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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 2015**

**THE OPERATION RESULTS OF THE GROUP**

The revenue of the Group for the first half of 2015 was RMB347.9 million, representing an increase of 10.8% as compared with the revenue of RMB314.0 million for the same period in 2014.

Gross profit of the Group amounted to RMB301.5 million for the first half of 2015, representing an increase of 11.6% from RMB270.1 million for the same period of 2014. The gross profit margin of the Group was 86.7% for the first half of 2015, representing an increase of 0.7 percentage point from 86.0% for the same period of 2014.

Total operating expenses (including selling and marketing expenses, administrative expenses, and research and development costs) of the Group for the first half of 2015 were RMB263.6 million, representing a decrease of 2.1% as compared with the operating expenses of RMB269.3 million for the same period of 2014.

The Group recorded a net profit attributable to owners of the Company of RMB39.3 million for the first half of 2015, representing an increase of 128.5% from a net profit attributable to owners of the Company of RMB17.2 million for the same period of 2014.

The basic and diluted earnings per share for the first half of 2015 were both RMB2.57 cents (for the same period of 2014: both the basic and diluted earnings per share were RMB1.12 cents).

**INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK1.25 cents per share (HK\$19,618,000 in aggregate) for the six months ended 30 June 2015 to the shareholders of the Company whose names appear on the register of members of the Company on 26 August 2015. The interim dividend will be paid on 7 September 2015.

The board (the “**Board**”) of directors (the “**Directors**”) of Besunyen Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2015, as below:

## INTERIM COMBINED STATEMENT OF COMPREHENSIVE INCOME

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2015</b>	<b>2014</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	347,883	314,001
Cost of sales		<u>(46,387)</u>	<u>(43,948)</u>
<b>Gross profit</b>		<b>301,496</b>	<b>270,053</b>
Other income		<b>18,265</b>	25,447
Selling and marketing expenses		<b>(208,505)</b>	(224,674)
Administrative expenses		<b>(52,951)</b>	(40,911)
Research and development costs		<b>(2,175)</b>	(3,750)
Other expenses		<b>(6,907)</b>	(6,798)
Other (losses)/gains		<b>(1,059)</b>	255
Gain on disposal of a subsidiary		<u>—</u>	<u>9,977</u>
<b>Profit before income tax</b>	6	<b>48,164</b>	29,599
Income tax expense	7	<u>(8,363)</u>	<u>(12,397)</u>
<b>Profit for the period</b>		<u><b>39,801</b></u>	<u><b>17,202</b></u>
<b>Profit attributable to:</b>			
— Owners of the Company		<b>39,292</b>	17,202
— Non-controlling interests		<u><b>509</b></u>	<u>—</u>
		<b>39,801</b>	17,202
<b>Other comprehensive income</b>		<u>—</u>	<u>—</u>
<b>Total comprehensive income for the period</b>		<u><b>39,801</b></u>	<u><b>17,202</b></u>
<b>Total comprehensive income attributable to:</b>			
— Owners of the Company		<b>39,292</b>	17,202
— Non-controlling interests		<u><b>509</b></u>	<u>—</u>
		<b>39,801</b>	17,202
<b>Earnings per share attributable to owners of the Company</b> <b>(RMB cents)</b>			
	8		
— Basic earnings per share		<u><b>2.57</b></u>	<u><b>1.12</b></u>
— Diluted earnings per share		<u><b>2.57</b></u>	<u><b>1.12</b></u>

Details of dividends to the shareholders of the Company are set out in note 9.

## INTERIM COMBINED BALANCE SHEET

		<b>Unaudited</b>	
		<b>30 June</b>	31 December
		<b>2015</b>	2014
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		342,265	352,056
Land use right		59,528	58,850
Investment properties		387,444	394,012
Intangible assets		9,559	1,933
Non-current deposits		4,631	5,439
Deferred income tax assets		8,867	12,850
<b>Total non-current assets</b>		<b>812,294</b>	<b>825,140</b>
<b>Current assets</b>			
Inventories		10,830	5,114
Trade and bills receivables	10	41,493	14,121
Deposits, prepayments and other receivables	11	66,523	34,805
Short-term investments	12	189,338	—
Pledged bank deposits		—	813
Term deposits with initial term of over three months		120,000	100,000
Cash and cash equivalents		208,398	377,753
<b>Total current assets</b>		<b>636,582</b>	<b>532,606</b>
<b>Total assets</b>		<b>1,448,876</b>	<b>1,357,746</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		89	89
Share premium		1,247,409	1,271,589
Other reserves	13	321,830	318,377
Accumulated losses		(367,541)	(407,020)
		<b>1,201,787</b>	<b>1,183,035</b>
Non-controlling interests		10,546	—
<b>Total equity</b>		<b>1,212,333</b>	<b>1,183,035</b>

		<b>Unaudited</b>	
		<b>30 June</b>	31 December
		<b>2015</b>	2014
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred government grant		5,932	6,326
Deferred income tax liabilities		8,839	6,833
Other non-current liabilities		1,698	1,693
<b>Total non-current liabilities</b>		<b>16,469</b>	<b>14,852</b>
<b>Current liabilities</b>			
Trade and bills payables	14	20,228	10,381
Other payables and accrued expenses	15	194,030	147,771
Current income tax liabilities		5,816	1,707
<b>Total current liabilities</b>		<b>220,074</b>	<b>159,859</b>
<b>Total liabilities</b>		<b>236,543</b>	<b>174,711</b>
<b>Total equity and liabilities</b>		<b>1,448,876</b>	<b>1,357,746</b>
<b>Net current assets</b>		<b>416,508</b>	<b>372,747</b>
<b>Total assets less current liabilities</b>		<b>1,228,802</b>	<b>1,197,887</b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

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

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

## 2. BASIS OF PREPARATION AND PRESENTATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2015 has been prepared in accordance with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”). The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

The Company has carried out a reassessment on the Group’s consolidated financial statements for the prior periods and identified that a one-year term bank deposit of RMB100 million has been classified as part of the Group’s cash and cash equivalents as at 31 December 2014. A prior period adjustment has been made in the unaudited condensed consolidated interim financial information to reclassify the aforesaid deposit as “Term deposits with initial term of over three months” in the balance sheet. Accordingly, the related comparative figures as presented in the condensed consolidated interim financial information have been restated to conform with the current period’s presentation.

Amendments to IFRSs effective for the financial year ending 31 December 2015 do not have a material impact on the Group.

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

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

## 3. SEGMENT INFORMATION

An operating segment is a component of the Group that engages in business activities from which the Group may earn revenue and incur expenses and is identified on the basis of internal financial reports that are provided to and regularly reviewed by the Group’s Chief Operating Decision Maker (the “CODM”) in order to allocate resources and assess performance of the segment.

The Group’s CODM has been identified as the Company’s Chairman and Chief Executive Officer. For the periods presented, the Group as a whole is an operating segment since the Group primarily engages in the business of manufacturing and sales of therapeutic tea products and sales of slimming medicines. No geographical information has been disclosed as the Group’s operating activities are all carried out in the People’s Republic of China (the “PRC”).

#### 4. REVENUE

The revenues are attributable to the sales of the Group's products as follows:

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Detox tea	146,877	127,502
Slimming tea	179,593	182,911
Other tea products	857	3,588
Slimming medicines	20,556	—
	<u>347,883</u>	<u>314,001</u>

#### 5. BUSINESS COMBINATION

On 30 April 2015, the Group acquired 80% equity interest in Guangzhou RunLiang Pharmaceutical Co., Ltd., a company which engages in sales of slimming medicines, at the cash consideration of RMB40,000,000. The acquisition is strategically to expand the Group's business in the healthcare industry.

The acquired business contributed revenue of RMB20,536,163 and net profit of RMB2,543,895 to the Group for the period from 1 May 2015 to 30 June 2015.

The following table summarises the amount of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

##### Recognised amounts of identifiable assets acquired and liabilities assumed

	As at 30 April 2015 RMB'000
<b>Fair value</b>	
Cash and cash equivalents	41,343
Intangible assets — computer software	42
Intangible assets — Good Supply Practice (GSP) license and exclusive sales agency right	7,740
Inventories	76
Trade and bills receivables	7,571
Deposits, prepayments and other receivables	7,098
Trade and bills payables	(5,611)
Deferred income tax liabilities	(1,935)
Other payables and accrued expenses	(3,722)
Current income tax liabilities	(2,419)
<b>Total identifiable net assets</b>	<b>50,183</b>
Non-controlling interests	(10,037)
	<u>40,146</u>
Negative goodwill	(146)
<b>Purchase consideration</b>	<b>40,000</b>

## 6. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after (crediting)/charging the followings:

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Crediting		
Investment income from short-term investments	(4,110)	(3,522)
Investment income on bank balances and deposits	(3,505)	(4,434)
Negative goodwill on acquisition of a subsidiary	(146)	—
Amortisation of deferred government grant	(394)	(392)
	<u>(8,155)</u>	<u>(8,348)</u>
Charging		
Depreciation		
— property, plant and equipment	15,204	15,809
— investment properties	6,568	5,313
Amortisation		
— intangible assets	156	152
— land use right	678	675
	<u>22,606</u>	<u>21,949</u>

## 7. INCOME TAX EXPENSE

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

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Current income tax		
— Current PRC income tax	8,158	14,273
— Over provision of PRC income tax in prior year	(3,849)	(829)
	<u>4,309</u>	<u>13,444</u>
Deferred income tax charge/(credit)	<u>4,054</u>	<u>(1,047)</u>
	<u>8,363</u>	<u>12,397</u>

## 8. EARNINGS PER SHARE

	Unaudited	
	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to owners of the Company	<u>39,292</u>	<u>17,202</u>
Number of shares:		
Weighted average number of ordinary shares in issue	1,531,454,253	1,529,095,634
Diluted equivalent shares arising from restricted shares	<u>80,495</u>	<u>388,066</u>
Weighted average number of ordinary shares for calculating diluted earnings per share	<u>1,531,534,748</u>	<u>1,529,483,700</u>

## 9. DIVIDEND

### (a) Dividends attributable to the current period

During the current and the prior period, no dividends attributable to the current and prior interim period were paid, declared and proposed.

Subsequent to the end of the current interim period, the Board has resolved to declare an interim dividend of HK1.25 cents per share (HK\$19,618,000 in aggregate) for the six months ended 30 June 2015 to the shareholders of the Company whose names appear on the register of members of the Company on 26 August 2015. The interim dividend will be paid on 7 September 2015.

### (b) Dividends attributable to the previous financial year, approved and paid during the period

	Unaudited	
	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Ordinary final dividend in respect of the previous financial year, approved and paid during the period, of HK\$0.02 (equivalent to approximately RMB0.016) (2014: nil) per share	<u>24,180</u>	<u>—</u>

## 10. TRADE AND BILLS RECEIVABLES

	As at	
	30 June	31 December
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>Unaudited</b>	
Trade receivables	5,378	2,703
Bills receivables	36,230	11,616
Less: allowance for doubtful debts	<u>(115)</u>	<u>(198)</u>
	<u>41,493</u>	<u>14,121</u>

The Group allows a credit period of 20–180 days to its trade customers. The following is an ageing analysis of the trade and bills receivables (net of allowance for doubtful debts) based on the dates of deliveries of the related goods to the customers:

	As at	
	30 June 2015	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	
0 to 90 days	41,131	13,795
91 to 180 days	264	174
181 to 365 days	98	152
	<u>41,493</u>	<u>14,121</u>

#### 11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June 2015	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	
Prepayment for advertisement	37,248	14,178
Prepayments to suppliers	9,904	402
Other receivables	6,607	6,342
Interest receivables	693	2,936
Other prepayments	12,071	10,947
	<u>66,523</u>	<u>34,805</u>

#### 12. SHORT-TERM INVESTMENTS

	As at	
	30 June 2015	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	
Short-term investments	<u>189,338</u>	<u>—</u>

The short-term investments represent wealth management products issued by banks which retain the possible loss of the principal amount invested and are classified as available-for-sale financial assets. These wealth management products are with variable return rates indexed to the performance of certain underlying assets and are maturing within one year. As at 30 June 2015, the carrying amounts of these investments approximate to their fair values.

### 13. OTHER RESERVES

	Unaudited	
	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Balance, beginning of period</b>	318,377	317,494
Share-based payments under share option scheme	3,075	91
Share-based payments under restricted share award scheme	565	708
Transfer of share-based payment reserve upon expiration of share options	—	(2,574)
Vesting of restricted shares under restricted share award scheme	(187)	707
	<hr/>	<hr/>
<b>Balance, end of period</b>	<b>321,830</b>	<b>316,426</b>
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### 14. TRADE AND BILLS PAYABLES

At 30 June 2015, the ageing analysis of the trade and bills payables based on invoice date were as follows:

	As at	
	30 June	31 December
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	
0 to 90 days	19,650	10,057
91 to 180 days	560	191
181 to 365 days	18	51
Over 1 year	—	82
	<hr/>	<hr/>
	<b>20,228</b>	<b>10,381</b>
	<hr/> <hr/>	<hr/> <hr/>

### 15. OTHER PAYABLES AND ACCRUED EXPENSES

	As at	
	30 June	31 December
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	
Advances from customers	69,675	33,670
Accrued expenses	33,592	22,438
Taxes other than income tax payables	27,391	18,115
Accrued sales rebates	19,551	22,130
Payroll and welfare payables	17,164	23,526
Advertising expense payables	9,473	648
Payable to suppliers for purchase of property, plant and equipment	1,739	8,516
Others	15,445	18,728
	<hr/>	<hr/>
	<b>194,030</b>	<b>147,771</b>
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## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2015, GDP in China increased by 7.0% and the economy operation was moderate and tending to be stable. Under the stable economic landscape, the Group continued to improve the operation of various systems of the Company in the first half of 2015. Distributors' demand for the Group's products had been increasing in the first half of 2015. Revenue of the Group for the first half of 2015 amounted to RMB347.9 million, representing an increase of 10.8% as compared with revenue of RMB314.0 million for the corresponding period of 2014. For the first half of 2015, gross profit of the Group amounted to RMB301.5 million, representing an increase of 11.6% from RMB270.1 million for the same period of 2014. Gross profit margin of the Group was 86.7% for the first half of 2015, representing an increase of 0.7 percentage point from 86.0% for the same period of 2014. Total operating expenses (including selling and marketing expenses, administrative expenses, and research and development costs) of the Group for the first half of 2015 were RMB263.6 million, representing a decrease of 2.1% from RMB269.3 million for the corresponding period in 2014. For the first half of 2015, profit before interest expense, taxation, depreciation and amortisation amounted to RMB70.8 million, representing an increase of 37.3% from RMB51.5 million for the same period of 2014. The Group recorded a net profit attributable to owners of the Company of RMB39.3 million for the first half of 2015, representing an increase of 128.5% as compared with the net profit attributable to owners of the Company of RMB17.2 million for the same period of 2014.

### BUSINESS REVIEW

#### **Explicating Brand Positioning to Consolidate Leadership**

##### *Expanding consumer base*

After a profound study on the brand, market and consumers, the Group decided to expand the consumer base of the Besunyen Detox Tea and Besunyen Slimming Tea (the “**Two Teas**”) from function-centric consumers to cover those demanding health precaution in early 2015. Accordingly, the advertising theme of the year, “Detoxify Yourself to Keep in Shape”, is an attempt to appeal to those who would actively detoxify themselves so that they will become the target consumers of Besunyen. As a result, consumer base will be expanded and sales results will be bolstered gradually.

##### *Official partner of Chinese Figure Skating Team*

Besunyen was invited by the General Administration of Sport of China to become the official partner of Chinese Figure Skating Team in the 2018 Winter Olympics. Based on this cooperation, Besunyen is entitled to name itself as the “Official Partner of Chinese Figure Skating Team” in its advertisements, packages and marketing activities, etc. The Figure Skating Team can fully represent the elegant and healthy image of athletes, which matches the brand positioning of Besunyen. In addition, the cooperation between Chinese Figure Skating Team and Besunyen could result in a win-win situation as the former is ranked top in Asia with world-class skills whilst the latter is in the leading position in the therapeutic tea market.

##### *Rolling out new packages and fixing prices to create win-win situation with terminals*

The principal sales terminals of the Two Teas are retail pharmacies, which have been pursuing higher profit in recent years. To cater to the demand of terminals for profit and promote the activeness of terminal sales in order to boost actual sales performance, the Group rolled out a new 40-pack Two Teas in March of 2015 for selling exclusively in pharmacy chains in strategic alliance with the Company at a retail price of RMB108 per box. Meanwhile, the Company increased the retail price of Besunyen 25-pack Two Teas by 16.72% from RMB59.8 to RMB69.8 per box.

### *Combining different media for wider coverage*

The Group continued to be the title sponsor of the classic lifestyle programme “King Wang” (《大王小王》) on Hubei Satellite TV in 2015 to enhance promotional results through the high audience ratings and constantly increase the influence of the brand. The Group also became the title sponsor of the medical science programme “I’m a Great Doctor” (《我是大醫生》) on Beijing Satellite TV so that the Two Teas of Besunyen could attain a rational and high-end consumer base. In addition to becoming the title sponsor on these two major satellite TV stations for national advertisement coverage, the Group also participated in the broadcasting of outstanding TV programmes customised for or entitled by Besunyen nationwide, such as the singers recommendation show of “The Voice of China” (《中國好聲音》) in Henan on Henan TV, the recruitment contest of “The Voice of China” (《中國好聲音》) in Shenyang on Shenyang TV, “Attractive Women” (《魅力女人》) on Tianjin TV, “Dance Carnival” (《舞動嘉年華》) on Chengdu TV, “Good Shape” (《好身材》) on Shenzhen TV, “Dialect Contest” (《方言大賽》) on Jiangsu TV and “Darlings Run Amok” (《暴走甜心》) on Zhejiang TV. A multi-dimensional and intertwining advertisement dissemination model with wide coverage and deep communication was formed by combining the national coverage of satellite TVs and the local cultural traits of provincial TVs. Besunyen also obtained title sponsorship of the 13th Chinese University Students Advertisement Art Show Academy Award to spread the brand philosophy of Besunyen to the hearts of the youth.

### **Launching New Products to Deeply Penetrate the Market**

Besunyen invested in and controlled 80% of the shares of Guangzhou Runliang Pharmaceutical Co., Ltd. (“**Guangzhou Runliang**”) in late April of 2015. Guangzhou Runliang owns over ten years of exclusive sales agency with specific sales targets in China for the preparations of Orlistat manufactured by Zhejiang Hisun Pharmaceutical Co., Ltd. (“**Hisun Pharmaceutical**”) (stock code: 600267). Orlistat is the only anti-obesity prescription and over-the-counter drug in the world certified and approved to be launched by the United States Food and Drug Administration, the European Medicines Agency of the European Union and the China Food and Drug Administration. Guangzhou Runliang registered the preparations of Orlistat manufactured by Hisun Pharmaceutical under its brand “LARLLY” and sells them mainly in the same retail pharmacies under Besunyen’s existing traditional channels. Besunyen intends to capitalise on its existing slimming tea to satisfy customers’ demand for weight management by various means and penetrates deeply into the weight management market segment. Moreover, Orlistat under the brand of “LARLLY” is Besunyen’s first attempt to sell drugs in channels comprised primarily of retail pharmacies besides its Two Teas business. Orlistat under the brand of “LARLLY” has been well-received by high-end consumers since its first launch in Shanghai, contributing sales revenue of RMB20.5 million to the Group and generating net profit of RMB2.5 million in the two months of May and June of 2015. In the second half of 2015, Orlistat under the brand of “LARLLY” will be sold in retail pharmacies in nearly ten municipalities and provincial capitals nationwide. We look forward to the increasing sales revenue and profit contributed from new products to the Group.

In May 2015, a herbal tea product under another sub-brand of Besunyen named “TEA+” was officially rolled out to complement Besunyen’s e-commerce business. Four flavours have been released, including “Rose Pu’er”, “Pomelo White Tea”, “Original Ginger Tea” and “Date Ginger Tea”. The products of this series are foods with a “Natural, Green, Pollution-free, Healthy” tea beverage positioning which appeals to urban and stylish white-collar ladies and petty bourgeois who pursue life quality. The product caters to the demands of modern ladies.

## **Evidence-based Medical Research for Quality Assurance**

After the Chinese Healthcare Association organised the phase one test of a two-year “Evidence-based Medical Research Project for Healthcare Food” which is completed in 2014 and examined the adaptability, effectiveness and safety of the Two Teas, the Company carried out the phase two evidence-based medical testing for the leaching of effective substances with different batches, different brewing temperature and different brewing time of the samples of the Two Teas in the first half of 2015. The result of the phase two evidence-based medical testing further demonstrated the stability and effectiveness of the Two Teas, making a positive endorsement to the quality assurance of the Two Teas.

## **Channels Streamlization and Retail Pharmacies Management**

### *Optimising channels for price stabilisation*

To make channel circulation function more stable and manage the product pricing system of the Company effectively, and deploy the Group’s resources on distributors which have significant contribution to the Company, the Group reduced the number of its distributors and sub-distributors of the Two Teas from 102 to 78 and from 480 to 331 in the first half of 2015, respectively, by consolidating its distributor and sub-distributor channels. After a series of channel streamlining activities, the channel customer structure has become more reasonable and healthy, management of channel system has improved and the product pricing system has become more stable. As such, the Company does not only strengthen its channel management, but also gives contributing distributors further support so that the Company will grow together with its distributors and sub-distributors and form a mutually supporting and close cooperation relationship with them to facilitate sales growth effectively.

### *Making flexible use of mobile phones for efficient management*

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

## **Forming Alliance to Create a Win-Win Situation**

Besunyen joined hands with First Pharmacy (《第一藥店》) to host the 8th “Besunyen Cup” Super Show Top Storekeeper and Clerk Trial. The event, covering 1,100 pharmacy chains nationwide, significantly shortened Besunyen’s ties with frontier storekeepers and clerks from pharmacy chains. Sales of the Two Teas of Besunyen in retail pharmacies that participated in the Trial doubled during the event as compared to the corresponding period of last year. In April 2015, Mr. Zhao Yihong, Chairman of the Group, participated in the “2015 E-commerce (Xihu) Forum of the Pan-health Industry” organised by China Medical Pharmaceutical Material Association with senior management members of the Company. Through active communications on the forum, Besunyen established deeper strategic alliances with nearly 100 pharmacy chains across the country.

## **Tapping into Mobile E-commerce and Enriching Product Mix**

At present, almost 90% of sales generated from Besunyen's e-commerce business are conducted through PC terminals. The Group is currently strengthening its capabilities in WeChat official accounts, WeChat private accounts, WeChat Mall and micro-distribution and plans to develop mobile sales business in an effort to seize more consumer bases. On the other hand, product mix enrichment is an important means of increasing e-commerce traffic and turnover for Besunyen. As such, Besunyen's e-commerce business will introduce quality and well-known products in the pan-health industry rapidly by means of strategic alliance such as agency or consignment in order to consummate its product mix and increase its e-commerce traffic and turnover.

## **Star Programme and Campus Recruitment**

With the aim of establishing a sales echelon and nurturing rising stars, the Group recruited dozens of high-calibre graduates from major colleges and universities nationwide in April 2015. After two and a half months of closed classroom training and drills of practical sales techniques, the energetic "stars" with high potentialities will be deployed in various large regions across the country to fill in frontier sales positions. Outstanding "stars" will be assigned to more important tasks and promoted, preparing them to become the key members of the Group's sales echelon.

## **Summer Internship Programme in Collaboration with New Huadu Business School**

A team of nine international students from New Huadu Business School began their internship at Besunyen for four weeks on 15 June 2015. The students, coming from countries, among others, the U.S., Mexico, Spain and Singapore, were undergraduates majoring in, among others, business administration, finance and commerce, biological science and molecular genetics. They studied on "how to create competitive advantages of differentiation in the long run for Besunyen in China's functional tea market" and "how to boost sales growth through enhancing the e-commerce strategies of Besunyen" and made innovative and strategically valuable proposals for Besunyen.

## **PROSPECTS**

### **Macro Economy**

China's GDP grew by 7% in the first half of 2015. According to the *Economy and Finance Outlook for the Third Quarter of 2015* issued by the Bank of China on 30 June 2015, GDP was forecasted to increase by about 7% in the third quarter of 2015 with CPI increase by around 1.5%. Besides, according to the *China Economic Update* issued by the World Bank on 1 July 2015, the growth in China's annual GDP was expected to decelerate to 7.1% in 2015 and to 7% and 6.9% in 2016 and 2017, respectively. However, the report inclined to regard such deceleration as the "new normal" of Chinese economy, thus taking a slower but more sustainable growth path.

### **Focusing on Terminals and Reining Back on Expenses**

In the second half of 2015, the Group will extend the marketing strategies of the first half of the year and will continue to focus on the promotion of terminal sales of the Two Teas, inventory management and channel optimisation, and actively interact with store clerks at retail terminals to maximise their sales effort for the Two Teas of Besunyen. The products are now advertised as illness preventive measures apart from their functional aspects in the past to expand the consumer base and boost sales performance. Management expects growth in sales results of the Two Teas in traditional channels will remain stable in 2015. The Group will also launch correlative online and offline

advertisements to achieve maximum marketing results in a cost-effective manner. Meanwhile, the Company will control its advertising expenses cautiously to realise a more reasonable advertising expense-to-sales output ratio and keep its yearly expenses at or below the level in 2014.

### **Establishing Model Market for New Products**

The Group rolled out a new product named Orlistat preparations under the brand of “LARLLY” in the first half of 2015, which is mainly sold in its retail pharmacy channels, and established a model market for the marketing of Orlistat under the brand of “LARLLY” in Shanghai. In the second half 2015, one of the key tasks of the Group is to replicate the model market in other selected provinces and cities in China, and the Group expects to see a sharp increase in the sales results of Orlistat under the brand of “LARLLY” in the second half of 2015 as compared to the first half of 2015. The Group will continue to analyse the competitive opportunities of and threats to its new product in the model market and take the initiatives in fostering sales talents and optimising its organisation structure and marketing model. This will lay a solid foundation for the success of other new products to be launched in 2016 and beyond.

### **New Opportunities, New Products, New Businesses**

In light of the blooming pan-health industry in China, the Group has been following, seeking and evaluating new products and new businesses suitable for the Company’s development in recent years. In the second half of 2015 the Group will capitalise on its strengths in resources in the health industry to develop pharmaceutical and medical service businesses and select brands and products with market potential in international and domestic markets. The Group aims to quickly introduce new products into the market through acquisition, equity participation, joint venture and agency in order to seize the opportunities in the pan-health industry. In addition, the Group will enrich its product mix and increase the cohesion of its sales channels in order to cater to the pursuit of a healthy lifestyle in an effort to enhance the competitive advantages of Besunyen in the industry and generate higher profit for the Group.

## FINANCIAL REVIEW

### Revenue

	For the six months ended 30 June			
	2015		2014	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
Revenue:				
Besunyen Detox Tea	146,877	42.2%	127,502	40.6%
Besunyen Slimming Tea	179,593	51.6%	182,911	58.3%
Other tea products	857	0.3%	3,588	1.1%
Slimming medicines	20,556	5.9%	—	—
Total	<u>347,883</u>	<u>100%</u>	<u>314,001</u>	<u>100%</u>

The Group's revenue increased by 10.8% from RMB314.0 million in the first half of 2014 to RMB347.9 million in the same period of 2015. Among this, revenue of Besunyen Detox Tea increased by 15.2% from RMB127.5 million in the first half of 2014 to RMB146.9 million in the same period of 2015, mainly due to the increase in sales volume by 7.3% from 88.1 million tea bags in the first half of 2014 to 94.5 million tea bags in the same period of 2015 and the rise of price of products. Revenue of Besunyen Slimming Tea decreased by 1.8%, from RMB182.9 million in the first half of 2014 to RMB179.6 million in the same period of 2015, mainly due to the decrease in sales volume of Slimming Tea by 6.8% from 129.3 million tea bags in the first half of 2014 to 120.5 million tea bags in the same period of 2015. The increase in revenue was mainly due to (1) the increase in sales volume of Detox Tea; (2) the overall price rise of Slimming Tea and Detox Tea since 1 January 2015; (3) the sales revenue contributed from the new product, Orlistat under the brand of "LARLLY"; and (4) the steady increase in sales revenue from e-commerce channels.

In the first half of 2015, through the Group's vigorous and positive efforts in market promotion, Besunyen's brand image was enhanced, which led to an increase in consumers' recognition of the products. The average selling prices ("ASPs") (revenue divided by sales volume) of Besunyen Detox Tea and Besunyen Slimming Tea were RMB1.55 and RMB1.49 per bag respectively in the first half of 2015, increased by 6.9% and 5.7% from RMB1.45 and RMB1.41 per bag in the same period of 2014, respectively.

### Cost of Sales and Gross Profit

	For the six months ended 30 June			
	2015		2014	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
Cost of sales	<u>46,387</u>	<u>13.3%</u>	<u>43,948</u>	<u>14.0%</u>
Gross profit	<u>301,496</u>	<u>86.7%</u>	<u>270,053</u>	<u>86.0%</u>

Cost of sales of the Group increased by 5.7% from RMB43.9 million in the first half of 2014 to RMB46.4 million in the same period of 2015. Cost of sales as a percentage of revenue decreased from 14.0% in the first half of 2014 to 13.3% in the same period of 2015.

As a result of the increase in revenue by 10.8% and decrease in cost of sales as a percentage of revenue by 0.7 percentage point in the first half of 2015 as compared to the same period of 2014, gross profit of the Group increased by 11.6% from RMB270.1 million in the first half of 2014 to RMB301.5 million in the same period of 2015. Gross profit margin of the Group slightly increased from 86.0% in the first half of 2014 to 86.7% in the same period of 2015.

### Selling and Marketing Expenses

	For the six months ended 30 June			
	2015		2014	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
Advertising expenses	<b>108,900</b>	<b>31.3%</b>	126,308	40.2%
Other marketing and promotional expenses	<b>35,834</b>	<b>10.3%</b>	37,324	11.9%
Staff costs	<b>44,707</b>	<b>12.8%</b>	42,403	13.5%
Others	<b>19,064</b>	<b>5.5%</b>	18,639	6.0%
Total	<b>208,505</b>	<b>59.9%</b>	224,674	71.6%

Selling and marketing expenses of the Group decreased by 7.2% from RMB224.7 million in the first half of 2014 to RMB208.5 million in the same period of 2015. As the Group has accumulated years of experience in media resources and media placement, the efficiency of the advertising placement of the Group gradually improves. The media department of the Group utilises the comprehensive media resources of the Group to establish an advertising broadcasting model of 3-dimensional and cross-type coverage and enhanced communication for the Two Teas, which allows the advertising expenses to be well controlled in light of an effective placement. Advertising expenses and other marketing and promotional expenses decreased by 13.8% and 4.0% respectively in the first half of 2015 as compared to the same period of 2014. Staff costs and others increased by 5.4% and 2.3% respectively as compared to the same period of 2014, and the increase of staff cost was mainly due to the increase in staff bonus as a result of the increase in sales revenue.

As a result, in the first half of 2015, the Group's revenue increased by 10.8% as compared to the same period of 2014 and total selling and marketing expenses decreased by 7.2%, leading to the decrease in selling and marketing expenses as a percentage of revenue from 71.6% in the first half of 2014 to 59.9% in the same period of 2015.

### Administrative Expenses

	For the six months ended 30 June			
	2015		2014	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
Staff costs	<b>20,585</b>	<b>5.9%</b>	11,791	3.7%
Office expenses	<b>13,068</b>	<b>3.8%</b>	12,205	3.9%
Professional fees	<b>13,490</b>	<b>3.9%</b>	10,690	3.4%
Travel and entertainment expenses	<b>3,299</b>	<b>0.9%</b>	2,763	0.9%
Others	<b>2,509</b>	<b>0.7%</b>	3,462	1.1%
Total	<b>52,951</b>	<b>15.2%</b>	40,911	13.0%

Administrative expenses of the Group increased by 29.6% from RMB40.9 million in the first half of 2014 to RMB53.0 million in the same period of 2015. Administrative expenses as a percentage of revenue increased from 13.0% in the first half of 2014 to 15.2% in the same period of 2015, mainly due to the introduction of a group of quality management talents by the Company in the second half of 2014. In order to better stimulate these quality talents, the Company granted options to these management talents in October 2014, and increased the incentive measures of performance assessment, which resulted in an increase in staff costs under administrative expenses as a percentage of revenue from 3.7% in the first half of 2014 to 5.9% in the same period of 2015.

### Research and Development Costs

	For the six months ended 30 June			
	2015		2014	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
Research and development costs	<u>2,175</u>	<u>0.6%</u>	<u>3,750</u>	<u>1.2%</u>

The Group's research and development costs decreased by 42.1% from RMB3.8 million in the first half of 2014 to RMB2.2 million in the same period of 2015. Expenditure on research and development costs remained relatively low. The Group has successfully obtained 16 approvals for healthcare products issued by the relevant authorities of the State through continuous independent research and development since its establishment. Currently, research and development costs are mainly used for upgrading and maintenance of such products. In the second half of 2015, the Company intends to enhance the research and development effort to replenish new products for the Group and, in the meantime, ensure the quality assurance and upgrade of the existing products.

### Taxation

Income tax expense of the Group decreased from RMB12.4 million in the first half of 2014 to RMB8.4 million in the same period of 2015. This was mainly due to the entitlement of preferential tax rate by Beijing Outsell, a major subsidiary of the Group, and the decreases in non-deductible expenditures items in the current period.

### Profit and Total Comprehensive Income

Due to the factors set out above, profit and total comprehensive income of the Group increased significantly from profit of RMB17.2 million in the first half of 2014 to profit of RMB39.8 million in the same period of 2015.

## Use of Net Proceeds from IPO

Net proceeds from the IPO amounted to approximately RMB1,033.2 million, which have been applied in accordance with the uses disclosed in the prospectus and the announcement of the Company. As at 30 June 2015, uses of the above net proceeds were detailed as follows:

	Net Proceeds from IPO		
	Available RMB'000	Utilised RMB'000	Unutilised RMB'000
Acquisition of new production equipment and building new production facilities	275,094	275,094	—
Establishment of East China Regional Headquarters Beijing new office building	77,518	77,518	—
Design, research and development of new products	123,664	123,664	—
Upgrading ERP and overall IT system	62,981	62,981	—
Loan repayment	8,834	8,834	—
Expansion of traditional and internet sales and distribution network, channels and brand building	73,000	73,000	—
Working capital	153,092	73,092	80,000
Investment in traditional and internet medical and pharmaceutical industries	109,000	58,474	50,526
	<u>150,000</u>	<u>—</u>	<u>150,000</u>
Total	<u>1,033,183</u>	<u>752,657</u>	<u>280,526</u>

On 16 June 2015, in order for the Company to seize the business opportunities in the medical and pharmaceutical industries and to utilise the net proceeds of the Company more efficiently, the Board resolved to change the proposed use of the unutilised net proceeds from the IPO as follows: (i) approximately RMB150,000,000 to be used for investment in the traditional and internet medical and pharmaceutical industries; (ii) approximately RMB80,000,000 to be used for expansion of traditional and internet sales and distribution network, channels and brand building; and (iii) approximately RMB50,526,000 to be used for supplement the general working capital. The Board is of the view that the change in use of proceeds from the IPO will facilitate the Company and its subsidiaries to extend its business, broaden its revenue base and enhance its competitiveness and is in the best interests of the Company and its shareholders as a whole. In addition, in order to better achieve the preservation and appreciation of values of the proceeds, to the extent that the net proceeds from the IPO are not immediately applied to the changed purposes above, the Board intends to place such proceeds in short-term interest-bearing instruments, money market funds or principal-preservation financial wealth management products with licensed banks in the PRC or licensed banks or financial institutions in Hong Kong. Please refer to the announcement of the Company dated 16 June 2015 for details.

## Liquidity and Capital Resources

In the first half of 2015, funds and capital expenditure required in the operation of the Group mainly came from cash flow generated from its internal operations as well as the proceeds from the IPO. The Company has carefully reviewed the performance of budget for the first half of 2015, each of the income and profit indicators has met the budget. In the second half of 2015, the Company intends to strictly control expenses as in the past to ensure that the income could meet the budget while the expenses do not exceed the budget.

## Cash Flow

The following table summarises the net cash flow of the Group for the six months ended 30 June:

	For the six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash from operating activities	63,830	102,358
Net cash used in investing activities	(209,681)	(79,542)
Net cash used in financing activities	(24,180)	—
	<u>          </u>	<u>          </u>
Net (decrease)/increase in cash and cash equivalents (before effect of foreign exchange rate changes)	<u>(170,031)</u>	<u>22,816</u>
Effect of foreign exchange rate changes (Decrease)/increase in cash and cash equivalents	<u>676</u>	<u>190</u>
	<u>(169,355)</u>	<u>23,006</u>

In the first half of 2015, net cash from operating activities of the Group was RMB63.8 million (for the same period of 2014: RMB102.4 million) and net profit attributable to owners of the Company was RMB39.3 million. The difference was mainly due to the increase in inventories of RMB5.6 million, the increase in trade and bills receivables of RMB19.8 million, the increase in deposits, prepayments and other receivables of RMB21.7 million, the increase in trade and bills payables of RMB4.2 million, and the increase in other payables and accrued expenses of RMB41.4 million. Net cash used in investing activities of the Group was RMB209.7 million (for the same period of 2014: RMB79.5 million). The increase from the same period of 2014 was mainly due to the increases in term deposits with initial term of over three months and short-term investments.

### Cash and cash equivalents and Bank Loans

As at 30 June 2015, the cash and cash equivalents of the Group totalled RMB208.4 million (as at 31 December 2014: RMB377.8 million), representing a decrease of RMB169.4 million as compared to the end of the previous year. It was mainly due to an increase in cash used in investing activities. Approximately 96.7% of the cash and cash equivalents of the Group was in Renminbi. In addition, as at 30 June 2015, the Group did not have any bank borrowings (as at 31 December 2014: nil) and unused bank credit lines (as at 31 December 2014: nil).

## Capital Expenditure

In the first half of 2015, capital expenditure of the Group was RMB10.2 million (for the same period of 2014: RMB18.2 million), which mainly included payment for purchases of property, plant and equipment. The following table sets forth capital expenditure as paid out by the Group during the six months ended 30 June as indicated:

	For the six months ended	
	30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	10,159	15,203
Land use rights	—	3,000
Total	<u>10,159</u>	<u>18,203</u>

## Investment Properties

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

	As at	
	30 June	31 December
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Investment properties	<u>387,444</u>	<u>394,012</u>

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

As at 30 June 2015, carrying value of investment properties amounted to RMB387.4 million (as at 31 December 2014: RMB394.0 million). These investment properties are measured using the cost method and depreciated on a straight-line basis over the estimated useful life of 30 years.

## Inventories

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

	As at	
	30 June 2015	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and packing materials	3,104	2,602
Work in progress	738	1,066
Finished goods	6,988	1,446
Total inventories	<u>10,830</u>	<u>5,114</u>

The turnover days of the Group's inventories in the first half of 2015 (calculated by dividing the average amount of inventory balances at the beginning and the end of the period by the cost of sales of the period, then multiplying by the number of days during the period) was 31 days (for the year ended 31 December 2014: 22 days). The Group actively monitors its inventory level to ensure that the inventory volumes of raw materials, work in progress and finished goods remain at a rather low but sufficient level. Throughout the distribution and retail process, the Group monitors and evaluates sales performance and product trends, so as to better estimate inventory requirements.

## Trade and Bills Receivables

The Group generally requests distributors to pay before the delivery of products. For certain major distributors having a long-term relationship with the Group, the Group may allow more favourable payment and settlement terms. The Group provides a credit period of 20 days or a maximum of six months to a tiny number of reputable distributors. For distributors not enjoying a contractual credit period, they may apply for credit on an individual basis, and the Group would grant approval on a case-by-case basis considering marketing development needs, payment capabilities of the distributors and their past payment records. The Company also accepts payment for goods by bank acceptance bills from several long-term customers, but will still charge for interest expenses from the discount payable to such customers.

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

	As at	
	30 June 2015	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	5,378	2,703
Bills receivables	36,230	11,616
Less: allowance for doubtful debts	(115)	(198)
Total	<u>41,493</u>	<u>14,121</u>

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

	<b>For the six months ended 30 June 2015 <i>No. of days</i></b>	<b>For the year ended 31 December 2014 <i>No. of days</i></b>
Trade and bills receivables turnover days <sup>(1)</sup>	<b>8</b>	7
of which, trade receivables turnover days	<b><u>2</u></b>	<b><u>5</u></b>

(1) Since the advance payment from distributors amounting to RMB18.8 million in the form of bills receivables as at 30 June 2015 would be recognised as revenue only when the products had been manufactured and delivered to distributors after 30 June 2015, the amount was deducted from the balances as of the closing dates of bills receivables in the calculation of turnover days.

Trade and bills receivables turnover days of the Group increased from 7 days for the year ended 31 December 2014 to 8 days for the first half of 2015. In the meantime, the Group adopted a more prudent credit policy and trade receivables turnover days decreased from 5 days for the year ended 31 December 2014 to 2 days for the six months ended 30 June 2015.

The Group grants a credit period of 20 to 180 days to its customers. The following is an age analysis of trade and bills receivables (net of allowance for doubtful debts) presented based on the date of delivery of goods, which approximated to the respective revenue recognition dates.

	<b>As at 30 June 2015 <i>RMB'000</i></b>	<b>31 December 2014 <i>RMB'000</i></b>
0–90 days	<b>41,131</b>	13,795
91–180 days	<b>264</b>	174
181–365 days	<b><u>98</u></b>	<u>152</u>
Total	<b><u>41,493</u></b>	<b><u>14,121</u></b>

Included in the Group's trade and bills receivables as at 30 June 2015 are debtors with an aggregate carrying amount of approximately RMB98,000 (31 December 2014: RMB152,000) which were past due, for which an impairment loss was not provided by the Group. The Group did not hold any collateral over these balances.

## Trade and Bills Payables

The Group's trade payables mainly comprise payables by the Group to the suppliers of raw materials and packaging materials. Based on the long-term relationships with major suppliers of the Group, the Group generally enjoys favourable credit terms of up to 90 days.

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

	As at	
	30 June 2015 <i>RMB'000</i>	31 December 2014 <i>RMB'000</i>
Trade payables	6,807	1,733
Bills payables	13,421	8,648
Total	<u>20,228</u>	<u>10,381</u>

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

	For the six months ended 30 June 2015 <i>No. of days</i>	For the year ended 31 December 2014 <i>No. of days</i>
Trade and bills payables turnover days	59	57
of which, trade payables turnover days	<u>16</u>	<u>11</u>

Trade and bills payables turnover days of the Group increased from 57 days for the year ended 31 December 2014 to 59 days for the first half of 2015. It was mainly due to an increase in bills payables and more favourable credit terms obtained from suppliers for the six months ended 30 June 2015.

The following table summarises the ageing of the Group's trade payables as of the dates indicated:

	As at	
	30 June 2015 <i>RMB'000</i>	31 December 2014 <i>RMB'000</i>
0–90 days	6,229	1,409
91–180 days	560	191
181–365 days	18	51
Over 1 year	—	82
Total	<u>6,807</u>	<u>1,733</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 denominated in Hong Kong dollar and US dollar.

For the six months ended 30 June 2015, the Group did not purchase any foreign exchange, interest rate derivative products or relevant hedging instruments (2014: nil).

## **Material Acquisition or Disposal**

For the six months ended 30 June 2015, the Group had no material acquisition or disposal (for the six months ended 30 June 2014: nil).

## **Pledge of Assets**

As at 30 June 2015, the Group had no pledge of assets (as at 31 December 2014: nil).

## **Gearing Ratio**

As at 30 June 2015, the Group's gearing ratio (total liabilities divided by total assets, in percentage) was 16.33% (as at 31 December 2014: 12.87%).

## **Contingent Liabilities and Guarantees**

As at 30 June 2015, the Group had no material contingent liabilities or guarantees (as at 31 December 2014: nil).

## **Off-balance Sheet Commitments and Arrangements**

As at 30 June 2015, the Group had no off-balance sheet commitments or arrangements (as at 31 December 2014: nil).

## **Capital Commitments**

As at 30 June 2015, the Group had capital commitments of RMB3.3 million (as at 31 December 2014: RMB6.4 million).

## **Human Resources Management**

The Group regards high-quality employees as its most important resource. As at 30 June 2015, the Group had about 1,206 employees in mainland China and Hong Kong (31 December 2014: 1,014 employees), which included 128 promotional staff employed by employment agents (31 December 2014: 156). Increase in the number of staff was mainly due to the consolidation of Guangzhou Runliang into the Group. For the six months ended 30 June 2015, total labour costs (including Directors' remunerations and non-cash share-based compensation) was approximately RMB77.7 million (for the same period of 2014: RMB67.7 million). Staff remuneration is formulated with reference to individual performance, work experience, qualification and prevailing industry practice. Apart from basic salary and statutory pension welfare, staff welfare also includes discretionary bonus and stock options.

The Group places emphasis on the recruitment, motivation and retention of suitable talents. Directors and some of the senior and middle management executives enjoy share options under the pre-IPO share option scheme and the share option scheme adopted by the Company on 30 April 2010 and 8 September 2010, respectively, which are to motivate staff, to encourage them to work hard to enhance the value and foster better long-term development of the Group. The Company has also adopted a restricted share award scheme to grant restricted shares to eligible employees.

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

## **CORPORATE GOVERNANCE**

The Company has applied the principles and complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of 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 2015, 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 25 years of experience in China’s food and beverage industry. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group’s business strategies 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. Wang Jing, a Director with the appropriate professional qualifications and serving as the chairman of the Audit Committee, Mr. Huang Jingsheng and Mr. Ren Guangming. The Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2015 and this announcement, reviewed 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 for the six months ended 30 June 2015.

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK1.25 cents per share (HK\$19,618,000 in aggregate) for the six months ended 30 June 2015 to the shareholders of the Company whose names appear on the register of members of the Company on 26 August 2015. The interim dividend will be paid on 7 September 2015.

## **CLOSURE OF THE REGISTER OF MEMBERS**

The register of members of the Company will be closed on 26 August 2015. On such day, no transfer of shares of the Company will be registered. The record date for determining the eligibility to receive the interim dividend will be on 26 August 2015. In order to be eligible for receiving the interim dividend, all completed transfer forms accomplished by the relevant shares certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 25 August 2015.

## **REVIEW OF INTERIM RESULTS**

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2015 has been reviewed by PricewaterhouseCoopers, the auditor of the Company.

## **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](http://www.hkexnews.hk)). The interim report of the Company for the six months ended 30 June 2015 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, 6 August 2015

*As at the date of this announcement, the executive Directors are Mr. Zhao Yihong (Chairman and Chief Executive Officer) and Ms. Gao Yan (Vice Chairman); the non-executive Director is Mr. Zhuo Fumin; and the independent non-executive Directors are Mr. Huang Jingsheng, Mr. Wang Jing and Mr. Ren Guangming.*