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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 2021**

THE OPERATION RESULTS OF THE GROUP

The revenue of the Group for the first half of 2021 was RMB670.7 million, representing an increase of 10.0% as compared with the revenue of RMB609.8 million for the same period of 2020.

The gross profit of the Group for the first half of 2021 amounted to RMB455.9 million, representing an increase of 3.3% from the gross profit of RMB441.3 million for the same period of 2020. The gross profit margin of the Group was 68.0% for the first half of 2021, representing a decrease of 4.4 percentage points from the gross profit margin of 72.4% for the same period of 2020.

The total operating expenses (including selling and marketing expenses, administrative expenses, and research and development costs) of the Group for the first half of 2021 were RMB399.5 million, representing an increase of 4.4% as compared with the total operating expenses of RMB382.5 million for the same period of 2020.

The Group recorded a total comprehensive income of RMB56.3 million for the first half of 2021, compared with the total comprehensive income of RMB47.3 million for the same period of 2020.

Total comprehensive income attributable to owners of the Company for the first half of 2021 was RMB26.4 million (for the same period of 2020: RMB9.4 million). The basic and diluted earnings per share attributable to owners of the Company for the first half of 2021 were both RMB1.66 cents (for the same period of 2020: the basic and diluted earnings per share attributable to owners of the Company were both RMB0.59 cents).

INTERIM DIVIDEND

The Board has resolved not to declare and pay any interim dividend for the six months ended 30 June 2021.

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 2021 (the “**Results Announcement**”), as below:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5	670,695	609,775
Cost of sales		<u>(214,838)</u>	<u>(168,467)</u>
Gross profit		<u>455,857</u>	<u>441,308</u>
Other income		10,727	7,659
Selling and marketing expenses		(269,800)	(294,299)
Administrative expenses		(75,515)	(52,425)
Research and development costs		(54,206)	(35,741)
Other expenses		(5,538)	(1,609)
Other losses, net	6	<u>(7,917)</u>	<u>(4,839)</u>
Operating profit		<u>53,608</u>	<u>60,054</u>
Finance income		1,697	1,298
Finance costs		<u>(3,156)</u>	<u>(2,764)</u>
Finance costs, net		(1,459)	(1,466)
Share of profits/(losses) of investments accounted for using the equity method		<u>13,773</u>	<u>(124)</u>
Profit before income tax		65,922	58,464
Income tax expenses	7	<u>(9,666)</u>	<u>(11,172)</u>
Profit for the period		<u><u>56,256</u></u>	<u><u>47,292</u></u>

		Unaudited	
		Six months ended 30 June	
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
Profit attributable to:			
— Owners of the Company		26,429	9,384
— Non-controlling interests		29,827	37,908
		<u>56,256</u>	<u>47,292</u>
Other comprehensive income		<u>—</u>	<u>—</u>
Total comprehensive income for the period		<u>56,256</u>	<u>47,292</u>
Attributable to:			
— Owners of the Company		26,429	9,384
— Non-controlling interests		29,827	37,908
		<u>56,256</u>	<u>47,292</u>
Earnings per share for the profit attributable to owners of the Company (RMB cents)			
— Basic earnings per share	<i>8</i>	1.66	0.59
— Diluted earnings per share	<i>8</i>	1.66	0.59

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited As at 30 June 2021 <i>RMB'000</i>	Audited As at 31 December 2020 <i>RMB'000</i>
<i>Note</i>		
ASSETS		
Non-current assets		
Property, plant and equipment	369,571	322,278
Investment properties	8,994	9,500
Intangible assets	173,840	161,668
Right-of-use assets	154,275	118,367
Other non-current assets	33,292	19,204
Investments accounted for using the equity method	64,858	55,890
Financial assets measured at fair value through profit or loss	32,677	—
Deferred income tax assets	102,998	106,567
	940,505	793,474
Total non-current assets		
Current assets		
Inventories	153,916	139,394
Trade receivables	120,055	65,643
Bills receivable	8,489	9,119
Deposits, prepayments and other receivables	110,216	124,686
Restricted bank deposits	51,165	56,786
Term deposits with initial term of over three months	120,300	120,300
Cash and cash equivalents	287,256	543,822
	851,397	1,059,750
Total current assets		
Total assets	1,791,902	1,853,224

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		94	94
Share premium		913,393	962,777
Other reserves		331,762	331,762
Accumulated losses		<u>(253,973)</u>	<u>(280,402)</u>
		991,276	1,014,231
Non-controlling interests		<u>225,978</u>	<u>196,151</u>
Total equity		<u>1,217,254</u>	<u>1,210,382</u>
LIABILITIES			
Non-current liabilities			
Deferred government grants		33,727	33,795
Lease liabilities		24,165	10,044
Deferred income tax liabilities		49,368	37,380
Long-term borrowings		70,440	64,730
Other non-current liabilities		<u>497</u>	<u>497</u>
Total non-current liabilities		<u>178,197</u>	<u>146,446</u>
Current liabilities			
Trade and bills payables	<i>10</i>	91,467	107,148
Other payables and accrued expenses		166,787	235,627
Contract liabilities		24,597	34,180
Borrowings		88,570	95,050
Lease liabilities		19,858	12,563
Current income tax liabilities		<u>5,172</u>	<u>11,828</u>
Total current liabilities		<u>396,451</u>	<u>496,396</u>
Total liabilities		<u>574,648</u>	<u>642,842</u>
Total equity and liabilities		<u>1,791,902</u>	<u>1,853,224</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.

This financial information in this Results Announcement is presented in Renminbi (“**RMB**”), unless otherwise stated.

This unaudited interim condensed consolidated financial information was approved for issue by the Board of Directors of the Company on 13 August 2021.

2. SIGNIFICANT EVENT

On 1 February 2021, Tibet Qianruiwanfu Venture Investment Co., Ltd. (“**Qianruiwanfu**”), an indirect wholly-owned subsidiary of the Company, entered into a restructuring investment agreement, pursuant to which Qianruiwanfu agreed to acquire 100% equity interest of Henan Xueyinghua Pharmaceutical Co., Ltd. (“**Xueyinghua**”) at a cash consideration of RMB31.99 million. The transaction was completed on 21 April 2021 and Xueyinghua became an indirect wholly-owned subsidiary of the Company. Further details are disclosed in Note 12.

3. BASIS OF PREPARATION

The Group’s interim condensed consolidated financial information for the six months ended 30 June 2021 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 2020 (the “**2020 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

The Group has applied the following amended standards in the interim condensed consolidated financial information:

- COVID-19-related Rent Concessions — Amendments to IFRS 16
- Interest Rate Benchmark Reform — Phase 2 — Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The adoption of these amended standards 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 2021 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 executive directors of the Company, identified as the chief operating decision makers (“**CODM**”) review the Group’s internal reporting in order to assess performance and allocate resources.

The CODM has determined the operating segments based on these reports and assessed 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 2021 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	305,293	365,402	670,695
Inter-segment revenue	—	—	—
Revenue from external customers	<u>305,293</u>	<u>365,402</u>	<u>670,695</u>
Timing of revenue recognition			
At a point in time	<u>305,293</u>	<u>365,402</u>	<u>670,695</u>
Cost of sales	<u>(79,986)</u>	<u>(134,852)</u>	<u>(214,838)</u>
Gross profit	225,307	230,550	455,857
Selling and marketing expenses	(178,428)	(91,372)	(269,800)
Research and development costs	<u>(5,131)</u>	<u>(49,075)</u>	<u>(54,206)</u>
Segment results	<u>41,748</u>	<u>90,103</u>	<u>131,851</u>
Other income			10,727
Other losses, net			(7,917)
Administrative expenses			(75,515)
Other expenses			<u>(5,538)</u>
Operating profit			53,608
Finance income			1,697
Finance costs			<u>(3,156)</u>
Finance costs, net			(1,459)
Share of profits of investments accounted for using the equity method			<u>13,773</u>
Profit before income tax			65,922
Income tax expenses			<u>(9,666)</u>
Profit for the period			<u><u>56,256</u></u>
Other segment information:			
Impairment	<u>—</u>	<u>—</u>	<u>—</u>
Depreciation	<u>(16,035)</u>	<u>(14,589)</u>	<u>(30,624)</u>
Amortisation	<u>(390)</u>	<u>(4,468)</u>	<u>(4,858)</u>

The segment results for the six months ended 30 June 2020 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	288,179	321,596	609,775
Inter-segment revenue	—	—	—
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	242,325	198,983	441,308
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 expenses			<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>

Note:

Non-current assets are all located in the PRC.

For the six months ended 30 June 2021, the revenue of approximately RMB129,429,000 (six months ended 30 June 2020: RMB164,204,000) was derived from an e-commerce platform (“**Customer A**”), which took 19.3% (six months ended 30 June 2020: 26.9%) of the Group’s total revenues 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 revenues.

6. OTHER LOSSES, NET

	Six months ended 30 June	
	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Impairment loss on other non-current assets	—	(2,264)
Impairment loss on prepayment for an equity transaction	(4,000)	—
Donation	(2,451)	(1,186)
Change in fair value of financial assets measured at fair value through profit or loss	1,784	860
Net losses on disposals of land use rights and property, plant and equipment	(423)	(4)
Net foreign exchange losses	(730)	(2,673)
Others	(2,097)	428
	<u>(7,917)</u>	<u>(4,839)</u>

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2021	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Current income tax		
— Current income tax for the period	4,111	21,966
— Adjustments of prior year’s PRC income tax	(2,211)	607
	<u>1,900</u>	<u>22,573</u>
Deferred income tax	7,766	(11,401)
	<u>9,666</u>	<u>11,172</u>

The Company is incorporated in the Cayman Islands and the Company’s subsidiary, Besunyen Investment (BVI) Co. Ltd. is incorporated in the British Virgin Islands (“**BVI**”) which are tax exempted according to the laws of the Cayman Islands and the BVI, respectively.

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 prior period.

In August 2020, Beijing Outsell Healthcare Development Co., Ltd. (“**Beijing Outsell**”) obtained the High and New Technology Enterprise (“**HNTE**”) qualification for the three years from 2020 to 2022, the applicable income tax rate for the approved period is 15%.

In November 2020, Zhongshan Wanyuan New Medicine Research and Development Co., Ltd (“**Zhongshan Wanyuan**”) obtained the HNTE qualification for the three years from 2020 to 2022, the applicable income tax rate for the approved period is 15%.

In December 2019, Zhongshan Wanhan Pharmacy Co., Ltd. (“**Zhongshan Wanhan**”) obtained the HNTE qualification for the three years from 2019 to 2021, the applicable income tax rate for the approved period is 15%.

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 2021 was approximately 14% (2020: 19%).

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	
	2021	2020
Profit attributable to owners of the Company (RMB'000)	26,429	9,384
Weighted-average number of ordinary shares in issue	<u>1,595,406,253</u>	<u>1,595,189,678</u>
Basic earnings per share (RMB cent per share)	<u>1.66</u>	<u>0.59</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 2021 and 2020. In addition, there were no unvested restricted shares which would result in a dilutive effect to the Group as at 30 June 2021 and 2020. No adjustment is made to earnings. Accordingly, the diluted earnings per share were the same as the basic earnings per share for the six months ended 30 June 2021 and 2020.

9. TRADE RECEIVABLES

	As at	
	30 June 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
Trade receivables	120,887	66,099
Less: Allowance for doubtful debts	<u>(832)</u>	<u>(456)</u>
	<u>120,055</u>	<u>65,643</u>

- (a) The Group normally grants 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 goods delivery dates, which approximated to their invoice dates:

	As at	
	30 June 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
0 to 90 days	116,593	62,760
91 to 180 days	3,296	2,773
181 to 365 days	166	92
Over 365 days	<u>—</u>	<u>18</u>
	<u>120,055</u>	<u>65,643</u>

10. TRADE AND BILLS PAYABLES

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

	As at	
	30 June 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
0 to 90 days	87,381	67,574
91 to 180 days	54	10,956
Over 180 days	<u>4,032</u>	<u>28,618</u>
	<u>91,467</u>	<u>107,148</u>

11. DIVIDEND

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Dividend paid in current year, of HK3.75 cents (2020: Nil) per ordinary share	<u>49,384</u>	<u>—</u>

On 25 May 2021, the shareholders of the Company approved the declaration of the dividend relating to 2020 of HK3.75 cents per share, amounting to a total dividend of HK\$61,133,000 (equivalent to RMB49,384,000).

12. BUSINESS COMBINATION

On 21 April 2021, Qianruiwanfu completed the acquisition of 100% equity interest of Xueyinghua, a company engaged in pharmaceutical manufacturing, at a cash consideration of RMB31.99 million.

Details of the consideration, the fair value of the assets acquired and the goodwill are as follows:

	Xueyinghua <i>RMB'000</i>
Fair value	
Property, plant and equipment	14,100
Land use rights	8,880
Intangible assets	13,000
Deferred income tax liabilities	<u>(7,790)</u>
Net identifiable assets acquired	<u>28,190</u>
Total consideration paid	<u>31,990</u>
Goodwill	<u>3,800</u>

The goodwill is attributable to Xueyinghua's production capacity in pharmaceuticals industry and the synergies expected to arise after the Group's acquisition of the new subsidiary.

13. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There was not any significant event occurred after 30 June 2021 which needs to be disclosed in this interim condensed consolidated financial information.

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 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Taking user demand as the core, gradually enriching new products of various channels and adjusting product layout continuously

In the first half of 2021, the Group established an offline new products business division and an online new products operation centre to enrich new products of various channels gradually based on the key products of Besunyen Slimming Tea, Besunyen Detox Tea and Besunyen Fit Tea (collectively, the “**Three Teas**”), so as to satisfy the diversified demands of different users and distributors/sub-distributors. The offline new products business division gradually increased the offline sales of new products such as laxative capsules and Jianfei Orlistat by continuously enriching the categories, forms and specifications of new products and rolling out product bundles. The online new products operation centre is responsible for coordinating internal and external resources, formulating operation procedures of new products and making marketing plans for new products. It aims to enrich e-commerce product categories and promote the launch of new products. In the first half of 2021, the Group successively launched new products such as anti-sugar products, enzymes and metronidazole gels on the e-commerce platform to meet the diverse needs of consumers in an all-round way. At this point, the Group has developed a parallel development model based primarily on functional products of weight loss and weight management as well as laxative and gastrointestinal health along with multiple categories of “over-the-counter (“**OTC**”) medicines + health food + general food + medical devices”.

Up to now, the Group’s product sales have been well-positioned in health food and medicines sectors, and the business has been conducted through online marketing model and offline new retail model. The Group will continue to promote the platform support of research and development, production, logistics and supply chain, and further promote the brand to support sales business and serve consumers. The Group will take consumer health demand as an innovative driver and the development trend of the big health industry as the development direction to build a big health ecosystem. Meanwhile, the Group gradually improves the layout of health food and medicine sales segments on the basis of the existing business and in combination with e-commerce and new media and offline retail operation models.

Actively engaging in online pharmacy and developing new retail business to contribute to the continued growth of sales of medicines

Under the influence of the pandemic, people’s demand for the use of pharmaceutical e-commerce platform grew exponentially, and the new retail business of medicines has ushered in a broad development prospect. With the experience in medicine operation on the e-commerce platform, the Group continued to engage in the online pharmacy business. In March 2021, the Group formally established the e-commerce big pharmacy

station, formed the big pharmacy procurement and operation team, and promoted the development of the pharmacy business on various platforms such as JD. com, Tmall and Pinduoduo. Meanwhile, based on the analysis of market data on major e-commerce platforms, the Group transitioned from single-product marketing to generic medicine marketing on the premise of ensuring the reasonable product selection and pricing of online pharmacies, and adjusted online medicine offerings, so as to maintain the continuous growth of pharmaceutical e-commerce performance.

Tracking users' concerns through engaging with short video platforms and live streaming marketing

Following the rapid development of short video platforms and live streaming e-commerce, the e-commerce operation centre established a short video and live streaming operation team in the first half of 2021 and stepped up its marketing efforts in short video and live streaming. Based on the characteristics of short video platforms such as Douyin and Kuaishou, the Group opened stores on various short video platforms and customised product packages according to the characteristics of each channel and user base, so as to constantly improve its operating strategy. Meanwhile, with the help of the celebrity resources of the major short video platforms, the e-commerce operation centre further promoted the business model of short video and live streaming commerce and tracked the hot topics among users to improve its ability to launch hit products.

Expanding into the cross-border distribution market of health food with the help of high-quality overseas brand resources

In the first half of 2021, the cross-border business team of the e-commerce operation centre strengthened cooperation with major e-commerce platforms, obtained official authorization of nine high-quality overseas health food and functional food brands, operated and distributed in Tmall international self-operated stores, meeting consumers' demand for overseas health food and functional food. In terms of the product export business, on the basis of the original AliExpress operating platform, the e-commerce operation centre set up the sales business on the Amazon platform, and expanded the Group's C-end operating market overseas. Based on the above factors, the revenue of the Group's cross-border business team increased by nearly 17 times compared with the same period last year.

Upgrading CRM marketing system and focusing on personalised services

In the first half of 2021, to provide consumers with more professional health guidance and consumption consultation, the Group has continuously optimised the working model of the customer relationship management ("CRM") team and established a C-end customer marketing service system with collaborative services of marketing consultants and professional nutritionists. According to the individual needs of users, the CRM team tracked and advised on the health condition and products collocation during consumption, and continuously upgraded the existing product system based on user

feedback to meet the consumption needs of users in different scenarios. The CRM centre focused on the development of “Burning Queen” brand series of products. Based on the product concept of “Burning Queen only launches high-quality products”, products were constantly improved and upgraded from the visual, service, experience and other aspects. In the first half of 2021, the CRM team successively launched “Burning Queen” series of products such as zero-calorie sugar, high-fibre protein bar and liquid probiotic pink bean, which were loved and praised by loyal users.

Optimising community marketing strategy and initiating corporate WeChat operations

In the first half of 2021, with the continuous development of the community marketing team and the gradual maturity of the operation system, the Group continuously optimised its community marketing strategy and operation process. Based on the original marketing model, operation tools such as corporate WeChat were initiated. With the help of online traffic diversion platforms such as Tencent, the community marketing team gradually expanded the fan group and continuously provided more products for purchase and distribution for community users. Meanwhile, the community team cooperated with campus events such as the “College Students Advertising Festival”, and continued to customise exclusive products for community marketing suitable for young consumers through youthful gameplay and dissemination methods.

Exploring diversified cooperation models and strengthening refined management of offline channels

In the first half of 2021, the offline regional marketing teams of the Group cooperated with the National Key Account (“NKA”) team and the new products team to establish a collaborative and win-win mechanism in respect of product training, business negotiation, chain cooperation, terminal construction and marketing strategies. In the marketing environment with diversified products and multi-channel development, the offline marketing team paid more attention to data and refined management. In the first half of 2021, the Group strengthened data monitoring of channel inventory and terminal dynamic sales, monitored the inventory cycles and turnover rates of various products in real time, reviewed operational data regularly, analysed the rationality of the operating expenses and channel costs of various business divisions and evaluated the input and output of various expenses, so as to guarantee the continuous growth of operating results.

To strengthen the marketing support for offline terminal channels, the Group established a “virtual market manager” mechanism. The marketing division implemented the marketing model of “one policy for one area” and “one policy for one customer” in offline channels and formulated rules for marketing events according to the marketing environment and the characteristics of channels to assist offline sales teams in implementation. Through promotion models such as introducing old and new product combinations and new product launch meeting, the marketing division and the offline

sales teams cooperated to realise integration and interaction of sales channels and brand marketing. The sales teams' initiative and creativity in marketing were also cultivated to lay a good foundation for the Group's omnichannel marketing efforts.

Promoting scenario marketing and brand rejuvenation through variety shows and TV dramas

To create a real-life marketing channel, the Group specially sponsored the food reality show "A New Year's Eve Dinner" (《一桌年夜饭》), which was jointly produced by People's Daily Digital Communication, Zhejiang Television and Youku, in the first half of 2021. The show displayed the product characteristics and brand philosophy of Besunyen from various perspectives through multi-scenario and multi-dimensional product placement around food topics. The programme was broadcast during the Spring Festival and attracted more than 1 billion views, which increased consumers' awareness and recognition of Besunyen brand. Meanwhile, the Group continued to make efforts in content marketing. Through film and television product placement and customization of short plays, the Group communicated with consumers, strengthened product usage scenarios, and also met users' needs of simultaneously viewing content and purchasing products on the video platform, which conformed to the consumption habits of young consumer groups.

On the road to brand rejuvenation, the Group prepared for transformation in a number of ways by focusing on the daily scenarios of youths to seek breakthroughs and innovations in products and marketing approaches. In the first half of 2021, the Group actively participated in the Youth Creativity Competition of China, "Creating Youth". With the theme of "healthy life comes from self-discipline", the Group carried out large-scale publicity events in many colleges and universities across the country to interact with more than a hundred thousand students. The Creative Brief was delivered across 2,578 colleges and universities in China. With the help of the public welfare creativity competition platform, the Group established a deep connection with students, constantly got close to the young consumers, and continued to strengthen the synergy between the brand and the young groups.

Ensuring brand safety and strictly adhering to the trademark authorization principle of "one product, one rule and one authorization"

With more than 20 years' market efforts, "Besunyen", the trademark held by the Group, has ranked top among well-known brands and trademarks of China in terms of the brand value, industry position and market reputation. Capitalizing on the existing brand advantages, the Group actively expanded its product lines, diversified and expanded its product offerings. Through various cooperative operation methods such as OEM (original equipment manufacturing), ODM (original design manufacturing), brand authorizing and consignment sales, the marketing team could quickly identify and acquire more products in line with the development direction of the Group, and it could also significantly increase the number of Stocking Keeping Unit ("SKU") under Besunyen

brand within a short period of time, thereby enabling the Group to have the capability to select the fittest products catering to consumer demand. In the first half of the year, the marketing team rapidly developed new channels and made continuous innovation in new retail methods such as e-commerce platform, private domain traffic and selling products during live streaming, which laid a solid foundation for the Group's future revenue growth.

In order to ensure that Besunyen brand can continue to provide the Group's products a safe endorsement, the Group has also formulated the Management Measures for Trademark Authorization based on the core principle of "one product, one rule and one authorization". On the premise of guaranteeing brand safety and without affecting its reputation, the Group continuously enriches the quality products under Besunyen brand and benefits consumers pursuing physical health and quality of life.

Improving research and innovation capabilities and developing products of multiple categories

In the first half of 2021, the Group continuously adjusted its research and development system and product strategy through independent research and development, external introduction, cooperative research and development and other forms. While developing the two major health care segments, namely weight management as well as laxative and gastrointestinal health, the Group focused its research work on developing products of multiple categories all around according to the needs of various business divisions. In the first half of 2021, the research and development centre assisted new product development teams in rolling out seven types of medicines and medical devices, seven types of health food and thirty types of general food, gradually completing the Group's multi-category product structure and layout by expanding into pharmaceuticals and general food based on health food.

Both Zhongshan Wanhan and Zhongshan Wanyuan under the Group have the qualifications of high-tech enterprise. Zhongshan Wanhan is among the first batch of innovative benchmark enterprises in Zhongshan and is recognised as an engineering and technology centre in Guangdong Province and Zhongshan, whereas Zhongshan Wanyuan is recognised as an innovative research institution in Guangdong Province. In the first half of 2021, Zhongshan Wanhan and Zhongshan Wanyuan focused on research and development of endocrine metabolites, ophthalmic drugs, and antiviral drugs.

To further improve its technological innovation capability, the Group participated in the project "Modernisation of Chinese Medicine", a key research and development plan of the Ministry of Science and Technology, and established a cooperative research and development platform with various renowned research institutes such as Beijing University of Chinese Medicine. In the first half of 2021, the Group actively involved itself in the acquisition of intellectual property rights, obtained one national invention patent and passed one Beijing New Technology and New Product (Service) Certification. Zhongshan Wanhan and Zhongshan Wanyuan have formed a complete patent layout for

Orlistat, vortioxetine, eye drops and other medicines. Zhongshan Wanhan concluded “Orlistat Core Technology and High-Value Patent Cultivation Programme” under the high-value patent cultivation project of Zhongshan. The invention patent of “aqueous eye drops for the treatment of increased intraocular pressure” jointly declared by Zhongshan Wanhan and Zhongshan Wanyuan won the China Patent Award. Meanwhile, the Group organised the “Innovation and Development Seminar on the Integration of Production, Study and Research of Chinese Medicines” in conjunction with more than 30 experts and scholars in the field of Chinese medicine across the country to share innovative resources.

Upgrading equipment and facilities and rebuilding the management systems of Xueyinghua

In the first half of 2021, upon acquiring Henan Xueyinghua Pharmaceutical Co., Ltd. (河南雪櫻花製藥有限公司, “Xueyinghua”), the Group upgraded and rebuilt its production, quality, equipment, safety and finance management systems. The Group readjusted the personnel organisation structure of Xueyinghua, renovated the production equipment and fire protection system in its workshop, upgraded the instruments and equipment in its laboratory, completed a general revision and upgrade of the documentation of the GMP quality management system, and started the trial production of Xueyinghua products, thereby facilitating the development of the Group’s medicine segment.

SOCIAL WELFARE

Over the years, the Group has been actively fulfilling its social responsibilities and pursuing the concept of sustainable development. It partnered with Beijing Charity Association to establish the “Besunyen Special Charity Fund” for charity and public welfare undertakings, including carrying out social assistance activities, providing services to the underprivileged and playing a supplementary role in social security. In the first half of 2021, the Group continued to strengthen cooperation with Beijing Green Sunshine Environmental Protection Public Welfare Foundation and donated RMB150,000 to public welfare projects such as the Wildlife Protection Action, Defending Children’s Homeland in Pastoral Areas and Guarding the Auspicious Animals.

OUTLOOK

Macro economy

In 2021, the global impact of the pandemic, the downward pressure on the economy and the uncertain risks of market changes remain. According to the “Outline of the 14th Five-Year Plan for National Economic and Social Development and Long-Range Objectives for 2035 of the People’s Republic of China (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》)”, which was passed by the Fourth Meeting of the 13th National People’s Congress, the State will put the protection of people’s health in a strategic position for priority development, adhere to the prevention-first directive, deeply implement the Healthy China initiative, refine national

health promotion policies, weave a stable protection network for national public health, and provide comprehensive, full-lifecycle health services for the people. The improvement of national income level, the increasing demand for chronic disease management of aging population, urbanization and living environment problems have aroused people's attention to health, which has become important driving forces for the development of the health food market. At the same time, the operating pressure brought by the pandemic will force more traditional health food enterprises to accelerate transformation and upgrading, carry out digital transformation in various aspects such as products, channels and marketing, and cater to the current changes in consumption habits of consumers, thus improving the overall operating efficiency of the industry.

Promoting innovation in e-commerce business, focusing on digital construction, and improving membership asset operation

The Group will continue to take e-commerce platform as the focus of strategic development, strengthen cooperation with major e-commerce platforms and industry partners, and accelerate the construction of the consumer centered e-commerce digital system. Meanwhile, the Group will focus on the digital construction of the whole marketing chain. Based on the middle platform structure, the Group will implement the digital reconstruction of research and development, procurement, production, quality control, sales, inventory, logistics, finance and other business segments, driving the visual operation of the whole business and channels of the Group. In the future, the Group will continue to upgrade the private domain membership operation system, and continuously improve the membership asset operation from multiple perspectives such as digitalization of consumption scenarios, establishment of precise marketing application and after-sales service system.

Strengthening R&D capability, actively deploying resources in new products and new business formats and enhancing brand competitiveness

The Group will keep on cultivating the two major areas of weight loss and weight management as well as laxative and gastrointestinal health, while launching innovative and competitive products in terms of technological level, product form and external packaging so as to meet new consumer demands. Moreover, taking advantage of its own research and development capability and product reserves, the Group will develop the entire industry chain of medicines, health food, medical devices and general food, thereby achieving the advancement of marketing strategy from focusing on product selling to brand value building.

Paying attention to market demands, keeping on optimizing marketing plans and continuously promoting brand rejuvenation

The Group will formulate targeted marketing plans and achieve precise product marketing by paying attention to market demands incessantly and taking into account the characteristics and market positioning of different products. At the same time, the Group

will continue to explore the communication path of brand rejuvenation, create a unique way for brand rejuvenation through optimizing media programs and upgrading marketing strategies. In addition, based on the market consumption demand under the normalization of pandemic prevention and control, the Group will respond scientifically and proactively to changes, actively explore its own marketing model, and fully release the brand potential.

Focusing on health industry, building solid business presence and accelerating the fostering of Besunyen big health ecosystem

The Group will focus on the big health industry as its principal business, continuously consolidate its leading position in the health product market. Meanwhile, the Group will upgrade and improve the pharmaceutical industry chain with the help of its successful experience in research and development, production and operation in the OTC field, and will continue to expand online and offline sales channels, target on new sales models, comprehensively deploy online business, innovate dynamic marketing methods and explore new offline retail models. Leveraging on its 20 years' experience in the health sector, the Group will also try to use the means of fund investment and industrial incubation to prepare to invest in the area of life science and technology, so that the Group can bring sustainable returns to shareholders while steering into the pharmaceutical sector. In the future, the Group will gradually improve the independent operation of the four major business systems of health food, medicine, online marketing and new retail, and accelerate the building of Besunyen big health ecosystem with digitalization development, international expansion and group-wise positioning.

FINANCIAL REVIEW

Revenue

	For the six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	<i>Percentage of revenue</i>	<i>RMB'000</i>	<i>Percentage of revenue</i>
Revenue:				
Three Teas	205,301	30.6%	243,320	39.9%
Weight-loss medicines (Note)	285,216	42.5%	305,274	50.1%
Other medicines	80,186	12.0%	16,322	2.7%
Other products	99,992	14.9%	44,859	7.3%
Total	670,695	100%	609,775	100%

Note: Weight-loss medicines mainly consist of Besunyen Orlistat.

The Group's revenue in the same period of 2020 was RMB609.8 million, and the revenue in the first half of 2021 was RMB670.7 million, representing an increase of 10.0%. In particular, revenue from other medicines increased significantly by 392.0% from RMB16.3 million in the same period of 2020 to RMB80.2 million in the first half of 2021, and the percentage of revenue also increased from 2.7% in the same period of 2020 to 12.0% in the first half of 2021, mainly due to the significant increase in sales of eye drops by Zhongshan Wanhan in the first half of 2021 as compared to the same period of 2020. In addition, revenue from other products increased by 122.7% from RMB44.9 million in the same period of 2020 to RMB100.0 million in the first half of 2021, and the percentage of revenue also increased from 7.3% in the same period of 2020 to 14.9% in the first half of 2021, mainly due to the significant increase in sales revenue of Burning Queen Keto, enzymes, foreign trade cross-border health food and anti-sugar products.

Cost of Sales, Gross Profit and Gross Profit Margin

	For the six months ended 30 June	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of sales	<u>214,838</u>	<u>168,467</u>
Gross profit	<u>455,857</u>	<u>441,308</u>
Gross profit margin	<u>68.0%</u>	<u>72.4%</u>

The Group's cost of sales increased by 27.5% from RMB168.5 million in the same period of 2020 to RMB214.8 million in the first half of 2021. Gross profit margin decreased from 72.4% in the same period of 2020 to 68.0% in the first half of 2021, mainly due to the increase in costs caused by the increase in revenue and the decrease in the percentages of revenue of the Three Teas with higher gross profit margin, resulting from the product diversification.

Selling and Marketing Expenses

	For the six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	<i>Percentage of revenue</i>	<i>RMB'000</i>	<i>Percentage of revenue</i>
Advertising costs	53,796	8.0%	59,992	9.9%
Marketing and promotion expenses	107,599	16.0%	142,019	23.3%
Employee benefit expenses	79,166	11.8%	74,388	12.2%
Others	29,239	4.4%	17,900	2.9%
Total	<u>269,800</u>	<u>40.2%</u>	<u>294,299</u>	<u>48.3%</u>

Selling and marketing expenses of the Group decreased from RMB294.3 million in the same period of 2020 to RMB269.8 million in the first half of 2021.

The advertising costs in the first half of 2021 decreased by RMB6.2 million as compared to the same period of 2020, mainly due to the decrease in the e-commerce advertising activities.

The marketing and promotion expenses in the first half of 2021 decreased by RMB34.4 million as compared to the same period of 2020, mainly due to the decrease in the expenditure of marketing and promotion via e-commerce platform.

In the first half of 2021, employee benefit expenses increased by RMB4.8 million as compared to the same period of 2020, mainly due to the increase of sales personnel and partial reduction of social insurance by the government during the pandemic in the same period of 2020.

Administrative Expenses

	For the six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	<i>Percentage of revenue</i>	<i>RMB'000</i>	<i>Percentage of revenue</i>
Employee benefit expenses	32,972	4.9%	17,039	2.8%
Office expenses	3,672	0.6%	2,600	0.4%
Professional service fees	17,719	2.7%	20,648	3.4%
Entertainment and travelling expenses	4,878	0.7%	2,054	0.3%
Others	16,274	2.4%	10,084	1.7%
Total	<u>75,515</u>	<u>11.3%</u>	<u>52,425</u>	<u>8.6%</u>

Administrative expenses of the Group increased by 44.1% from RMB52.4 million in the same period of 2020 to RMB75.5 million in the first half of 2021, mainly due to the increase in employee benefit expenses.

Research and Development Costs

	For the six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	<i>Percentage of revenue</i>	<i>RMB'000</i>	<i>Percentage of revenue</i>
Research and development costs	<u>54,206</u>	<u>8.1%</u>	<u>35,741</u>	<u>5.9%</u>

The Group's research and development costs increased by 51.8% from RMB35.7 million in the same period of 2020 to RMB54.2 million in the first half of 2021, mainly due to the increased efforts in independent research and development as well as outsourced research and development of medicines.

Share of Profits of Investments Accounted for Using the Equity Method

The Group's share of profits of investments accounted for using the equity method for the first half of 2021 was RMB13.8 million, which mainly consisted of the gain of RMB19.7 million from the change in fair value of shares held by the Group's joint venture Ningbo Yuanyuan Liuchang Investment Center (Limited Partnership) ("Yuanyuan Liuchang Fund") in Chaoju Eye Care Holdings Limited.

Taxation

Income tax expenses of the Group in the first half of 2021 was RMB9.7 million, as compared to the income tax expenses of RMB11.2 million in the same period of 2020, and the decrease in the income tax expenses was due to the lowering of the effective tax rate.

Total Comprehensive Income and Total Comprehensive Income Attributable to Owners of the Company for the Period

Due to the factors set out above, the Group recorded a total comprehensive income of RMB56.3 million in the first half of 2021 (for the same period of 2020: total comprehensive income of RMB47.3 million).

Meanwhile, the Group's total comprehensive income attributable to owners of the Company for the first half of 2021 was RMB26.4 million (for the same period of 2020: RMB9.4 million).

Liquidity and Capital Resources

In the first half of 2021, 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 2021 and 2020 :

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (outflow)/inflow from operating activities	(67,558)	58,700
Net cash outflow from investing activities	(121,952)	(148,174)
Net cash (outflow)/inflow from financing activities	(66,676)	52,467
	(256,186)	(37,007)
Effect of foreign exchange rate changes on cash and cash equivalents	(380)	(1,338)
Net decrease in cash and cash equivalents	<u>(256,566)</u>	<u>(38,345)</u>

In the first half of 2021, the Group's net cash outflow from operating activities amounted to RMB67.6 million, which was mainly due to the increase in receivables (for the same period of 2020: net cash inflow from operating activities amounted to RMB58.7 million). In the first half of 2021, the Group's net cash outflow from investing activities was RMB122.0 million, which was mainly attributable to infrastructure construction expenditures, acquisition of a subsidiary and purchase of financial assets measured at fair value through profit or loss (for the same period of 2020: net cash outflow from investing activities was RMB148.2 million). In the first half of 2021, the Group's net cash outflow from financing activities amounted to RMB66.7 million, which was mainly due to the distribution of dividends (for the same period of 2020: net cash inflow from financing activities amounted to RMB52.5 million).

Financial Assets Measured at Fair Value through Profit or Loss

As at 30 June 2021, the Group's financial assets measured at fair value through profit or loss amounted to RMB32.7 million (31 December 2020: Nil).

On 26 February 2021, Hainan Besunyen Healthcare Investment Limited (the “**Besunyen Healthcare Investment**”), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement with Vstar Partners Limited, pursuant to which Besunyen Healthcare Investment (as the limited partner) has made a capital commitment of USD2.3505 million to Vstar Investment Fund Limited Partnership (the “**Fund**”) and injected USD2.0609 million in cash on 17 May 2021 with the rest of the commitment to be injected into the Fund according to the payment terms of the subscription agreement. The Fund aims at investing in a Singaporean company which engages in the research and development of infection-related immunotherapy and antiviral and anti-bacterial medications and vaccines. The general partner of the Fund is Vstar Partners Limited which is wholly owned by Mr. Zhuo Fumin, the non-executive Director of the Company, and managed by the management team of Vstar Capital. Vstar Capital focuses on health care, smart technologies +, consumption upgrade, TMT and other industries while its chairman and managing partner, Mr. Zhuo Fumin, has over 20 years' investment experience. As of 30 June 2021, there is no change in the fair value of this investment, which remains RMB13.3 million.

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 36.4% from RMB720.9 million as at 31 December 2020 to RMB458.7 million as at 30 June 2021. Meanwhile, the Group has bank borrowings of RMB159.0 million, which bear interest rate ranging from 3.85% to 5.05%, as at 30 June 2021 (31 December 2020: RMB159.8 million).

Capital Expenditure

In the first half of 2021, the capital expenditure of the Group amounted to RMB99.2 million (for the same period of 2020: RMB50.0 million), mainly represented by 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 2021 RMB'000	31 December 2020 RMB'000
Raw materials and packaging materials	45,396	48,351
Work in progress	5,715	5,052
Finished goods	102,805	85,991
Total inventories	<u>153,916</u>	<u>139,394</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 also 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 2021, the Group did not purchase any foreign exchange, interest rate derivative products or hedging instruments (for the same period of 2020: Nil).

Material Acquisitions or Disposals

On 1 February 2021, Tibet Qianruiwanfu Venture Investment Co., Ltd. (西藏千瑞萬福創業投資有限公司, “Qianruiwanfu”), an indirect wholly-owned subsidiary of the Company, entered into the Restructuring Investment Agreement with Xueyinghua and the asset administrator of Xueyinghua (the “Asset Administrator”), pursuant to which Qianruiwanfu agreed to acquire the 100% equity interest in Xueyinghua at a consideration of RMB31.99 million. Upon completion, Xueyinghua has become an indirect wholly-owned subsidiary of the Company. Such transaction was completed on 21 April 2021. For details, please refer to the announcement of the Company dated 1 February 2021.

Save as disclosed above, the Group had no other material acquisitions or disposals of subsidiaries, associates and joint ventures during the first half of 2021.

Pledge of Assets

As at 30 June 2021, the Group has pledged buildings amounted to RMB153.1 million and land use rights amounted to RMB42.0 million as securities of certain bank borrowings of RMB150.2 million (as at 31 December 2020: the Group had pledged buildings amounted to RMB104.9 million and land use rights amounted to RMB42.5 million as securities of certain bank borrowings of RMB140.5 million).

Gearing Ratio

As of 30 June 2021, the Group's gearing ratio (total liabilities divided by total assets, in percentage) was 32.1% (31 December 2020: 34.7%).

Contingent Liabilities and Guarantees

As of 30 June 2021, the Group had no material contingent liabilities and guarantees (31 December 2020: Nil).

Capital Commitments

As at 30 June 2021, capital expenditure for property, plant and equipment as contracted for but not yet incurred amounted to RMB15.7 million (31 December 2020: RMB52.4 million).

As at 30 June 2021, capital investments in a joint venture contracted for but not yet incurred amounted to RMB9.8 million (31 December 2020: RMB9.8 million).

As at 30 June 2021, capital investments in a fund contracted for but not yet incurred amounted to USD0.3 million, equivalent to RMB1.9 million (31 December 2020: Nil).

Human Resources Management

The Group regards high-quality employees as its most important resource. As at 30 June 2021, the Group had 1,864 employees in mainland China and Hong Kong (31 December 2020: 1,799 employees). For the six months ended 30 June 2021, total labour costs (including Directors' remunerations) were RMB135.1 million (for the same period of 2020: RMB109.8 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. The purpose of the Share Option Scheme is to motivate eligible 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 to grant restricted shares to eligible employees.

The Group invests considerable efforts in continuous education and training for its employees, so as to keep enhancing the knowledge, skill and team spirit of employees. The Group often provides internal and external training courses to relevant employees 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 2021, 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 31 years’ 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 2021 and this announcement, the accounting principles and practices adopted by the Group and discussed auditing, 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 2021.

INTERIM DIVIDEND

The Board has resolved not to declare and pay any interim dividend for the six months ended 30 June 2021.

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 2021 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, 13 August 2021

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.