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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 2020

THE OPERATION RESULTS OF THE GROUP

The revenue of the Group for the first half of 2020 was RMB609.8 million, representing an increase of 80.3% as compared with the revenue of RMB338.2 million for the same period of 2019.

The gross profit of the Group amounted to RMB441.3 million for the first half of 2020, representing an increase of 78.8% from the gross profit of RMB246.8 million for the same period of 2019. The gross profit margin of the Group for the first half of 2020 was 72.4%, representing a slight decrease of 0.6 percentage point from the gross profit margin of 73.0% for the same period of 2019.

The total operating expenses (including selling and marketing expenses, administrative expenses, and research and development costs) of the Group for the first half of 2020 were RMB382.5 million, representing an increase of 51.2% as compared with the total operating expenses of RMB252.9 million for the same period of 2019.

The operating profit of the Group for the first half of 2020 was RMB60.1 million, while the operating profit for the same period of 2019 was RMB222.9 million (after the deduction of gain on disposal of subsidiaries of RMB225.6 million, the operating loss for the same period of 2019 was RMB2.7 million).

The Group recorded the total comprehensive income of RMB47.3 million for the first half of 2020, compared with the total comprehensive income of RMB172.7 million for the same period of 2019.

The basic and diluted earnings per share attributable to owners of the Company for the first half of 2020 were both RMB0.59 cents (for the same period of 2019: the basic and diluted earnings per share attributable to owners of the Company were both RMB10.48 cents).

INTERIM DIVIDEND

The Board has resolved not to declare and pay any interim dividend for the six months ended 30 June 2020.

The board (the “**Board**”) of directors (the “**Director(s)**”) 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 2020 (the “**Results Announcement**”), as below:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Unaudited	
		Six months ended 30 June	
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5	609,775	338,222
Cost of sales		<u>(168,467)</u>	<u>(91,434)</u>
Gross profit		441,308	246,788
Other income		7,659	8,295
Selling and marketing expenses		(294,299)	(187,437)
Administrative expenses		(52,425)	(49,634)
Research and development costs		(35,741)	(15,856)
Other expenses		(1,609)	(2,281)
Other losses, net		(4,839)	(2,594)
Gain on disposal of subsidiaries	6	<u>–</u>	<u>225,571</u>
Operating profit		60,054	222,852
Finance income		1,298	–
Finance costs		<u>(2,764)</u>	<u>(3,758)</u>
Finance costs, net		(1,466)	(3,758)
Share of losses of investments accounted for using the equity method		<u>(124)</u>	<u>(11,586)</u>
Profit before income tax		58,464	207,508
Income tax expense	7	<u>(11,172)</u>	<u>(34,760)</u>
Profit for the period		<u>47,292</u>	<u>172,748</u>
Profit attributable to:			
– Owners of the Company		9,384	167,173
– Non-controlling interests		<u>37,908</u>	<u>5,575</u>
		<u>47,292</u>	<u>172,748</u>
Other comprehensive income		<u>–</u>	<u>–</u>
Total comprehensive income for the period		<u>47,292</u>	<u>172,748</u>

		Unaudited	
		Six months ended 30 June	
		2020	2019
<i>Note</i>		<i>RMB'000</i>	<i>RMB'000</i>
Total comprehensive income for the period attributable to:			
	– Owners of the Company	9,384	167,173
	– Non-controlling interests	37,908	5,575
		<u>47,292</u>	<u>172,748</u>
Earnings per share for the profit attributable to owners of the Company (RMB cents)			
	– Basic earnings per share	0.59	10.48
	– Diluted earnings per share	0.59	10.48

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2020 <i>RMB'000</i>	Audited As at 31 December 2019 <i>RMB'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		237,005	219,823
Investment properties		9,186	9,424
Intangible assets		164,976	170,086
Right-of-use assets		114,058	114,810
Other non-current assets		14,129	14,175
Investments accounted for using the equity method		79,152	79,276
Deferred income tax assets		<u>75,361</u>	<u>65,242</u>
 Total non-current assets		 <u>693,867</u>	 <u>672,836</u>
 Current assets			
Inventories		95,141	60,184
Trade receivables	9	81,769	139,673
Bills receivable		4,095	5,187
Deposits, prepayments and other receivables		75,641	111,409
Restricted bank deposits		10,418	27,968
Financial assets measured at fair value through profit or loss		185,227	83,000
Term deposits with initial term of over three months		65,442	10,000
Cash and cash equivalents		<u>232,458</u>	<u>270,803</u>
		<u>750,191</u>	<u>708,224</u>
 Assets classified as held for sale	 10	 <u>326,163</u>	 <u>286,500</u>
 Total current assets		 <u>1,076,354</u>	 <u>994,724</u>
 Total assets		 <u><u>1,770,221</u></u>	 <u><u>1,667,560</u></u>

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2020	2019
<i>Note</i>	RMB'000	RMB'000
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	94	94
Share premium	962,777	962,777
Other reserves	327,089	327,065
Accumulated losses	<u>(311,877)</u>	<u>(321,261)</u>
	978,083	968,675
Non-controlling interests	<u>148,679</u>	<u>110,771</u>
Total equity	<u>1,126,762</u>	<u>1,079,446</u>
LIABILITIES		
Non-current liabilities		
Deferred government grants	34,088	34,381
Lease liabilities	6,415	8,327
Deferred income tax liabilities	30,835	32,117
Long-term borrowings	<u>55,108</u>	<u>28,000</u>
Total non-current liabilities	<u>126,446</u>	<u>102,825</u>
Current liabilities		
Trade and bills payables	11 69,957	49,105
Other payables and accrued expenses	295,905	328,813
Contract liabilities	18,082	27,209
Borrowings	101,400	66,800
Lease liabilities	8,738	9,241
Current income tax liabilities	<u>22,931</u>	<u>4,121</u>
Total current liabilities	<u>517,013</u>	<u>485,289</u>
Total liabilities	<u>643,459</u>	<u>588,114</u>
Total equity and liabilities	<u>1,770,221</u>	<u>1,667,560</u>

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 principal 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 Results 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 31 August 2020.

2. SIGNIFICANT EVENT

The financial position and performance of the Group was particularly affected by the following event during the six months ended 30 June 2020:

An outbreak of the widespread of the Novel Coronavirus (the “**COVID-19 Pandemic**”) has been emerged since mid of January 2020 and has been subsequently declared as a Public Health Emergency of International Concern by the World Health Organisation on 30 January 2020.

The Group’s business activities in Hubei Province remained at a low level in February 2020 and March 2020, resulting from COVID-19 Pandemic crush to the Group’s office and distributors located in Hubei Province. Since April 2020, the Group’s business activities have become resumed and the revenue from Hubei Province has been keeping a normal level.

The Group’s online business was affected by the logistics environment in February 2020. With the recovery of the logistics in March 2020, the online business was back to normal.

As discussed above, the Group’s financial position and performance for the six months ended 30 June 2020 were not significantly impacted, which stayed the same as the Directors of the Company’s assessment disclosed in the annual financial statements of the Company for the year ended 31 December 2019 (the “**2019 Annual Financial Statements**”).

3. BASIS OF PREPARATION

The Group's interim condensed consolidated financial information for the six months ended 30 June 2020 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 2019 Annual Financial Statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), and any public announcement made by the Company during the current period.

4. SIGNIFICANT ACCOUNTING POLICIES

Amended standards and revised conceptual framework adopted by the Group

The Group has applied the following amended standards and revised conceptual framework in the interim condensed consolidated financial information:

- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to IFRS 3 – Definition of a Business
- Amendment to IFRS 7, IAS 39 and IFRS 9 – Interest Rate Benchmark Reform
- Revised Conceptual Framework for Financial Reporting

The adoption of these amended standards and revised conceptual framework did not have any material impact on the significant accounting policies of the Group and the presentation of the interim condensed consolidated financial information.

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 2020 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 slimming and other medicines as separate reportable segments, namely the tea products segment and the slimming and other medicines 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 segments.

The segment results for the six months ended 30 June 2020 are as follows:

	Tea products segment RMB'000	Slimming and other medicines segment RMB'000	Total RMB'000
Total revenue	288,179	321,596	609,775
Inter-segment revenue	<u>—</u>	<u>—</u>	<u>—</u>
Revenue from external customers	<u>288,179</u>	<u>321,596</u>	<u>609,775</u>
Timing of revenue recognition			
At a point in time	<u>288,179</u>	<u>321,596</u>	<u>609,775</u>
Cost of sales	<u>(45,854)</u>	<u>(122,613)</u>	<u>(168,467)</u>
Gross profit	<u>242,325</u>	<u>198,983</u>	<u>441,308</u>
Selling and marketing expenses	(173,276)	(121,023)	(294,299)
Research and development costs	<u>(20,559)</u>	<u>(15,182)</u>	<u>(35,741)</u>
Segment results	<u>48,490</u>	<u>62,778</u>	<u>111,268</u>
Other income			7,659
Other losses, net			(4,839)
Administrative expenses			(52,425)
Other expenses			<u>(1,609)</u>
Operating profit			60,054
Finance income			1,298
Finance costs			<u>(2,764)</u>
Finance costs, net			(1,466)
Share of losses of investments accounted for using the equity method			<u>(124)</u>
Profit before income tax			58,464
Income tax expense			<u>(11,172)</u>
Profit for the period			<u><u>47,292</u></u>
Other segment information:			
Impairment	<u>(2,264)</u>	<u>—</u>	<u>(2,264)</u>
Depreciation	<u>(15,648)</u>	<u>(6,065)</u>	<u>(21,713)</u>
Amortisation	<u>(484)</u>	<u>(4,679)</u>	<u>(5,163)</u>

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

	Tea products segment <i>RMB'000</i>	Slimming and other medicines segment <i>RMB'000</i>	Total <i>RMB'000</i>
Total revenue	224,796	113,426	338,222
Inter-segment revenue	<u>–</u>	<u>–</u>	<u>–</u>
Revenue from external customers	<u>224,796</u>	<u>113,426</u>	<u>338,222</u>
Timing of revenue recognition			
At a point in time	<u>224,796</u>	<u>113,426</u>	<u>338,222</u>
Cost of sales	<u>(50,614)</u>	<u>(40,820)</u>	<u>(91,434)</u>
Gross profit	<u>174,182</u>	<u>72,606</u>	<u>246,788</u>
Selling and marketing expenses	(150,048)	(37,389)	(187,437)
Research and development costs	<u>(4,397)</u>	<u>(11,459)</u>	<u>(15,856)</u>
Segment results	<u>19,737</u>	<u>23,758</u>	<u>43,495</u>
Other income			8,295
Other losses, net			(2,594)
Administrative expenses			(49,634)
Other expenses			(2,281)
Gain on disposal of subsidiaries			<u>225,571</u>
Operating profit			222,852
Finance income			–
Finance costs			<u>(3,758)</u>
Finance costs, net			(3,758)
Share of losses of investments accounted for using the equity method			<u>(11,586)</u>
Profit before income tax			207,508
Income tax expense			<u>(34,760)</u>
Profit for the period			<u>172,748</u>
Other segment information:			
Impairment	<u>(2,831)</u>	<u>–</u>	<u>(2,831)</u>
Depreciation	<u>(14,682)</u>	<u>(4,012)</u>	<u>(18,694)</u>
Amortisation	<u>(2,804)</u>	<u>(5,065)</u>	<u>(7,869)</u>

Note:

Non-current assets are all located in the PRC.

For the six months ended 30 June 2020, the revenue of approximately RMB164,204,000 (six months ended 30 June 2019: RMB64,482,000) was derived from an e-commerce platform (“**Customer A**”), which was taking 26.9% (six months ended 30 June 2019: 19.1%) of the Group’s total revenue and was primarily attributable to the slimming and other medicines segment. Other than Customer A, the revenues derived from any of the remaining external customers were less than 10% of the Group’s total revenue.

6. GAIN ON DISPOSAL OF SUBSIDIARIES

	Six months ended 30 June	
	2020	2019
	<i>RMB’000</i>	<i>RMB’000</i>
Gain on disposal of Beijing Chang Sheng Business Consulting Co., Ltd. (“ Beijing Chang Sheng ”) and Beijing Besunyen Property Management Co., Ltd. (“ Besunyen Property ”)	—	225,571

A Li Yun Shan (Beijing) Business Consulting Co., Ltd. (“**A Li Yun Shan**”), an indirect wholly-owned subsidiary of the Company has disposed of 100% equity interests in Beijing Chang Sheng and Besunyen Property to a third party at a cash consideration of approximately RMB555,000,000. The disposal was completed on 8 March 2019.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– Current income tax on profit for the period	21,966	516
– Under provision of PRC income tax in prior year	<u>607</u>	<u>51</u>
	22,573	567
Deferred income tax		
– Origination and reversal of temporary differences	<u>(11,401)</u>	<u>34,193</u>
	<u><u>11,172</u></u>	<u><u>34,760</u></u>

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

Hong Kong profits tax is subject to the two-tiered profits tax regime, under which the tax rate is 8.25% for assessable profits in the first HK\$2 million and 16.5% for any assessable profits in excess. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit derived from or generated in Hong Kong for the current and the prior period.

Certain PRC subsidiaries have obtained the High and New Technology Enterprise (“**HNTE**”) qualifications and hence are eligible to the preferential corporate income tax rate of 15% for a three-year period.

All other PRC subsidiaries of the Group are subject to the statutory corporate income tax rate of 25%.

The effective tax rate for the six months ended 30 June 2020 is approximately 19% (2019: 17%).

8. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit 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	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	9,384	167,173
Weighted-average number of ordinary shares in issue	<u>1,595,189,678</u>	<u>1,595,004,031</u>
Basic earnings per share (RMB cent per share)	<u>0.59</u>	<u>10.48</u>

(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 per share). The share options had an anti-diluted effect to the Group for the six months ended 30 June 2020 and 2019. In addition, there were no unvested restricted shares which would result in a dilutive effect to the Group as at 30 June 2020 and 2019. 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 2020 and 2019.

9. TRADE RECEIVABLES

	As at	
	30 June 2020 RMB'000	31 December 2019 RMB'000
Trade receivables	81,785	140,182
Less: Allowance for doubtful debts	<u>(16)</u>	<u>(509)</u>
	<u>81,769</u>	<u>139,673</u>

The Group allows a credit period of 15 – 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 2020 <i>RMB'000</i>	31 December 2019 <i>RMB'000</i>
0 to 90 days	80,576	137,321
91 to 180 days	605	795
181 to 365 days	492	1,075
Over 365 days	<u>96</u>	<u>482</u>
	<u>81,769</u>	<u>139,673</u>

10. ASSETS CLASSIFIED AS HELD FOR SALE

On 8 December 2019, Beijing Outsell Health Product Development Co., Ltd. (“**Beijing Outsell**”) and a third party (the “**Purchaser**”) entered into a framework agreement (the “**Framework Agreement**”), pursuant to which Beijing Outsell agreed to dispose of and the Purchaser agreed to purchase all equity interests of Beijing Shenhuibiyuan Cloud Computing Technology Co., Ltd. (the “**Target Company**”), which will own buildings and facilities located in Fangshan District, Beijing.

According to the execution of the Framework Agreement, Beijing Outsell and the Purchaser has entered into the Equity Transfer Agreement on 14 August 2020, pursuant to which all parties agreed to proceed with the transaction on the basis of a consideration of RMB463 million plus the amount equivalent to the cash minus the total liabilities of the Target Company as indicated in its financial statements on the closing date (the “**Proposed Disposal**”).

The Directors of the Group estimated that the Proposed Disposal would be completed in September 2020 and would result in a net gain amounting to approximately RMB66 million. Therefore, the buildings and facilities aforementioned were classified as assets held for sale and were presented separately in the consolidated balance sheet as at 30 June 2020 and 31 December 2019.

	As at	
	30 June 2020 <i>RMB'000</i>	31 December 2019 <i>RMB'000</i>
Right-of-use assets	8,012	8,012
Investment properties	<u>318,151</u>	<u>278,488</u>
Total assets	<u>326,163</u>	<u>286,500</u>

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 2020 RMB'000	31 December 2019 RMB'000
0 to 90 days	69,706	46,978
91 to 180 days	179	2
Over 180 days	<u>72</u>	<u>2,125</u>
	<u>69,957</u>	<u>49,105</u>

12. DIVIDEND

The Board has resolved not to declare any dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

13. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Other than the event as disclosed in Note 10, there is no other significant event occurred after the balance sheet date.

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 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Enhancing Product Competitiveness via Customer-oriented Approaches and Various Product Lines

We take people's desire for a healthy life as our goal. In the first half of 2020, the Group was committed to produce cross-field and innovative products under the big health product categories with continuous emphasis on weight loss and weight management as well as laxative and gastrointestinal health products, so as to further enrich our product lines. By way of launching new products, updating packaging and innovating marketing model, the Group expanded and consolidated the consumer base to ensure rapid growths of the sales of weight management and gastrointestinal health series products, and improve their market share steadily. In order to enhance our brand recognition and facilitate the expansion of product categories, the Group successively launched new products on e-commerce platforms, focused on young consumer groups and continued to accurately communicate with them. Presently, the Group has formed a product pattern based on functional products of weight loss and weight management as well as laxative and gastrointestinal health series, integrating into a parallel development pattern of the three product categories of "OTC medicine + health food + ordinary food".

Promoting the Refined Management for Each Station on E-Commerce Platforms, Optimising Team Operation Awareness and Enhancing Effectiveness of Our Organization

In the first half of 2020, under the guidance of the strategy of constantly promoting e-commerce brand marketing and performing the digitalization of user-oriented operation on the e-commerce platforms, the Group took further steps to promote refined management in each operation team among e-commerce stations including Beijing station, Hangzhou station, Guangzhou station, medicine station and Xi'an station on the basis of the major stores managed by each station, placed emphasis on daily operation progress of each store, and constantly improved the profit margin while ensuring the rapid development of the performance of each e-commerce station. Under the guidance of internal management system which is collaborative and efficient with a clear division of responsibilities, Besunyen's e-commerce team has gradually formed a matrix organization equipped with integrated marketing support, sales and management support, supply chain support and customer service support with business line as its core, forming an operational complex with combination of business and service support. Our teams conducted efficient cooperations and made use of reasonable allocation mechanisms, which have effectively stimulated the subjective initiative of employees at all levels, and constantly improved the operational efficiency of the e-commerce team.

Expanding the Group's Flow Entrance on E-commerce Platforms and Leveraging Customer Service Centre to Achieve Consumption Upgrading

During the first half of 2020, the e-commerce team gradually stepped up its efforts and depths in the cooperation with various major e-commerce platforms and actively participated in different large-scale promotional activities of platforms to constantly improve the performance of business by fully taking advantages of the propagation and flow resources of platforms. Meanwhile, every e-commerce station kept trying live streaming and short videos and other ways to increase the flow, so as to attract target customers and link to more targeted consumer groups. With the continuous growing of e-commerce flows and users, in the first half of 2020, the scale of our service team of the customer service centre also continuously expanded to over 230 staffs across stations in Beijing, Hangzhou, Guangzhou, Xi'an and Danyang. Our customers service team is responsible for pre-sales and after-sales customer service consultations of consumers on e-commerce platforms and carrying out customer service work in the form of one-to-one service. Our customer service team also provides personalised health solutions according to customer demands and promotes corresponding product packages while offering new and old customers various professional consultations such as fat loss, weight loss and gastrointestinal health, thereby preciously accumulating a large number of high-end customers.

Continuously Enhancing Reputation through Multi-dimensional Brand Promotion

In the first half of 2020, the Group further strengthened the reputation of the Besunyen brand in the market, and enhanced consumers' awarenences and attentions to the brand from multiple perspectives. In the first half of the year, the Group specially sponsored the first domestic campus music variety show, New Voice (《新聲請指教》), to promote the rejuvenation of the brand and the display of the characteristics of Besunyen's products from different perspectives with the help of the campus concept and popular music program. During the broadcast period of the program, there occurred the COVID-19 Pandemic. With the help of the platform of the program, the Group specially recorded an anti-pandemic song "Fighting for Wuhan" (楚行者·武漢加油) to express its support for the people in Wuhan.

In the first half of 2020, the Group also conducted brand promotion through product placements into popular TV dramas. In the first half of the year, the popular TV dramas with our product placements included "The Best Partner" (《精英律師》), "Still Not Enough" (《還沒愛夠》) and "If Time Flows Back" (《如果歲月可回頭》), etc. The above dramas were broadcasted simultaneously during the prime time of high-rating platforms such as Beijing Satellite TV, Dragon TV, Jiangsu Satellite TV, Zhejiang Satellite TV and four major network platforms (iQiyi, Tencent Video, Youku and Mango TV), continuously deepening consumers' impressions on the Besunyen brand.

In the first half of 2020, the Group put Besunyen's advertisements into the communities through the big data and the resources of elevator advertisements of Xinchao Media, making the Besunyen brand frequently exposed in consumers' daily lives. At the same time, the offline sales team conducted in-depth cooperation with pharmacies near the communities, successfully activating a number of old customers and driving a number of new customers.

Innovating Offline Marketing Models and Formulating Incentive Policies for New Products

With the advent of the era of promoting goods by the whole people, “private flow” has become a significant business channel for brands and the main front to serve consumers. In response to the impact of COVID-19 Pandemic, the Group adapted the sales strategy quickly during the period of working at home in the first half of 2020. With the help of mature brands, high-quality products, nationwide sales teams, distributors/sub-distributors, and retail terminal resources, the Group launched a full-staff marketing and social group fission project (“**CRM marketing project**”), which took employees as the point of origin to permeate into their WeChat Moments and WeChat groups, driving relatives and friends, distributors/sub-distributors, shop assistants and even consumers to promote goods. It also provided consumers with more direct and closer services through face-to-face sales. Since the launch of the CRM marketing project, more than 400,000 consumers have paid attention to our online micro-stores and the product repurchase rate has been greatly improved. The rapid growth in the number of distributors has also broken the previous situation in which the Group’s offline sales could not reach consumers directly. At the same time, the face-to-face and one-to-one interaction with consumers also provided the Group with more suggestions for product improvement and iteration, and the Group has gradually realised an omni-channel sales model of traditional channel + Internet channel through the continuous promotion of channel differentiation and diversification development.

In the first half of 2020, in line with the characteristics of offline channels, the Group has enriched the variety of products sold offline by launching the offline sales of Jianfei Orlistat Capsules (簡肥牌奧利司他膠囊), effectively expanding the category of offline weight loss products. New anti-aging products under the brand of Qingchunbao (青春寶) have been launched for sales in Beijing and Guangzhou. The sales of Besunyen Jinshutong (金舒通) products have also been steadily advancing. At the same time, the Group has continued to improve the distribution/sub-distribution system and innovated the terminal marketing model, in a bid to expedite the construction of offline channels and further explore opportunities in the market.

Strengthening the Flow Direction Management of the Products, and Building a Benign Marketing System

In the first half of 2020, in order to ensure the freshness of the products in the market, the Group strengthened the direct data connection management to distributors/sub-distributors. By utilizing its logistics code management system, the Group monitored products stored in the warehouses of distributors/sub-distributors and timely obtained the data of stock-out, stock-in and product serial numbers of distributors/sub-distributors. At the same time, the Group controlled the inventory turnover days of distributors/sub-distributors from the shipping source, effectively avoiding the overstocking of distributors/sub-distributors.

In order to make the sales team focus more on the growth of sales to end-users (“net sales”), the Group continued to improve the appraisal system by setting net sales result and net sales achievement rate as the main performance assessment indicators for the sales team, therefore encouraging sales staff to actively participate in the maintenance of sales terminals and consumer services, and built a benign marketing system.

Strengthening Internal Innovation and External Cooperation in Research and Development to Consolidate its Research and Development Strength

In the first half of 2020, the Group has continuously adhered to “One Focus and Two Dimensions” as the product strategy in terms of the research and development, firmly uphold “herbs and health regimen” as the cornerstone of its diversified industrial footprint, and adjusted the Group’s research and development system, product strategy and competitive advantages in various ways such as self-research, external introduction and co-research, enabling the Group to devote to its two major health areas of weight loss and weight management as well as laxative and gastrointestinal health.

To further promote collaborative innovation and cooperation and continuously improve its technological innovation capability, the Group participated in the key research and development plan of the Ministry of Science and Technology, “the Modernisation of Chinese Medicine”, and built a platform for cooperation in research and development with a number of well-known research institutes such as Beijing University of Chinese Medicine. Meanwhile, in response to the demands from various business divisions for new product development, the Group focused on the development of multi-faceted and full-category products, creating a multi-category product structure and layout based on health food and extended to medicines, functional food and ordinary food.

Zhongshan Wanhan has obtained the qualification as a High and New Technology Enterprise, and has obtained two certifications of Guangdong Engineering Technology Centre and Zhongshan Innovative Benchmarking Enterprise. In the first half of 2020, Zhongshan Wanhan and Zhongshan Wanyuan made breakthroughs in the research and development in the areas of endocrine metabolites, ophthalmic drugs and antiviral drugs. In April and June 2020, the levofloxacin eye drops and sodium vitreous acid eye drops of Zhongshan Wanhan were approved for production, respectively, and Zhongshan Wanhan’s pharmacological study of oseltamivir phosphate capsules was completed and its bioequivalence (BE) trial was conducted to examine the consistency of quality and efficacy. Orlistat capsule and povidone-iodine film of Zhongshan Wanhan have been certified as High and New Technology Products in Guangdong Province.

Strengthening the Development of Compliance System and Enhancing Risk Control Consciousness

In the first half of 2020, the Group attached great importance to the standard operation, and strengthened internal control and risk management by formulating and improving various rules, regulations and processes of the Group, which continuously enhanced the Group's risk resistance capacity. The Group established the internal control management centre by combining resources from the former audit, internal control, legal affairs and archives departments, comprehensively responsible for internal control and compliance management of the Group. According to the development needs and external supervision requirements, the Group set up the quality management team composed of the production management centre and R&D centre, responsible for the construction and risk control of the product quality and safety system. The brand management team composed of the public relations centre and integrated marketing centre is responsible for the construction and risk control of the brand system such as market promotion and media publicity. Meanwhile, the Group further strengthened the actual control over the performance of various businesses, promoted the coordination between different business departments, improved the risk management system and internal control structure, and enhanced employees' risk management and compliance consciousness by organizing self-inspection among different business departments. In the first half of 2020, the Group improved the compliance management of innovative business, carried out compliance review and evaluation on the business system, processes, contract proposals and legal documents during the preparation and operation of the innovative business, and gradually established a sound compliance management system for innovative business.

Social Welfare

In the first half of 2020, the Group continued to increase the investment in the fulfilment of social responsibilities. It entered into cooperation agreements with Beijing Green Sunshine Environmental Protection Public Welfare Foundation and China Green Carbon Foundation, and donated RMB450,000 for the social welfare programs such as "Tibet Ecological Construction and Protection Capability Building Program" and "Special Fund for Combating Illegal Trade in Endangered Wildlife". During the COVID-19 Pandemic period, the Group launched the "Luminosity Plan Public Welfare Undertaking" (「光明計劃公益行動」), and donated over 600,000 pieces of goods and materials to designated hospitals in Hubei and Hunan Provinces jointly with charitable enterprises and individuals. During the COVID-19 Pandemic period, the Group participated in seven public welfare donation projects, and made donations of nearly RMB1 million to social welfare undertakings.

OUTLOOK

Industry, Market and Competition

According to documents such as the Opinions on Implementing Healthy China Initiative (《關於實施健康中國行動的意見》), Healthy China Initiative (2019-2030) (《健康中國行動(2019-2030年)》) and Healthy China 2030 Planning Outline (《「健康中國2030」規劃綱要》) issued by the State, the health service industry will become the pillar industry of the national economy, and the State will continuously promote the transformation of the concept of hygiene and health work and the way of service from “treatment-centred” to “all-people health-centred” with greater support for the big health industry. At the same time, with the rise of the concept of big health and the aging of population, consumers pay more attention to healthy living, which leads to a huge demand for the healthy market, and the growth spaces of the industry prospect and sub-sectors are promising. Meanwhile, the severe external market environment, the state’s governance actions for the health products industry, the reform and standardization of the pharmaceutical retail industry and other factors have increased the pressure and challenges of market stakeholders. Under the background of flourishing development of new channels and new media, more and more overseas brands have entered the Chinese market via cross-border e-commerce platforms and new varieties and new brands have also realized rapid development, diversifying the competition in the industry. In response to the above, the Group will, on one hand, continue with the upgrading from product marketing to brand value marketing; on the other hand, it will actively lay out new channels, new products and new business formats, and take the advantages of new business to win the market.

Continuously Enhancing Brand Competitiveness, Optimizing Product Structure, and Promoting the Brand Rejuvenation Process

Brand equity is one of the core assets of the enterprise, and to increase the investment in brand equity is to increase the investment in future development. The Group will continue to develop the traditional herbal health products based on the “One Focus and Two Dimensions” product strategy, and promote the development and launch of new products such as relevant medicines and functional food. Meanwhile, the Group will make use of its R&D advantages and product storage, and promote the sales of the whole categories through occupying and making breakthroughs in different categories, so as to improve the overall layout of the big health industry. In the second half of 2020, the Group will make continuous innovation in the promotion mode, launch new products for young consumer groups, continuously promote the brand vitality through ways of channel expansion, packaging image upgrade and media strategy optimization, thereby promoting the brand rejuvenation process and making it gain new vigor and vitality to contribute to the Group’s new revenue increment.

Strengthening the Business Capability of the Group on E-commerce Platforms, Accelerating the Personalised and Younger Development of E-commerce Platform Sales

The Group will continuously focus on the strategic development of sales on e-commerce platforms, and promote the upgrading of sales on e-commerce platforms in line with the industrial development tendency. In the second half of 2020, the Group will continue to focus on the development of customer service system, improve the member management mode, and achieve precise marketing promotion, which will effectively boost the growth of e-commerce channel sales. The Group will rapidly expand the market share of the existing LARLLY Orlistat and Besunyen Orlistat, continuously enrich product categories through measures such as self-research and development and entrusted processing. Meanwhile, the Group will create the e-commerce sales pattern with several marketing modes by making full use of resources of various e-commerce platforms.

FINANCIAL REVIEW

Revenue

	For the six months ended 30 June			
	2020		2019	
	<i>RMB'000</i>	<i>Percentage of revenue</i>	<i>RMB'000</i>	<i>Percentage of revenue</i>
Revenue:				
Besunyen Detox Tea	92,912	15.2%	84,865	25.1%
Besunyen Slimming Tea	105,201	17.3%	92,922	27.5%
Besunyen Xian Xian Tea	45,207	7.4%	24,167	7.1%
Slimming medicines	305,274	50.1%	108,911	32.2%
Other products and medicines	61,181	10.0%	27,357	8.1%
Total	<u>609,775</u>	<u>100.0%</u>	<u>338,222</u>	<u>100.0%</u>

The revenue of the Group in the first half of 2019 was RMB338.2 million and the revenue in the same period of 2020 increased by 80.3% to RMB609.8 million.

The revenue of Besunyen Detox Tea increased by 9.4% from RMB84.9 million in the first half of 2019 to RMB92.9 million in the same period of 2020, the sales volume decreased by 16.3% from 59.4 million tea bags in the first half of 2019 to 49.7 million tea bags in the same period of 2020, while the average selling price increased from RMB1.43 per bag in the first half of 2019 to RMB1.87 per bag in the same period of 2020.

The revenue of Besunyen Slimming Tea increased by 13.2% from RMB92.9 million in the first half of 2019 to RMB105.2 million in the same period of 2020, the sales volume decreased by 12.8% from 67.0 million tea bags in the first half of 2019 to 58.4 million tea bags in the same period of 2020, while the average selling price increased from RMB1.39 per bag in the first half of 2019 to RMB1.80 per bag in the same period of 2020.

The sales volume of Besunyen Detox Tea and Besunyen Slimming Tea in the first half of 2020 recorded a decrease as compared to the same period of 2019, mainly attributable to the impact of COVID-19 Pandemic on logistics delivery from February to March in 2020; while the revenue of Besunyen Detox Tea and Besunyen Slimming Tea in the first half of 2020 recorded an increase as compared to the same period of 2019, mainly attributable to the increase in unit selling price.

The revenue of Besunyen Xian Xian Tea increased by 86.8% from RMB24.2 million in the first half of 2019 to RMB45.2 million in the same period of 2020, mainly due to increased sales on e-commerce platform and increased unit selling price.

Slimming medicines mainly consist of Besunyen Orlistat and LARLLY Orlistat. The revenue increased by 180.3% from RMB108.9 million in the first half of 2019 to RMB305.3 million in the same period of 2020, mainly due to the enhanced promotion of Besunyen Orlistat on e-commerce platform, seizing the market share of Orlistat, so as to achieve sales growth in the promotion activities on the platforms.

Other products and medicines mainly consist of Besunyen Qingyuan Tea, Besunyen meal replacement products, dietary supplements products and other medicines. The revenue increased by 123.4% from RMB27.4 million in the first half of 2019 to RMB61.2 million in the same period of 2020.

Cost of Sales and Gross Profit

	For the six months ended 30 June			
	2020		2019	
	<i>RMB'000</i>	<i>Percentage of revenue</i>	<i>RMB'000</i>	<i>Percentage of revenue</i>
Cost of sales	<u>168,467</u>	<u>27.6%</u>	<u>91,434</u>	<u>27.0%</u>
Gross profit	<u>441,308</u>	<u>72.4%</u>	<u>246,788</u>	<u>73.0%</u>

The Group's cost of sales increased by 84.4% from RMB91.4 million in the first half of 2019 to RMB168.5 million in the same period of 2020, which was in line with the increase in sales. Cost of sales as a percentage of revenue slightly increased from 27.0% in the first half of 2019 to 27.6% in the same period of 2020.

Revenue increased by 80.3% and cost of sales increased by 84.4% in the first half of 2020 as compared to the same period of 2019. As a result, gross profit of the Group increased by 78.8% from RMB246.8 million in the first half of 2019 to RMB441.3 million in the same period of 2020. Gross profit margin of the Group slightly decreased from 73.0% in the first half of 2019 to 72.4% in the same period of 2020.

Selling and Marketing Expenses

	For the six months ended 30 June			
	2020		2019	
	<i>RMB'000</i>	<i>Percentage of revenue</i>	<i>RMB'000</i>	<i>Percentage of revenue</i>
Advertising costs	<u>59,992</u>	<u>9.9%</u>	<u>52,968</u>	<u>15.7%</u>
Marketing and promotional expenses	<u>142,019</u>	<u>23.3%</u>	<u>63,110</u>	<u>18.6%</u>
Employee benefit expenses	<u>74,388</u>	<u>12.2%</u>	<u>48,854</u>	<u>14.4%</u>
Others	<u>17,900</u>	<u>2.9%</u>	<u>22,505</u>	<u>6.7%</u>
Total	<u>294,299</u>	<u>48.3%</u>	<u>187,437</u>	<u>55.4%</u>

Selling and marketing expenses of the Group increased from RMB187.4 million in the first half of 2019 to RMB294.3 million in the same period of 2020.

The advertising costs in the first half of 2020 increased by RMB7.0 million as compared to the same period of 2019, mainly due to the addition of advertising via new media such as LED screens, Audio pre-rolls and WavPub apart from advertising via previous multimedia, resulting in the increase in the cost.

The marketing and promotional expenses increased by RMB78.9 million in the first half of 2020 as compared to the same period of 2019, mainly due to the increase in the expenditure of marketing and promotion via e-commerce platform.

In the first half of 2020, employee benefit expenses increased by RMB25.5 million as compared to the same period of 2019, mainly due to the increase in performance salary of sales personnel as a result of the increase in revenue.

Administrative Expenses

	For the six months ended 30 June			
	2020		2019	
	<i>RMB'000</i>	<i>Percentage of revenue</i>	<i>RMB'000</i>	<i>Percentage of revenue</i>
Employee benefit expenses	17,039	2.8%	20,030	5.9%
Office expenses	2,600	0.4%	3,294	1.0%
Professional and consulting service fees	20,648	3.4%	12,729	3.8%
Entertainment and travelling expenses	2,054	0.3%	3,007	0.9%
Others	10,084	1.7%	10,574	3.1%
Total	<u>52,425</u>	<u>8.6%</u>	<u>49,634</u>	<u>14.7%</u>

Administrative expenses of the Group increased by 5.6% from RMB49.6 million in the first half of 2019 to RMB52.4 million in the same period of 2020, mainly due to the increase in professional and consulting service fees.

Research and Development Costs

	For the six months ended 30 June			
	2020		2019	
	<i>RMB'000</i>	<i>Percentage of revenue</i>	<i>RMB'000</i>	<i>Percentage of revenue</i>
Research and development costs	<u>35,741</u>	<u>5.9%</u>	<u>15,856</u>	<u>4.7%</u>

The Group's research and development costs increased by 124.5% from RMB15.9 million in the first half of 2019 to RMB35.7 million in the same period of 2020, mainly due to the increased self-research and development as well as outsourced research and development.

Taxation

Income tax expense of the Group in the first half of 2020 was RMB11.2 million, while such amount was RMB34.8 million in the same period of 2019. The decrease of income tax expense is due to the decrease of profit before income tax.

Total Comprehensive Income for the Period

Due to the factors set out above, the Group recorded a total comprehensive income of RMB47.3 million in the first half of 2020 (for the same period of 2019: total comprehensive income of RMB172.7 million, including the gain on disposal of subsidiaries of RMB225.6 million).

Liquidity and Capital Resources

In the first half of 2020, funds and capital expenditure required in the operation of the Group mainly came from the cash flows from operating activities and proceeds from bank borrowings.

Cash Flows

The following table summarises the net cash flows of the Group for the six months ended 30 June 2020 and 2019:

	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash inflow/(outflow) from operating activities	58,700	(40,107)
Net cash (outflow)/inflow from investing activities	(148,174)	264,209
Net cash inflow/(outflow) from financing activities	52,467	(77,534)
	(37,007)	146,568
Effect of foreign exchange rate changes on cash and cash equivalents	(1,338)	785
Net (decrease)/increase in cash and cash equivalents	(38,345)	147,353

In the first half of 2020, the net cash inflow from operating activities of the Group was RMB58.7 million, which was mainly attributable to the cash received from the operating profit (the same period in 2019: net cash outflow from operating activities of RMB40.1 million, mainly due to the cash outflow from the Group's operating losses after the operating profit deducting the gain on disposal of subsidiaries). In the first half of 2020, the net cash outflow from investing activities of the Group was RMB148.2 million, which was mainly attributable to the infrastructure construction expenditure, purchase of financial assets measured at fair value through profit or loss and the cash balance payment received from the disposal of 100% equity interest of Beijing Chang Sheng and its wholly-owned subsidiary Besunyen Property (the same period in 2019: net cash inflow of RMB264.2 million, mainly due to the net cash received from the disposal of 100% equity interest of Beijing Chang Sheng and its wholly-owned subsidiary Besunyen Property, which was partly offset by the increase of term deposits of RMB170.0 million). In the first half of 2020, the net cash inflow from financing activities of the Group was RMB52.5 million, which was mainly due to proceeds from the bank borrowings (the same period in 2019: net cash outflow from financing activities of RMB77.5 million, mainly due to repayment of bank borrowings).

Financial Assets Measured at Fair Value through Profit or Loss

As at 30 June 2020, the Group's financial assets measured at fair value through profit or loss amounted to RMB185.2 million, including structured deposits and wealth management products from various banks of RMB155.2 million and RMB30.0 million respectively (31 December 2019: RMB83.0 million, including structured deposits and wealth management products from various banks of RMB20.0 million and RMB63.0 million respectively).

Bank Balances, Cash and Bank Borrowings

The Group's bank balances and cash, comprising cash and cash equivalents, term deposits with initial term of over three months and restricted bank deposits, decreased by 0.2% from RMB308.8 million as at 31 December 2019 to RMB308.3 million as at 30 June 2020. Meanwhile, the Group has bank borrowings of RMB156.5 million as at 30 June 2020, including the fixed-rate bank borrowings of RMB94.8 million (31 December 2019: RMB94.8 million, including the fixed-rate bank borrowings of RMB61.0 million).

Capital Expenditure

In the first half of 2020, the capital expenditure of the Group amounted to RMB50.0 million (the same period in 2019: RMB31.4 million), mainly represented plant construction expenditure.

Inventories

The Group's inventories include raw materials and packaging materials, work in progress and finished goods as indicated in the following table:

	As at	
	30 June 2020 RMB'000	31 December 2019 RMB'000
Raw materials and packaging materials	36,864	15,550
Work in progress	4,545	2,443
Finished goods	<u>53,732</u>	<u>42,191</u>
Total inventories	<u><u>95,141</u></u>	<u><u>60,184</u></u>

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 and liabilities denominated in Hong Kong dollar and US dollar.

For the six months ended 30 June 2020, the Group did not purchase any foreign exchange, interest rate derivative products or hedging instruments (for the same period of 2019: Nil).

Material Acquisitions or Disposals

During the first half of 2020, the Group had no material acquisitions or disposal of subsidiaries, associates and joint ventures.

Yuanyuan Liuchang Fund

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 2020, Yuanyuan Liuchang Fund did not invest in new projects.

Pledge of Assets

As of 30 June 2020, the Group has pledged properties with net book value of RMB107.2 million and land use rights with net book value of RMB43.0 million to banks and guarantee companies as securities of certain bank borrowings of RMB136.7 million (as of 31 December 2019: the Group had pledged properties with net book value of RMB109.5 million and land use rights with net book value of RMB43.5 million to banks and guarantee companies as securities of certain bank borrowings of RMB86.8 million).

Gearing Ratio

As of 30 June 2020, the Group's gearing ratio (total liabilities divided by total assets, in percentage) was 36.3% (31 December 2019: 35.3%).

Contingent Liabilities and Guarantees

As of 30 June 2020, the Group had no material contingent liabilities and guarantees (31 December 2019: Nil).

Capital Commitments

As of 30 June 2020, capital expenditure of property, plant and equipment expected to be incurred amounted to RMB11.6 million (31 December 2019: RMB117.0 million).

As of 30 June 2020, capital investments expected to be incurred amounted to RMB22.3 million (31 December 2019: RMB9.8 million).

Human Resources Management

The Group regards high-quality employees as its most important resource. As at 30 June 2020, the Group had 1,455 employees in mainland China and Hong Kong (31 December 2019: 1,187 employees, including 12 promotional staff employed by employment agents). For the six months ended 30 June 2020, total labour costs (including Directors' remunerations and non-cash share-based payment) were RMB109.8 million (for the same period of 2019: RMB84.4 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 scheme, staff welfare also includes 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 share option scheme (the "**Share Option Scheme**") adopted by the Company on 8 September 2010, which are to motivate staffs, 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 considerable efforts in continuous education and training for its staff members, so as to keep enhancing the knowledge, skill and team spirit of staff. 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 2020, 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 30 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 2020 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 2020.

INTERIM DIVIDEND

The Board has resolved not to declare and pay any interim dividend for the six months ended 30 June 2020.

SUBSEQUENT EVENT

On 14 August 2020 (after trading hours), Beijing Outsell Health Product Development Co., Ltd. (“**Beijing Outsell**”), BASIC VENTURE LIMITED (“**Basic Venture**”), the Company and Besunyen (Hong Kong) Co., Limited entered into the Equity Transfer Agreement, pursuant to which Beijing Outsell has conditionally agreed to sell and Basic Venture has conditionally agreed to purchase 100% equity interests in Beijing Shenhuibiyuan Cloud Computing Technology Company Limited (the “**Target Company**”) for an estimated consideration of RMB463 million. The final consideration will be the amount of the estimated consideration plus the amount equivalent to the cash minus the total liabilities of the Target Company as indicated in the closing statements, which will be paid by Basic Venture entirely in cash. Upon the completion of the disposal, the Target Company will cease to be a subsidiary of the Company. For details, please refer to the announcement of the Company dated 14 August 2020 and the circular of the Company dated 28 August 2020.

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 2020 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, 31 August 2020

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 Guangming, Mr. He Yuanping and Mr. Fu Shula.