,737**	**23,758**	**43,495**
Other income			**8,295**
Other losses, net			**(2,594)**
Administrative expenses			**(49,634)**
Other expenses			**(2,281)**
Gain on disposal of subsidiaries			**225,571**
Operating profit			**222,852**
Finance costs			**(3,758)**
Share of losses of investments accounted for using the equity method			**(11,586)**
Profit before income tax			**207,508**
Income tax expense			**(34,760)**
Profit for the period			**172,748**
Other segment information:			
Depreciation	**14,682**	**4,012**	**18,694**
Amortisation	**2,804**	**5,065**	**7,869**

The segment results for the six months ended 30 June 2018 are as follows:

	Tea products segment *RMB'000*	Slimming and other medicine segment *RMB'000*	Total *RMB'000*
Total revenue	139,201	28,468	167,669
Inter-segment revenue	—	—	—
Revenue from external customers	139,201	28,468	167,669
Timing of revenue recognition			
At a point in time	139,201	28,468	167,669
Cost of sales	(32,663)	(13,425)	(46,088)
Gross profit	106,538	15,043	121,581
Selling and marketing expenses	(90,509)	(14,691)	(105,200)
Research and development costs	(3,894)	(7,681)	(11,575)
Segment results	12,135	(7,329)	4,806
Other income			12,360
Other gains, net			2,411
Administrative expenses			(51,591)
Other expenses			(3,760)
Operating loss			(35,774)
Finance costs			(2,856)
Share of losses of investments accounted for using the equity method			(4,329)
Loss before income tax			(42,959)
Income tax credit			14,087
Loss for the period			(28,872)
Other segment information:			
Depreciation	16,552	1,784	18,336
Amortisation	5,833	5,403	11,236

Note:

Non-current assets are all located in the PRC.

For the six months ended 30 June 2019, revenue of approximately RMB64,482,000 are derived from a single external customer (out of which, revenue of approximately RMB62,734,000 are attributable to the slimming and other medicine segment while the rest are attributable to the tea products segment). Except for the aforesaid customer, the revenue derived from any of the remaining external customers were less than 10% of the Group's total revenue.

For the six months ended 30 June 2019, the revenue derived from any single external customer were less than 10% of the Group's total revenue.

6. GAIN ON DISPOSAL OF SUBSIDIARIES

Details of the disposal of subsidiaries as described in Note 2:

	Six months ended 30 June 2019 *RMB'000*
Consideration received or receivable:	
Cash received	**493,178**
Consideration receivable	**61,822**
Total disposal consideration	**555,000**
Carrying amount of net assets of the subsidiaries at the date of disposal	**(295,162)**
Transaction costs	**(19,809)**
Deferral of net gain resulted from sales and leaseback	**(14,458)**
Net gain before income tax	**225,571**
Income tax expense	**(33,836)**
Net gain after income tax	**191,735**

The carrying amounts of assets and liabilities as at the date of disposal and 31 December 2018 were as below:

	8 March 2019 (the date of disposal)	31 December 2018
	RMB'000	*RMB'000*
Cash and cash equivalents	**8,664**	5,026
Deposits, prepayments and other receivables	**3**	29
Investment properties	**36,252**	36,252
Property, plant and equipment	**26,856**	26,856
Land use rights	**—**	219,781
Right-of-use assets	**219,781**	—
Deferred income tax assets	**10,760**	10,760
Total assets	**302,316**	298,704
Other payables and accrued expenses	**(4,401)**	(6,299)
Other non-current liabilities	**(2,753)**	(1,296)
Total liabilities	**(7,154)**	(7,595)
Net assets	**295,162**	291,109

7. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current income tax		
— Current income tax on profit for the period	**516**	—
— Under provision of PRC income tax in prior year	**51**	61
	567	61
Deferred income tax		
— Origination and reversal of temporary differences	**34,193**	(14,148)
	34,760	(14,087)

8. EARNINGS/(LOSSES) PER SHARE

(a) Basic

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period (excluding those ordinary shares as purchased by the Company and held as treasury shares under the Company's Restricted Share Award Scheme).

	Six months ended 30 June	
	2019	2018
Profit/(loss) attributable to owners of the Company (in RMB'000)	**167,173**	(26,195)
Weighted average number of ordinary shares in issue	**1,595,004,031**	1,594,791,809
Basic earnings/(losses) per share (RMB cent per share)	**10.48**	(1.64)

(b) Diluted

The share options granted and restricted shares awarded by the Company have potential dilutive effect on the earnings per share. Diluted earnings per share 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 granted and restricted shares awarded by the Company (collectively forming the denominator for computing the diluted earnings/(losses) per share). The share options had anti-diluted effect to the Group for the six months ended 30 June 2019 and 2018. In addition, there were no unvested restricted shares which would result in dilutive effect to the Group as at 30 June 2019 and 2018. No adjustment is made to earnings. Accordingly, the diluted earnings per share is the same as the basic earnings per share for the six months ended 30 June 2019 and 2018.

9. RIGHT-OF-USE ASSETS

	As at 30 June 2019 ***RMB'000***
Land use rights	**114,875**
Office premises and staff quarters	**4,305**
Sales and leaseback property *(note)*	**1,773**
Total right-of-use assets	**120,953**

Note:

The Group has entered into a property lease contract with the Purchaser as mentioned in Note 2 (the "**Property Lease Contract**") on 31 December 2018. Pursuant to the Property Lease Contract, the Group has leased back certain portion of Besunyen Building for a 34 months period. Upon the completion of the disposal on 8 March 2019, the Property Lease Contract has become effective since then.

On adoption of IFRS 16, the Group has recognised a right-of-use asset of approximately RMB2,009,000 and a lease liability of approximately RMB16,467,000 as at 8 March 2019, as well as a deferral of net gain resulted from the sales and leaseback of approximately RMB14,458,000 (Note 6).

As at 30 June 2019, the right-of-use assets and lease liability associated with the property under the sales and leaseback arrangement amounted to RMB1,773,000 and RMB13,081,000 respectively.

10. TRADE RECEIVABLES

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
Trade receivables	**84,895**	37,844
Less: allowance for doubtful debts	**(745)**	(790)
	84,150	37,054

The Group allows a credit period of 20–90 days to its customers. The following is an ageing analysis of trade receivables (net of allowance for doubtful debts) based on the dates of deliveries of related goods to the customers, which are approximate to their invoice dates:

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
0 to 90 days	**77,292**	35,321
91 to 180 days	**4,570**	994
181 to 365 days	**1,863**	637
Over 365 days	**425**	102
	84,150	37,054

11. TRADE AND BILLS PAYABLES

The ageing analysis of the trade and bills payables based on their respective invoice and issue dates were as follows:

	As at	
	30 June	31 December
	2019	2018
	RMB'000	*RMB'000*
0 to 90 days	**7,462**	7,256
91 to 180 days	**11,210**	1,036
Over 180 days	**373**	460
	19,045	8,752

12. DIVIDENDS

On 23 August 2019, the Board has resolved to declare a dividend of HK$0.11 (equivalent to approximately RMB0.10) per share, amounting to a total dividend of HK$179,323,000 (equivalent to approximately RMB161,624,000). No liability has been recognised in this interim condensed consolidated financial information in respect of this proposed dividend.

The unaudited interim condensed consolidated statement of comprehensive income, the unaudited interim condensed consolidated balance sheet of the Group and its explanatory notes as presented above are extracted from the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Capturing Consumer Demand and Pursuing Innovation and Change to Enhance Product Competitiveness

Enhancing Market Competitiveness via Consumer-oriented Approaches and Continuous Product Lines Expansion

We take the people's desire for a healthy life as our goal. In the first half of 2019, the Group adhered to consumer-oriented concepts and expanded its product lines, introducing new products including Besunyen Miao Miao Jiao Enzyme Jelly, Besunyen Day and Night White Collagen Powder, Besunyen red bean and adlay tea and Besunyen lotus leaf green tea on the e-commerce platform. Focusing on an array of weight management product offerings and intestine healthcare product offerings, comprising "OTC drug + Health food + Ordinary food", the Group continues the development of "OTC drug + Health food + Ordinary food" under the product categories of dietary supplements as well as health and beauty products. The Group captured consumer demand while pursuing innovation and change to enable the continuous creation of popular products.

Exploring New Branding Models and Broadening Brand Promotion Channels to Highlight Brand Value

Leveraging Radio Platform to Increase Brand Exposure and Expand Brand Influence

In the first half of 2019, the Group placed frequent advertisements on The Voice of China and Music Radio of China National Radio at different times of the day to create brand memory in a short period of time. The Group continued to use slogans such as "Give Your Intestines a Bath" to awaken the brand memory of the audience, which served to increase brand exposure while facilitating product sales. The Group also sponsored the "I Want to Go to School 1200 Student Aid Programme" jointly promoted by the China Children and Teenagers' Fund and Music Radio of China National Radio to make children's dreams come true, thereby sharing social responsibility, enhancing brand reputation and expanding its influence.

Making Strategic Use of Elevator Media to Aim Precisely at Family Consumer Group for the Shift to New Operation Model

In the first half of 2019, the Group made strategic use of elevator media to aim precisely at family users, and integrated offline terminals and online data to reshape the new operation model of "people, goods and venues". Our advertisements were shown on more than 300,000 elevator monitors in nearly 70 cities to delve into the pain points of users, resonate with the target audience and meet the consumption demand of families. As socialisation becomes personalised and mobile, the new operation philosophy which integrates terminal-based advertising will usher in a simpler, more efficient and easier way for the circulation of goods, which further promoted the shift of the operation of the Group from a conventional model to a new operation model and further conducive to the Group's promotion of the sales of offline pharmacy chains nationwide.

Fully Upgrading Product Placement into Movies and Television Dramas to Create New Branding Models and Promoting Brand Rejuvenation

Expanding Product Placement into Web Dramas and Variety Shows to Enhance Brand Competitiveness with Contents Marketing and Scenario Marketing

In the first half of 2019, the Group fully upgraded its brand promotion campaigns to create new branding models of community dissemination and scenario marketing, actively promote brand rejuvenation and step up product placement into web dramas and variety shows, which improved brand awareness among young internet users and enhanced brand competitiveness with contents marketing and scenario marketing. In the first half of 2019, a total of two dramas with placement have been confirmed and are expected to be broadcast this year and next year respectively. In addition, adhering to the principle of "brand rejuvenation", a number of online videos have been produced, and are distributed to younger active consumers over time.

Increasing Joint Marketing Efforts to Keep Enhancing Brand Competitiveness

The variety show Living It Up (《人生加減法》), which was specially supported by Besunyen Slimming Tea, was broadcast on Dragon Television, iQiyi, Tencent and Youku concurrently, injecting the audience with a green, healthy and positive booster of weight management. The programme was produced by Mr. Yu Fan, who had 13 years of experience in making variety shows and was one of the earliest producers of reality shows which featured amateurs in China. The 100-day life-changing stories of a group of 14 amateurs, who were led by the skilful singer Will Liu, were filmed in the form of documentary. Meanwhile, the Group increased its joint distribution efforts in the first half of 2019, gaining the enterprise a greater competitive advantage and more development opportunities.

Joining Hands with Academy Award and Sponsoring "Besunyen Cup" Public Welfare Advertising Contest

In the first half of 2019, the Group joined hands with the collection activity of Academy Award of Advertisement and Art Festival for Chinese College Students in the 2019 spring competition and held "Besunyen Cup" Public Welfare Advertising Contest. The contest spanned 30 provinces and cities and involved 40 colleges and universities, with 18 creative lectures and 20 off-site product interactive experience sessions. The official proposition poster and strategy sheet covered more than 1,500 schools across the country.

In the current session of Academy Award, the Group was the only enterprise which used public welfare as its main proposition. 2019 witnesses the 19th anniversary of the Group, during which the Group launched brand new "classic packages" for the Two Teas nationwide, and the theme of "Classic Beauty and Slimming Tea" was well received by the students. The zero-distance contact with university students during the current session of Academy Award gained the Group a sound and profound brand reputation among the youth, in the hope of maintaining popularity of the Besunyen brand among the existing and future target consumers.

Adjusting Sales Team Structures and Functions and Focusing on Growth of Direct Sales to End Users

Adjusting Sales Team Structures to Enhance Management Efficiency and Team Competitiveness

In the first half of 2019, the Group adjusted its national sales systems, structures and functions. Under the foundation of the existing three major regions in national offline retail, Key Account ("**KA**") chain management was added to formulate a "3+1" management model. All of them compete against and improve each other, which stimulates their sense of ownership. This has significantly improved the work motivation of the sales team and has enhanced the overall capability of the sales team. To further improve management efficiency as well as sale capability, all sales team have made efforts in innovation, such as improving team development, making significant progress in major retail chains, innovating marketing model, eliminating the lowest, developing membership base, introducing new models and new products, etc.

Improving Distribution Penetration Rate for Offline Management, Enriching Terminal Promotion Modes and Enhancing Horizontal Growth

Based on the three major regions, in the first half of 2019, the Group's national offline management has established 15 direct sales departments and business departments in secondary regions, which are mainly responsible for distribution management and terminal promotion to optimise the resources of distributors, unblock circulation channels, establish a more reasonable distributor/sub-distributor portfolio and further improve distribution penetration rate. Key retail terminal works such as prevention of supply suspension, price maintenance, terminal display, promotion and interception of competing products have been done to boost the rate of priority recommendation of the Group's products, enrich terminal promotion modes, cultivate terminal image and enhance horizontal growth.

Improving Management and Operation of Chains for KA Management Department, Establishing Model Chains and Enhancing Vertical Growth

In the first half of 2019, the Group established KA management department to facilitate centralised management of pharmacy chains for the improvement of overall operation of the chains. The KA management department is mainly responsible for refined management of six core chains across the country, namely Dashenlin, LBX, Neptunus, Yixintang, Yifeng and Jianzhijia, and has established different sales policies targeting at the characteristics of different market chains. Vertical growth could therefore be achieved with the establishment of such model chains, penetration into non-core chains and launch of three-tier campaigns.

Establishing New Performance Appraisal Orientation and Focusing on Growth of Direct Sales to End Users

To make sales teams focus on the growth of direct sales to end users, eliminate the violation of the Group's management policies by distributors/sub-distributors and avoid the sales of stockpile in the market at low price, the Group connected the data of shipment on the distributor/sub-distributor side and the data of terminal sales, and changed the performance appraisal from distributors' shipment appraisal to direct sales to end users appraisal. By establishing direct sales to end users as a PK parameter for the sales personnel, it allows the sales personnel to completely participate in terminal management and maintenance and the excessive stockpile through the distributions has been avoided, leading to more solid and effective terminal management and terminal basic promotion.

Enhancing Flow Management and Maintaining a Smooth Operating Order of Market

In order to maintain the freshness of the products in the market and avoid obsolete products and returns due to stockpiling, with respect to flow control of distributors, the Group controlled the inventory turnover days of distributors from the source, upgraded logistics anti-counterfeiting system management system, and monitored the logistics information of distributors to further enhance the timely acquisition and supervision of logistics information. On the other hand, the Group made direct connection to the systems of distributors and sub-distributors, which provided a real-time command of data such as stock-out, stock-in and serial number of distributors and sub-distributors, allowed the acquisition of accurate flow data, avoided overstocking through the distributions and enabled better supervision of customers and distributions. Meanwhile, the Group strengthened regulation on product pricing and adopted a series of measures to safeguard the price stability. The confidence of distributors/sub-distributors has been improved and this will be beneficial to the healthy and stable development of the market.

Keeping Abreast of the Industry Development Trend, Creating and Optimising New Products and Building an Operation Team with High Standards

Implementing Refined Management and Adjusting Distribution Strategies

In the first half of 2019, the Group implemented refined management, enhanced the management and operation modes of e-commerce according to the type of goods and the scale of logistics, and conducted more standardised management for four stations (Beijing, Guangzhou, Hangzhou and drugs); to ensure the rapid development of e-commerce business; an e-commerce integrated marketing centre, supply chain group and sales support group were established; the original customer service team was upgraded to a customer service centre. Based on the e-commerce platform promotion policy, the Group fully explored and analysed the purchasing habits and feedback of platform users to track, analyse and give feedback on the operation and promotion results, and linked up the management, contents and customer service team to adjust distribution strategies accordingly to create a better user experience, which effectively improved the total revenue of the Two Teas, drugs and new products and laid a solid foundation for the future development of the Group's e-commerce distribution.

Continuously Optimising New Products, Riding on the Trend of E-commerce and Improving the Operational Capabilities of the Team

Focusing on the area of weight management, the Group continued to optimise its product mix, expanded from the traditional herbal slimming tea to the OTC arena, focused on improving the packages, and producing graphics and videos of old products (Besunyen Xian Xian Tea, meal replacement milk shake, etc.), and launched the "dietary fibre" series of light meal replacement products and the "collagen" series of new health products for the health-savvy young consumers. Meanwhile, in face of continuous business hardship, the operation team became more mature and mastered the rules of each platform. The amazing growth stories of the aggressive and hardworking team were appraised as classic cases by Alibaba and Pinduoduo for many times. The sales campaign on 21 March in cooperation with the Alibaba Juhuasuan platform was a great success, and the brand was put on the key cultivation list by Juhuasuan and others. The customer service centre grew from 14 people last year to more than 70 people. A sound service mechanism was established to deepen the one-to-one service, which accumulated a large number of regular customers and realised a higher-than-average repurchase rate. The Group's products for e-commerce channels included the "Two Teas", Orlistat and new products, which performed well in this year's "6•18 Mid-year Sales" on major e-commerce platforms such as Tmall and JD.com. The overall transaction volume surged to 122% compared with that of "Double 11" last year, resulting in an explosive growth in product sales and brand exposure. "Besunyen's new retail model has gradually shown its vitality," China Economic Net and many other authoritative media in China wrote in their detailed commentaries.

Innovating R&D Philosophy, Strengthening External Development Cooperation and Continuing to Launch New Products

In 2019, the research and development work embraces China's "Health for All" principle and focuses on the two healthcare functions of weight management and intestinal health and expands herbal healthcare products and strengthens external cooperation efforts. The research and development of new health food products for weight loss, defaecation, throat clearing and liver protection continued. Through the participation in the key research and development program of the Ministry of Science and Technology named "Traditional Chinese Medicine Modernisation Project" and the cooperation with renowned research institutes such as Beijing University of Chinese Medicine on product research and development, the formula of the new laxative product based on the precise healthcare principle has entered the expert argumentation phrase and an agreement has been signed for related research subprojects with regard to the marketed laxative healthcare products. The notices of evaluation comments for the renewal of registration of Besunyen Runyuan Tea and Besunyen Changwuyin Granules have been received. Preparation for permit issuance, production and market launch of Besunyen Yanyuan Granules have been completed. For e-commerce common food, the renewal of nutritious meal replacement milk shake, dietary fibre and collagen products has been completed and new products such as Besunyen Xian Xian Shake, Miao Miao

Jiao Collagen Jelly and Day and Night White Collagen Powder have been launched. Development of new products such as Besunyen red bean and adlay tea bag and lotus leaf green tea bag has been completed.

In the first half of 2019, Zhongshan Wanyuan New Medicine Research and Development Co., Ltd. ("**Zhongshan Wanyuan**") made one application and one licencing application and completed the supplementary research for two types of eye drops and submitted the supplementary research materials to the National Medical Products Administration. Zhongshan Wanhan Pharmacy Co., Ltd. ("**Zhongshan Wanhan**") made three invention patent applications and six licencing applications. On 1 April 2019, Zhongshan Wanhan and Zhongshan Wanyuan passed the certification of the intellectual property management system.

OUTLOOK

According to the publication of National Bureau of Statistics, China's economy achieved stable and healthy growth in 2019. China's economy has transformed from rapid growth to a high-quality development phase. To improve the health of the general public, China has put forward a feasible new medical reform proposal and the health development strategy of "Healthy China 2020" and advanced "Healthy and Powerful Country" to the national strategic level. The favourable policy will greatly encourage the development of the big health industry. The "Healthy China 2030 Strategy" also proposes higher requirements for people's health, health service capability and health system optimisation.

The Group will continue to regulate and manage its business while highly focusing on the growth of direct sales to end users in the market. Leveraging the current excellent market base and brand recognition, the Group will promote the development and launch of new products. Through establishment of reasonable new product incentive policy, enrichment of product range, and continuous introduction of new products based on independent research and development and outsourced processing, the Group will continue to develop its e-commerce business to achieve higher revenue growth.

FINANCIAL REVIEW

Revenue

	For the six months ended 30 June			
	2019		2018	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
Revenue:				
Besunyen Detox Tea	**84,865**	**25.1%**	51,649	30.8%
Besunyen Slimming Tea	**92,922**	**27.5%**	78,438	46.8%
Others	**51,524**	**15.2%**	14,720	8.8%
Slimming medicines	**108,911**	**32.2%**	22,862	13.6%
Total	**338,222**	**100.0%**	167,669	100.0%

The revenue of the Group was RMB167.7 million in the first half of 2018 and increased by 101.7% to RMB338.2 million in the same period of 2019. Among these, the revenue of Besunyen Detox Tea increased by 64.5% from RMB51.6 million in the first half of 2018 to RMB84.9 million in the same period of 2019, while the sales volume increased by 59.7% from 37.2 million tea bags in the first half of 2018 to 59.4 million tea bags in the same period of 2019. The revenue of Besunyen Slimming Tea increased by 18.5% from RMB78.4 million in the first half of 2018 to RMB92.9 million in the same period of 2019, while the sales volume increased by 17.1% from 57.2 million tea bags in the first half of 2018 to 67.0 million tea bags in the same period of 2019. The revenue of the slimming medicine, Orlistat, increased by 375.5% from RMB22.9 million in the first half of 2018 to RMB108.9 million in the same period of 2019.

The average selling prices of Besunyen Detox Tea and Besunyen Slimming Tea were RMB1.39 and RMB1.37 per bag respectively in the first half of 2018, and were RMB1.43 and RMB1.39 per bag respectively in the first half of 2019. The average selling prices of Besunyen Detox Tea and Besunyen Slimming Tea increased by 2.9% and 1.5% respectively as compared to the same period of 2018.

Cost of Sales and Gross Profit

	For the six months ended 30 June			
	2019		2018	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
Cost of sales	**91,434**	**27.0%**	46,088	27.5%
Gross profit	**246,788**	**73.0%**	121,581	72.5%

The Group's cost of sales increased by 98.3% from RMB46.1 million in the first half of 2018 to RMB91.4 million in the same period of 2019, which was in line with the increase in revenue. Cost of sales as a percentage of revenue slightly decreased from 27.5% in the first half of 2018 to 27.0% in the same period of 2019.

Revenue increased by 101.7% and cost of sales increased by 98.3% in the first half of 2019 as compared to the same period of 2018. As a result, gross profit of the Group increased by 103.0% from RMB121.6 million in the first half of 2018 to RMB246.8 million in the same period of 2019. Gross profit margin of the Group slightly increased from 72.5% in the first half of 2018 to 73.0% in the same period of 2019.

Selling and Marketing Expenses

	For the six months ended 30 June			
	2019		2018	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
Advertising costs	**52,968**	**15.7%**	23,515	14.0%
Marketing and promotional expenses	**63,110**	**18.6%**	28,160	16.8%
Employee benefit expenses	**48,854**	**14.4%**	38,925	23.2%
Others	**22,505**	**6.7%**	14,600	8.7%
Total	**187,437**	**55.4%**	105,200	62.7%

Selling and marketing expenses of the Group increased from RMB105.2 million in the first half of 2018 to RMB187.4 million in the same period of 2019.

The advertising costs in the first half of 2019 increased by RMB29.5 million as compared to the same period of 2018, mainly due to the fact that the expenditure in advertising via pre-show media, elevator advertisement, radio media, etc. increased apart from the existing expenditures in advertising via TV media and internet media.

The marketing and promotional expenses increased by RMB35.0 million in the first half of 2019 as compared to the same period of 2018, mainly due to the expenditure of marketing and promotion via e-commerce platform increased.

Employee benefit expenses increased by RMB9.9 million in the first half of 2019 as compared to the same period of 2018, mainly due to the increase in performance commission for sales personnel resulting from the increase in revenue.

Administrative Expenses

	For the six months ended 30 June			
	2019		2018	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
Employee benefit expenses	**20,030**	**5.9%**	17,664	10.5%
Office expenses	**3,294**	**1.0%**	1,850	1.1%
Professional service fees	**12,729**	**3.8%**	10,686	6.4%
Entertainment and travelling expenses	**3,007**	**0.9%**	2,934	1.8%
Others	**10,574**	**3.1%**	18,457	11.0%
Total	**49,634**	**14.7%**	51,591	30.8%

Administrative expenses of the Group decreased by 3.9% from RMB51.6 million in the first half of 2018 to RMB49.6 million in the same period of 2019.

Research and Development Costs

	For the six months ended 30 June			
	2019		2018	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
Research and development costs	**15,856**	**4.7%**	11,575	6.9%

The Group's research and development costs increased by 37.1% from RMB11.6 million in the first half of 2018 to RMB15.9 million in the same period of 2019, mainly because of the increased self-research and development as well as outsourced research and development.

Gain on Disposal of Subsidiaries

Gain on disposal of subsidiaries was approximately RMB225.6 million in the first half of 2019, which was attribute to disposal of 100% equity interest in Beijing Chang Sheng Business Consulting Co., Ltd ("**Beijing Chang Sheng**") and its wholly-owned subsidiary Beijing Besunyen Property Management Co., Ltd. ("**Besunyen Property**"). Please refer to the section headed "Material Acquisitions or Disposals" below for details of such disposal (as at 30 June 2018: nil).

Taxation

Income tax expense of the Group for the first half of 2019 is RMB34.8 million, the pre-tax profit of the Group during the current period is mainly attributable to the gain from the disposal of subsidiaries of the Group, and the assessable profit derived from the abovementioned disposal has been fully offset by the deferred income tax assets recognised for the deductible temporary differences/tax losses in previous year from the subsidiary which preferential tax rate was applied. The income tax credit of the same period of 2018 is RMB14.1 million, which is mainly attributable to the recognition of deferred income tax assets for previously unrecognised deductible temporary differences/tax losses.

Total Comprehensive Income/(Loss) for the Period

Due to the factors set out above, the Group recorded a total comprehensive income of RMB172.7 million in the first half of 2019 (for the same period of 2018: total comprehensive loss of RMB28.9 million).

Liquidity and Capital Resources

In the first half of 2019, funds and capital expenditure required in the operation of the Group mainly came from the cash flows from operating activities and proceeds from borrowings and disposal of subsidiaries.

Cash Flows

The following table summarises the net cash flows of the Group for the six months ended 30 June 2019 and 2018:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Net cash outflow from operating activities	**(40,107)**	(94,882)
Net cash inflow/(outflow) from investing activities	**264,209**	(12,048)
Net cash (outflow)/inflow from financing activities	**(77,534)**	125,265
	146,568	18,335
Effect of foreign exchange rate changes on cash and cash equivalents	**785**	1,696
Net increase in cash and cash equivalents	**147,353**	20,031

In the first half of 2019, net cash outflow from operating activities of the Group was RMB40.1 million (for the same period of 2018: net cash outflow from operating activities was RMB94.9 million). The decrease of outflow as compared to the same period of 2018 was mainly due to the decrease in operating loss during the current period. In the first half of 2019, the net cash inflow from investing activities of the Group was RMB264.2 million, which was mainly attributable to the net cash received from the sale of 100% equity interest of Beijing Chang Sheng and its wholly-owned subsidiary Besunyen Property, which is partially offset by the increase in term deposits with RMB170.0 million (for the same period of 2018: net cash outflow from investing activities was RMB12.0 million, mainly infrastructure construction expenditure). In the first half of 2019, the net cash outflow from financing activities of the Group was RMB77.5 million, which was mainly due to the repayment of borrowings (for the same period of 2018: net cash inflow from financing activities was RMB125.3 million, mainly due to the cash from the drawdown of borrowings).

Bank Balances, Cash and Bank Loans

The Group's bank balances and cash, comprising cash and cash equivalents, bank deposits with initial term of over three months and pledged bank deposits, increased by 578.3% from RMB56.6 million as at 31 December 2018 to RMB383.9 million as at 30 June 2019. In addition, the Group had bank borrowings of RMB81.0 million as at 30 June 2019 (31 December 2018: RMB150.0 million).

Capital Expenditure

In the first half of 2019, capital expenditure of the Group was RMB31.4 million (for the same period of 2018: RMB14.9 million), mainly on the construction of plants.

Inventories

The Group's inventories include raw materials and packaging materials, work in progress (semi-finished goods) and finished goods, which are set forth below:

	As at	
	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
Raw materials and packaging materials	**17,916**	11,201
Work in progress	**3,216**	1,249
Finished goods	**21,797**	18,022
Total inventories	**42,929**	30,472

Risks in Foreign Exchange Rate

Almost all of the revenue, costs of sales and expenses 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 six months ended 30 June 2019, the Group did not purchase any foreign exchange, interest rate derivative products or hedging instruments (for the same period of 2018: nil).

Material Acquisitions or Disposals

On 31 December 2018, A Li Yun Shan (Beijing) Business Consulting Co., Ltd. ("**A Li Yun Shan**"), an indirect wholly-owned subsidiary of the Group, entered into an equity transfer agreement with Tosalco Pte. Ltd., pursuant to which A Li Yun Shan has conditionally agreed to sell and Tosalco Pte. Ltd. has conditionally agreed to acquire 100% equity interest of Beijing Chang Sheng together with Besunyen Property, its wholly-owned subsidiary at a consideration of RMB555.0 million, and all amount have been settled by Tosalco Pte. Ltd. by cash. Besunyen Property's major asset is Besunyen Building. The equity transfer agreement and the transactions thereunder have been approved at the extraordinary general meeting held on 22 February 2019 by the shareholders of the Company, and such transaction was completed on 8 March 2019. For details, please refer to the announcements of the Company dated 31 December 2018, 22 February 2019 and 26 March 2019, and the circular of the Company dated 4 February 2019. The significant increase of the Group's net profit for the six months ended 30 June 2019 is mainly attributable to the gain from the aforesaid disposal.

Save as disclosed above, the Group had no other material acquisition or disposal of subsidiaries, associates and joint ventures in the first half of 2019.

Significant Investments Held and Future Plans for Material Investments or Capital Assets

Ningbo Yuanyuan Liuchang Investment Centre (Limited Partnership) ("**Yuanyuan Liuchang Fund**"), a company with a total committed capital contribution of RMB100.0 million, is owned by the Group with 89% of its shares. It mainly focuses on investment projects in the healthcare industry, TMT (technology, media and telecommunications) industry and consumer industry, as well as investment in several early stage partnership enterprises. For the six months ended 30 June 2019, Yuanyuan Liuchang Fund did not invest in new projects.

Save as disclosed above, there were no other significant investments held by the Group during the first half of 2019. There was no plan of the Group for other material investments or additions of capital assets as at the date of this announcement.

Pledge of Assets

As at 30 June 2019, the Group received certain bank borrowings of RMB81.0 million, through pledging properties with book value of RMB86.4 million and land use rights with book value of RMB24.6 million to banks and guarantee companies (as at 31 December 2018: the Group received certain bank borrowings of RMB150.0 million, through pledging properties with book value of RMB88.3 million and land use rights with book value of RMB24.9 million to banks and guarantee companies).

Gearing Ratio

As at 30 June 2019, the Group's gearing ratio (total liabilities divided by total assets, in percentage) was 21.6% (as at 31 December 2018: 27.0%).

Contingent Liabilities and Guarantees

As at 30 June 2019, the Group had no material contingent liabilities and guarantees (as at 31 December 2018: nil).

Capital Commitments

As of 30 June 2019, capital expenditure of property, plant and equipment expected to be incurred amounted to RMB108.7 million (as of 31 December 2018: RMB78.6 million).

Human Resources Management

The Group regards high-quality employees as its most important resource. As at 30 June 2019, the Group had 1,216 employees in mainland China and Hong Kong (31 December 2018: 1,121 employees), which included 11 promotional staff employed by employment agents (31 December 2018: 13). For the six months ended 30 June 2019, total labour costs (including Directors' remunerations and non-cash share-based compensation) were RMB84.4 million (for the same period of 2018: RMB69.2 million). Staff remuneration is formulated with reference to individual performance, work experience, qualification and prevailing 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 under the pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") and the share option scheme (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 (the "**Restricted Share Award Scheme**") to grant restricted shares to eligible employees.

The Group invests sufficient efforts in 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.

CORPORATE GOVERNANCE

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 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the six months ended 30 June 2019, except for code provision A.2.1 of the CG Code.

CODE PROVISION A.2.1

Under code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of both Chairman and Chief Executive Officer are performed by Mr. Zhao Yihong. Mr. Zhao is a co-founder of the Group and has 29 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.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. He Yuanping, a Director with the appropriate professional qualifications and serving as the chairman of the Audit Committee, Mr. Ren Guangming and Mr. Fu Shula. The Audit Committee has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2019 and this announcement, the accounting principles and practices adopted by the Group and discussed the Group's internal controls and financial reporting matters.

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

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the six months ended 30 June 2019.

INTERIM DIVIDEND

The Board has resolved to declare and pay an interim dividend of HK$0.11 per share (approximately HK$179,323,000 in aggregate) out of the share premium account for the six months ended 30 June 2019. The interim dividend will be paid on or around 31 October 2019 to the shareholders whose names appear on the register of members of the Company on 16 October 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on 16 October 2019. On such day, no transfer of Shares will be registered. The record date for determining the eligibility to receive the interim dividend will be 16 October 2019. In order to be eligible for receiving the interim 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 15 October 2019.

SUBSEQUENT EVENTS

In order to revitalize idle assets, on 10 July 2019, Beijing Outsell Health Product Development Co., Ltd., an indirect wholly-owned subsidiary of the Group, entered into a construction general contracting agreement with Beijing Hengtong Innovation Whole House Assembly Co., Ltd. (the "**Contractor**"), pursuant to which the Contractor agreed to undertake the construction and installation of the No. 2 Production Workshop. The total consideration payable to the Contractor under the construction general contracting agreement is RMB113,783,798.65. For details, please refer to the announcement of the Company dated 10 July 2019.

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 interim report of the Company for the six months ended 30 June 2019 will be dispatched to the shareholders of the Company and published 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, 23 August 2019

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. Ren Guangmin, Mr. He Yuanping and Mr. Fu Shula.