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 2017

THE OPERATION RESULTS OF THE GROUP

The revenue of the Group for the first half of 2017 was RMB288.2 million, representing a decrease of 11.2% as compared with the revenue of RMB324.5 million for the same period in 2016.

Gross profit of the Group amounted to RMB234.7 million for the first half of 2017, representing a decrease of 14.4% from the gross profit of RMB274.1 million for the same period of 2016. The gross profit margin of the Group was 81.4% for the first half of 2017, representing a decrease of 3.1 percentage points from the gross profit margin of 84.5% for the same period of 2016.

Total operating expenses (including selling and marketing expenses, administrative expenses, and research and development costs) of the Group for the first half of 2017 were RMB208.0 million, representing a decrease of 25.2% as compared with the total operating expenses of RMB277.9 million for the same period of 2016.

The Group recorded a total comprehensive income attributable to owners of the Company of RMB27.4 million for the first half of 2017, representing an increase of 640.5% from a total comprehensive income attributable to owners of the Company of RMB3.7 million for the same period of 2016.

The basic and diluted earnings per share attributable to owners of the Company for the first half of 2017 were both RMB1.91 cents (for the same period of 2016: both the basic and diluted earnings per share attributable to owners of the Company were RMB0.24 cent).

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2017.

The board (the "**Board**") of directors (the "**Directors**") of Besunyen Holdings Company Limited (the "**Company**") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2017, as below:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Revenue	4	**288,241**	324,540
Cost of sales		**(53,507)**	(50,454)
Gross profit		**234,734**	274,086
Other income		**13,541**	18,609
Selling and marketing expenses		**(149,321)**	(234,057)
Administrative expenses		**(54,170)**	(38,898)
Research and development costs		**(4,538)**	(4,979)
Other expenses		**(4,525)**	(5,236)
Other losses, net		**(1,512)**	(327)
Share of losses of investments accounted for using the equity method		**(2,363)**	(298)
Profit before income tax		**31,846**	8,900
Income tax expense	5	**(4,454)**	(10,618)
Profit/(loss) for the period		**27,392**	(1,718)
Profit/(loss) attributable to:			
— Owners of the Company		**27,392**	3,682
— Non-controlling interests		**—**	(5,400)
		27,392	(1,718)
Other comprehensive income		**—**	—
Total comprehensive income/(loss) for the period		**27,392**	(1,718)
Total comprehensive income/(loss) attributable to:			
— Owners of the Company		**27,392**	3,682
— Non-controlling interests		**—**	(5,400)
		27,392	(1,718)
Earnings per share attributable to owners of the Company *(RMB cents)*			
— Basic earnings per share	6	**1.91**	0.24
— Diluted earnings per share	6	**1.91**	0.24

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2017 *RMB'000*	Audited 31 December 2016 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**377,585**	381,640
Land use rights		**359,852**	364,358
Investment properties		**54,602**	55,632
Intangible assets		**8,487**	8,397
Non-current deposits		**82,073**	8,402
Investments accounted for using the equity method		**64,570**	66,933
Deferred income tax assets		**41,662**	34,237
		988,831	919,599
Current assets			
Inventories		**19,467**	22,720
Trade and bills receivables	8	**67,885**	31,504
Deposits, prepayments and other receivables		**47,348**	13,175
Pledged bank deposits		**5,355**	3,911
Cash and cash equivalents		**143,901**	153,884
		283,956	225,194
Total assets		**1,272,787**	1,144,793
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**90**	86
Share premium		**1,088,273**	1,055,961
Other reserves		**319,345**	319,050
Accumulated losses		**(358,173)**	(385,565)
Total equity		**1,049,535**	989,532
LIABILITIES			
Non-current liabilities			
Deferred government grants		**8,211**	8,639
Deferred income tax liabilities		**6,966**	7,066
Other non-current liabilities		**1,598**	1,396
		16,775	17,101
Current liabilities			
Trade and bills payables	9	**12,071**	14,780
Other payables and accrued expenses		**182,201**	121,175
Current income tax liabilities		**12,205**	2,205
		206,477	138,160
Total liabilities		**223,252**	155,261
Total equity and liabilities		**1,272,787**	1,144,793

NOTES:

1. GENERAL INFORMATION

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

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

The Group's interim condensed consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated.

The Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2017 (the "current period") was approved for issue by the board of directors of the Company on 15 August 2017.

2. SIGNIFICANT EVENTS AND TRANSACTIONS

(i) On 10 March 2017, Beijing Outsell Health Product Development Co., Ltd. ("Beijing Outsell"), a wholly-owned subsidiary of the Group, Zhongshan Wanyuan New Medicine Research and Development Co., Ltd. ("Zhongshan Wanyuan"), Zhongshan Wanhan Pharmacy Co., Ltd. ("Zhongshan Wanhan"), and the respective shareholders of Zhongshan Wanyuan and Zhongshan Wanhan (collectively the "Sellers") entered into an investment agreement (the "Investment Agreement"), pursuant to which: (1) Beijing Outsell conditionally agreed to purchase 39.66% equity interest in Zhongshan Wanhan from the Sellers at a total consideration of RMB77,100,000 (the "Equity Transfer"); and (2) Beijing Outsell conditionally agreed to make capital contribution in cash to each of Zhongshan Wanyuan and Zhongshan Wanhan in the total sum of RMB60,600,000. Upon completion the Investment Agreement, Beijing Outsell will own 51% equity interest in each of Zhongshan Wanyuan and Zhongshan Wanhan.

As of 30 June 2017, the Group has already paid consideration of RMB73,035,000 to the Sellers for the Equity Transfer which was recognised as "Non-current deposit" in the interim condensed consolidated balance sheet. The remaining consideration for the Equity Transfer of RMB4,065,000 was paid to the Sellers on 3 July 2017. Up to the date of the interim condensed consolidated financial information, the Group has not yet made any capital contribution in cash to Zhongshan Wanhan and Zhongshan Wanyuan.

On 28 July 2017, the Group decided to arrange another wholly-owned subsidiary of the Group, Khorgos Besunyen Venture Investment Co., Ltd. ("Besunyen Venture Investment") to take over all the rights and obligations of Beijing Outsell under the Investment Agreement.

(ii) On 10 March 2017, the Company has entered into a share subscription agreement with certain individuals and a company (collectively the "Subscribers"), pursuant to which the Subscribers conditionally agree to subscribe for, and the Company conditionally agreed to issue and allot 165,000,000 shares (the "Shares") at HK$0.5 per share subject to a lock-up period of one year.

On 22 June 2017, the Company has issued 90,000,000 ordinary shares to the Subscribers at HK$0.5 per share totaling HK$45,000,000 (equivalent to approximately RMB39,343,000).

On 25 July 2017, the Company has further issued remaining 75,000,000 ordinary shares to the Subscribers at HK$0.5 per share totaling HK$37,500,000 (equivalent to approximately RMB32,415,000).

(iii) On 10 March 2017, Beijing Outsell has entered into an equity transfer agreement (the "Initial Agreement") with Zhonghang Tuohong (Xi'an) Property Co., Ltd. ("Zhonghang Tuohong") and Beijing Outsell's wholly-owned subsidiary, Beijing Besunyen Food and Beverage Co., Ltd. ("Besunyen Food and Beverage"), pursuant to which (i) Beijing Outsell agreed to dispose of its entire 100% equity interest in Besunyen Food and Beverage to Zhonghang Tuohong at an aggregate consideration of RMB75,000,000 (the "Consideration"), as appraised by DTZ Cushman & Wakefield Limited (an independent appraiser) using asset-based approach (the "Disposal"); and (ii) Besunyen Food and Beverage agreed to repay the debt of RMB50,000,000 to Beijing Outsell within 45 days upon the completion of the registration of the related equity transfer. The Disposal was originally expected be completed on or before 9 May 2017 according to the Initial Agreement.

On 25 July 2017, Beijing Outsell entered into a supplemental agreement (the "Supplemental Agreement") with Zhonghang Tuohong and Beijing Besunyen Food and Beverage, pursuant to which the parties agreed to adjust the payment arrangement of the consideration as follows: (i) a deposit of RMB5,000,000 (the "Deposit") shall be paid by Zhonghang Tuohong to Beijing Outsell within 60 days from the execution date of the Supplemental Agreement; (ii) the remaining portion of the Consideration shall be fully paid by Zhonghang Tuohong on or before 31 December 2018. In the event that Zhonghang Tuohong fails to pay the consideration in full on or before 31 December 2018, the Deposit as advanced by Zhonghang Tuohong will be forfeited by Beijing Outsell. As of the date of the interim condensed consolidated financial information, the Group has not yet received the Deposit.

3. BASIS OF PREPARATION AND PRESENTATION

The interim condensed consolidated financial information for the six months ended 30 June 2017 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 Group's annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (the "2016 Annual Financial Statements").

Amendments to IFRSs which are effective for the financial year beginning on or after 1 January 2017 do not have any material impact on the Group.

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 2017 in the interim condensed consolidated financial information, but has already commenced an assessment of the related impact on the Group. The implication or potential impact on the Group upon the adoption of these new standards and amendments to IFRSs have already been disclosed in the 2016 Annual Financial Statements.

4. REVENUE AND SEGMENT INFORMATION

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

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

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

The segment results for the six months ended 30 June 2017 are as follows:

	Tea products segment *RMB'000*	Slimming medicine segment *RMB'000*	Total *RMB'000*
Total revenue	**254,775**	**33,466**	**288,241**
Inter-segment revenue	**—**	**—**	**—**
Revenue from external customers	**254,775**	**33,466**	**288,241**
Cost of sales	**(45,021)**	**(8,486)**	**(53,507)**
Gross profit	**209,754**	**24,980**	**234,734**
Selling and marketing expenses	**(128,117)**	**(21,204)**	**(149,321)**
Research and development costs	**(4,538)**	**—**	**(4,538)**
Segment results	**77,099**	**3,776**	**80,875**
Other income			**13,541**
Other losses, net			**(1,512)**
Administrative expenses			**(54,170)**
Other expenses			**(4,525)**
Share of losses of investments accounted for using the equity method			**(2,363)**
Profit before income tax			**31,846**
Income tax expense			**(4,454)**
Profit for the period			**27,392**
Other segment information:			
Depreciation	**15,803**	**97**	**15,900**
Amortisation	**4,998**	**408**	**5,406**

The segment results for the six months ended 30 June 2016 are as follows:

	Tea products segment *RMB'000*	Slimming medicine segment *RMB'000*	Total *RMB'000*
Total revenue	252,040	72,500	324,540
Inter-segment revenue	—	—	—
Revenue from external customers	252,040	72,500	324,540
Cost of sales	(35,532)	(14,922)	(50,454)
Gross profit	216,508	57,578	274,086
Selling and marketing expenses	(164,745)	(69,312)	(234,057)
Research and development costs	(4,979)	—	(4,979)
Segment results	46,784	(11,734)	35,050
Other income			18,609
Other losses, net			(327)
Administrative expenses			(38,898)
Other expenses			(5,236)
Share of losses of investments accounted for using the equity method			(298)
Profit before income tax			8,900
Income tax expense			(10,618)
Loss for the period			(1,718)
Other segment information:			
Depreciation	17,654	18	17,672
Amortisation	4,876	408	5,284

Non-current assets are all located in the PRC.

All the revenue derived from any single external customer were less than 10% of the Group's total revenue for the six months ended 30 June 2017 and 2016.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current income tax		
— Current income tax on profit for the period	**11,979**	6,634
— Over provision of PRC corporate income tax in the prior year	**—**	(1,160)
	11,979	5,474
Deferred income tax		
— Origination and reversal of temporary differences	**(7,525)**	5,144
	4,454	10,618

The effective tax rate for the six months ended 30 June 2017 is approximately 14% (2016: 119%). The lower effective rate for the current period was primarily attributable to the significant increase in the recognition of deferred income tax assets on previously unrecognised tax losses/deductible temporary differences during the current period.

6. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2017	2016
Profit attributable to owners of the Company *(in RMB'000)*	**27,392**	3,682
Weighted average number of ordinary shares in issue	**1,434,372,745**	1,523,389,319
Basic EPS *(RMB cent per share)*	**1.91**	0.24

(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 EPS). The share options had anti-diluted effect to the Group for the six months ended 30 June 2017 and 2016. In addition, there were no unvested restricted shares which would result in dilutive effect to the Group as at 30 June 2017 and 2016. No adjustment is made to earnings (numerator). Accordingly, the diluted earning per share is the same as the basic earnings per share for the six months ended 30 June 2017 and 2016.

7. DIVIDENDS

(a) Dividends attributable to the current period

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2017 (2016: nil).

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Ordinary final dividend in respect of the previous financial year, approved and paid during the current period, of nil (2016: HK$0.05 (equivalent to approximately RMB0.04)) per share	**—**	64,378
Special dividend in respect of the previous financial year, approved and paid during the current period, of nil (2016: HK$0.05 (equivalent to approximately RMB0.04)) per share	**—**	63,591

8. TRADE AND BILLS RECEIVABLES

	As at 30 June 2017 RMB'000	31 December 2016 RMB'000
Trade receivables	**9,807**	5,756
Bills receivables	**58,191**	26,150
	67,998	31,906
Less: allowance for doubtful debts	**(113)**	(402)
	67,885	31,504

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

	As at 30 June 2017 RMB'000	31 December 2016 RMB'000
0 to 90 days	**56,067**	24,417
91 to 180 days	**11,784**	6,914
181 to 365 days	**33**	158
Over 365 days	**1**	15
	67,885	31,504

9. TRADE AND BILLS PAYABLES

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

	As at 30 June 2017 RMB'000	31 December 2016 RMB'000
0 to 90 days	**8,295**	10,772
91 to 180 days	**3,776**	4,008
	12,071	14,780

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Revitalising terminal pharmacies with innovative marketing

During the first half of 2017, the Group sought to increase sales by implementing a sales strategy of differentiation for pharmacy chain stores and terminal pharmacies in different regions, aiming to increase the sales to pharmacies with a primary focus on meeting consumers' requirements. During the first half of 2017, the Group's marketing teams tailored precise marketing plans for selected pharmacy chain stores which had been in close cooperation with us. We successfully developed several terminals with strong sales of Two Teas and LARLLY Orlistat, which became exemplary models for other terminals. This has contributed to notable growth in sales to partner pharmacies, which has in turn increased sales of the entire pharmacy network in the surrounding regions of such pharmacies, resulting ultimately in the growth of sales to pharmacies in the market generally. The driving force provided by the exemplary pharmacies has helped to consolidate our existing consumer base while attracting new buyers, creating a spillover effect that has enhanced sales for the entire region. Such measures have not only enhanced the brand image of Besunyen, but have also been much welcomed and supported by pharmacy chain stores.

Enhancing competitiveness of sales team with flattened sales management structure

During the first half of 2017, the Group managed its sales regime by introducing a flattened structure. The previous three-tiered organisation formed by the major sales regions, provincial offices and local regions was restructured into a two-tiered organisation formed by the business departments and the regional offices, comprising 13 business departments and 49 regional offices. With a simplified management hierarchy, operating efficiency under the new organisation has been significantly enhanced. Meanwhile, the Group focused its staff training effort on the 49 regional offices, with a view to prioritising, grooming and building a pool of talents. Frontline sales representatives were formed into working teams of three. With the benefit of concerted efforts and synergies, the overall competitiveness of the sales teams has been substantially enhanced.

"Thousand Faces" packaging design underpinning young and energetic brand positioning

Market researches and observations on consumer behavior indicate that women aged 18 to 24 constitute the dominant population group of the weight losing market, accounting for approximately 54% of the target population group in this market. They have manifold expectations for slimming tea products, such as fashionable packaging, good tasting and notable efficacy. They typically trust weight-losing products and related information searched via the mobile internet, namely, their handsets, through which they would also make their purchases. A whole new idea of product packaging has emerged with expectations for light-hearted, playful and personalised designs and an increasing addiction to internet slangs. To stay in tune with young consumers, the Group introduced exclusive comic-style new packagings for the online versions of its core product lines, namely, Besunyen Detox Tea, Besunyen Slimming Tea and Besunyen Xian Xian Tea, during the first half of 2017. A gift set packaging for Besunyen Detox Tea was launched to meet the consumers' needs of long-term use. We are also working on a new "Thousand Faces" (千人千面) packaging design for the offline version of Besunyen Xian Xian Tea as part of our efforts in brand transformation towards a stronger appeal for young buyers and a more professional image in relation to weight management.

Strategic cooperation with m.111.com.cn for mutual success in the big health industry

On 27 February 2017, the Group entered into a strategic cooperation agreement in Beijing with m.111.com.cn (1藥網). As a specialised and precisely-targeted pharmacare e-commerce platform, m.111.com.cn has many years of experience in the operation of big data accumulations, online services and supply-chain operations. The strategic cooperation between the Group and m.111.com.cn would enable mutual sharing of superior resources for the joint promotion of the Group's new products. The two parties would unite their respective strengths in the areas of resource sharings, big data applications, innovative marketings and specialised services. Furthermore, the two parties would be engaged in a joint effort to promote the "Alliance for Certified Products" ("正品聯盟") and develop brand new partnerships for strategic cooperation for mutual success in the big health industry.

Broader approaches for brand promotion through new-media marketing

In view of the robust development of the mobile internet and the decreasing age of consumer groups, the Group has also diversified to variety shows on the mobile internet from traditional TV media programmes in terms of the channel and form of its advertising placements. During the first half of 2017, the Group provided a title sponsorship for "We Are 17" (《我們十七歲》), a variety show of Tencent whose audiences fell mainly within the age group of 20 to 39 with a largely balanced mix of genders, resulting in a viewership in excess of 100 million for Besunyen commercials. In addition to marketing through entertainment shows, the said advertising placement has successfully communicated with the consumers that the official change of Chinese product name of Besunyen Slimming Tea from "碧生源牌減肥茶" to "碧生源牌常菁茶" is for the purpose of brand rejuvenation, while mitigating the impact of regulatory control introduced by national policies. This was also in line with the communications theory that calls for identification with consumer groups and their preferences.

During the first half of 2017, the Group also launched three live broadcast shows — "A Visit to the Production Plant of Besunyen" ("走進碧生源工廠"), "Let Go of the Fat" ("放開那個肉肉") and "Mysterious Invitation from Besunyen — Unlocking the Secret Chamber of the Intestine" ("碧生源神秘邀請函之解鎖腸道密室") — on the Internet through www.yizhibo.com ("一直播"), a live broadcast platform on the internet. The shows have generated an aggregate of approximately 30 million views and the number of new customers has increased substantially as a result. This innovative and exploratory attempt at new media marketing has enriched our Group's brand communication, enabling us to stay in tune with young consumers through more diversified approaches. We started to implement the live broadcast model on m.111.com.cn, our strategic partner, and then moved on in gradual transition to www.yizhibo.com, a popular live broadcast platform, through which we effectively tapped the Weibo population and gained direct access to millions of fans leveraging the "Internet Star" economy to assure basic viewership. The contents were increasingly attuned to younger audience with the imparting of a younger brand tone for Besunyen.

Moreover, in order to increase exposure of our branded products and win over new users, the Group made 9 different versions of 1-minute micro-videos in June 2017 to promote the Besunyen brand, with a special emphasis on precise targeting at young consumers.

As a result of adjustments to the Group's strategy for advertising placements, our investment in advertisements via media reduced substantially for the first half of 2017. For our investment in advertisements via new media, the Group has not yet formulated an established system. The Group will therefore continue to explore investment in advertisements via traditional media and new media and strive to devise effective marketing and advertising plans with high reaches at low costs.

In-depth development of e-commerce channels in an effort to build an e-commerce based enterprise

In connection with e-commerce, the Group has committed additional resources to B2C while sustaining its B2B business and adopted the B2C repeat purchase rate as a key indicator. During the first half of 2017, there was a notable increase in the number of users conducting repeat purchases. At the same time, stronger efforts were made to consolidate e-commerce channels as distributors with subpar e-commerce ability were terminated in an effort to optimise the portfolio of channel distributors. New B2C users were acquired to the maximum extent through new approaches in marketing and communication. In terms of channel development, classified Besunyen food stores as well as Besunyen concession counters were opened on mainstream e-commerce platforms. During the first half of 2017, the Group's e-commerce department was engaged in ongoing development of the two product categories of slimming products and laxatives, laying a solid foundation for the subsequent continuous attainment of excellent sales results.

"One Focus and Two Dimensions" — product strategy with a special focus on new products for e-commerce sales

Through the recruitment of high-level talents, the R&D centre of the Group has improved its organisational structure, which boasts general capabilities in the research and development of pharmaceuticals, health food and other food items on the back of 5 core technological segments, namely, pharmacological research, analytical research of Chinese medicines, pharmaceutical formulation development, pilot production process, as well as patent application and legal compliance.

Since April 2017, the Group has been launching new products on e-commerce platform, such as L-carnitine coffee powder drink, fruit and vegetable enzyme powder drink as well as brown sugar ginger tea with rose and ginseng powder drink. Coupled with the 2 flavours of nutritious meal replacement milkshakes (coconut milk/pineapple and peach) launched in 2016, nutritious meal replacement milkshakes in 3 flavours (strawberry/cranberry, walnut/almond and pumpkin/taro) have also been launched to develop a full range of meal replacement milkshake products in a variety of flavours. As of now, the Group's slimming product line features a portfolio of weight-control products, i.e. "OTC pharmaceutical product: LARLLY Orlistat" + "health food products: Slimming Tea and Xian Xian Tea" + "other food products: nutritious meal replacement milkshakes and L-carnitine coffee". As for digestive health product line, a rich portfolio of digestive health food is formed with fruit and vegetable composite enzyme powder drink, health food product Detox Tea and probiotic powder drink products.

Brand vigor and vibrancy enhanced by collaboration with Academy Award of Advertising Festival for nine years in a row

The Group was the title sponsor of the 15th Academy Award of Advertising Festival of Chinese College Students (Spring Session). We also organised the "Besunyen Cup" Advertising Contest with participants from 40 colleges and universities in 30 cities, including 20 creativity seminars and 21 product exhibitions in the sidelines. More than 1,000 college departments received official posters and creative briefs with designated themes.

The "Besunyen Cup" Advertising Contest accepted submission of creative works under the theme of "Besunyen — Your Partner in Slimming" in the forms of graphic advertisement, marketing plan, advertising text and micro-film, TV/movie advertisement and HTML5 mobile interaction. On 19 May 2017, the contest was held at the plant of the Group with more than 143,300 groups of qualified work as well as over 186,402 pieces of work received.

Currently in its 15th session, the Academy Award of Advertising Festival of Chinese College Students is a creativity contest among universities organised by the China Advertising Association, the influence of which has been extended from the colleges to the advertising industry in general. This year is the ninth year of cooperation between Besunyen and the Academy Award and also the sixth time Besunyen has obtained the title sponsorship of the advertising contest. Over the past 9 years, Besunyen has become a leading brand in this industry which is deeply rooted in the mind of university students following our in-depth market development efforts targeted at universities. The record-high entries received for the contest this year have contributed to wider perspectives and new ideas in applications in the Group's marketing activities and advertising creations.

As a veteran adjudicator for the Academy Award, the Group has developed a strong pool of talents for the future. After holding roadshow seminars on brand education for university students for 9 years, we have also established solid relationships and direct connections with industry leaders, such as famous professors in domestic vocational colleges, industry celebrities, academics specialised in communication theories, and creative directors of international 4A advertising agencies.

OUTLOOK

Macro-economy

Macro-economic data announced by the National Bureau of Statistics has indicated a 6.9% GDP growth for the first half of 2017, suggesting stable economic development for China with growth prospects. In the medium-to-long term, China will be entering the second phase of economic transformation, characterised by a narrowed decline in economic growth with increasing factors favourable to a stable trend of moderate or strong growth. Quality improvement and efficiency enhancement will become a principal consideration in economic growth.

Development of full-service platform for frontline sales with continuous emphasis on sales to pharmacies and key chain stores

In the second half of 2017, the Group will focus on building a full-service platform for frontline sales at the head office to implement integrated management of sales administration, sales personnel, sales finance and market IT. One-stop supporting services will be provided to frontline sales personnel on this unified platform. Meanwhile, the Group will continue to focus on strategic cooperation with key chain stores to achieve increase in the sales to all the pharmacy chain stores with a view to underpinning the attainment of our full-year sales target.

Ongoing development of e-commerce platform as functional product incubation platform

The Group will continue to focus on the expansion of e-commerce platform in the strategic development of its channel. In the second half of 2017, an omnichannel model will be built, and the weight management solutions and laxative solutions of the Group will be further promoted and popularised among Internet users, as the Group strives to build its e-commerce platform into a functional product incubation platform.

Further implementation of new-media marketing to facilitate precise placement of brand promotion contents

In the second half of 2017, the Group will resort to new media platforms and seek to introduce a marketing model based on "We Media + Internet", leveraging www.yizhibo.com and other channels for short-video marketing. The content provider will be upgraded from advertising creation and production to a planning, creativity and production team focused on micro-videos. The media agency supplier will be upgraded to the agency and planner of Internet media platforms. The advertising project, comprising content production, activity planning, rewards for consumers, debut of new products and launch of new videos, will be elaborated to match popular dates throughout the year for sales promotion, thereby enhancing the connection between advertising contents and sales. We expect the new-media marketing model to contribute to the Group's sales growth. We Media such as Weibo and Weixin will be utilised internally for staff training and education, as well as externally to ensure maximum exposure of our brand contents through multiple channels. We will maintain effective customer management and enhance customer loyalty by enhancing our good reputation and increasing public awareness of our brand.

Ongoing advancement of new product R&D

The Group will develop new-generation slimming and laxative health food, as well as new health food products for throat-clearing and hepatotoxicity in the forms of tea bag, tablet and capsule. While engaged in planned development of new products, the R&D centre and production centre will work together to procure the launch of health food products for which approvals have been obtained, so as to ensure the ongoing provision of new health food products.

In the second half of 2017, the Group will launch 2 new health food products and a number of new herbal powder drinks on e-commerce platforms. Zhongshan Wanyuan New Medicine Research and Development Co., Ltd. ("**Zhongshan Wanyuan**"), a company contemplated to be acquired by the Group, is also expediting the development of Orlistat bulk pharmaceuticals and certain new drugs.

FINANCIAL REVIEW

Revenue

	For the six months ended 30 June			
	2017		2016	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
Revenue:				
Besunyen Detox Tea	**112,778**	**39.1%**	110,732	34.1%
Besunyen Slimming Tea*	**122,826**	**42.6%**	137,804	42.5%
Other tea products	**19,171**	**6.7%**	3,504	1.1%
Slimming medicines	**33,466**	**11.6%**	72,500	22.3%
Total	**288,241**	**100%**	324,540	100%

The Group's revenue decreased by 11.2% from RMB324.5 million in the first half of 2016 to RMB288.2 million in the same period of 2017. Among this, revenue of Besunyen Detox Tea increased by 1.9% from RMB110.7 million in the first half of 2016 to RMB112.8 million in the same period of 2017, while its sales volume slightly decreased by 0.4% from 73.8 million tea bags in the first half of 2016 to 73.5 million tea bags in the same period of 2017. Revenue of Besunyen Slimming Tea decreased by 10.9%, from RMB137.8 million in the first half of 2016 to RMB122.8 million in the same period of 2017 and its sales volume decreased by 17.6% from 98.5 million tea bags in the first half of 2016 to 81.2 million tea bags in the same period of 2017. The average selling prices of Besunyen Detox Tea and Besunyen Slimming Tea were RMB1.50 and RMB1.40 per bag respectively in the first half of 2016, and were RMB1.53 and RMB1.51 per bag respectively in the first half of 2017. The average selling prices of Besunyen Detox Tea and Besunyen Slimming Tea rose by 2.0% and 7.9% respectively as compared to the same period of 2016.

Note: The Chinese name of "Besunyen Slimming Tea" was renamed as "碧生源牌常菁茶" in November 2016.

Cost of Sales and Gross Profit

	For the six months ended 30 June			
	2017		2016	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
Cost of sales	**53,507**	**18.6%**	50,454	15.5%
Gross profit	**234,734**	**81.4%**	274,086	84.5%

Cost of sales of the Group increased by 5.9% from RMB50.5 million in the first half of 2016 to RMB53.5 million in the same period of 2017. Cost of sales as a percentage of revenue increased from 15.5% in the first half of 2016 to 18.6% in the same period of 2017. The increase in cost of sales as a percentage of revenue was mainly due to the increase in the prices of raw materials and packaging materials.

Revenue decreased by 11.2% and cost of sales increased by 5.9% in the first half of 2017 as compared to the same period of 2016. As a result, gross profit of the Group decreased by 14.4% from RMB274.1 million in the first half of 2016 to RMB234.7 million in the same period of 2017. Gross profit margin of the Group slightly decreased from 84.5% in the first half of 2016 to 81.4% in the same period of 2017.

Selling and Marketing Expenses

	For the six months ended 30 June			
	2017		2016	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
Advertising costs	**43,552**	**15.1%**	113,317	34.9%
Marketing and promotional expenses	**45,320**	**15.7%**	53,871	16.6%
Employee benefit expenses	**44,906**	**15.6%**	48,121	14.8%
Others	**15,543**	**5.4%**	18,748	5.8%
Total	**149,321**	**51.8%**	234,057	72.1%

Selling and marketing expenses of the Group decreased by 36.2% from RMB234.1 million in the first half of 2016 to RMB149.3 million in the same period of 2017. The advertising costs decreased by 61.6% in the first half of 2017 as compared to the same period of 2016, mainly due to the fact that the investment costs in advertising via traditional TV media decreased. In the first half of 2017, marketing and promotional expenses decreased by 15.9% as compared to the first half of 2016 as vigorous promotional efforts were made in 2016.

Administrative Expenses

	For the six months ended 30 June			
	2017		2016	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
Employee benefit expenses	**26,155**	**9.1%**	14,116	4.3%
Office expenses	**2,286**	**0.8%**	1,789	0.6%
Professional service fees	**12,630**	**4.4%**	7,462	2.3%
Entertainment and travelling expenses	**2,905**	**1.0%**	3,260	1.0%
Others	**10,194**	**3.5%**	12,271	3.8%
Total	**54,170**	**18.8%**	38,898	12.0%

Administrative expenses of the Group increased by 39.3% from RMB38.9 million in the first half of 2016 to RMB54.2 million in the same period of 2017. Administrative expenses as a percentage of revenue increased from 12.0% in the first half of 2016 to 18.8% in the same period of 2017, mainly due to the increase in employee dismissal costs and consultancy fees in the first half of 2017.

Research and Development Costs

	For the six months ended 30 June			
	2017		2016	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
Research and development costs	**4,538**	**1.6%**	4,979	1.5%

The Group's research and development costs decreased by 10.0% from RMB5.0 million in the first half of 2016 to RMB4.5 million in the same period of 2017, mainly because the research and development of new products was in the project initiation phase in the first half of 2017, which required relatively less expenditure.

Taxation

Income tax expense of the Group decreased from RMB10.6 million in the first half of 2016 to RMB4.5 million in the same period of 2017. This was mainly due to the significant increase in the recognition of deferred income tax assets on previously unrecognised tax losses/deductible temporary differences during the first half of 2017.

Total Comprehensive Income Attributable to Owners of the Company

Due to the factors set out above, the Group recorded a total comprehensive income attributable to the owners of the Company of RMB27.4 million in the first half of 2017 (for the same period of 2016: RMB3.7 million).

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 dated 16 June 2015 of the Company. As at 30 June 2017, uses of the above net proceeds were detailed as follows:

	Net Proceeds from IPO		
	Available	**Utilised**	**Unutilised**
	RMB'000	*RMB'000*	*RMB'000*
Acquisition of new production equipment and building new production facilities	275,094	275,094	—
Establishment of East China Regional Headquarters	77,518	77,518	—
Beijing new office building	123,664	123,664	—
Design, research and development of new products	62,981	62,981	—
Upgrading ERP and overall IT system	8,834	8,834	—
Loan repayment	73,000	73,000	—
Expansion of traditional and internet sales and distribution network, channels and brand building	153,092	153,092	—
Working capital	109,000	109,000	—
Investment in traditional and internet medical and pharmaceutical industries	150,000	148,015	1,985
Total	1,033,183	1,031,198	1,985

Liquidity and Capital Resources

In the first half of 2017, funds and capital expenditure required in the operation of the Group mainly came from the cash generated from its internal operations.

Cash Flows

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Net cash from/(used in) operating activities	**46,725**	(4,244)
Net cash used in investing activities	**(89,915)**	(50,755)
Net cash from/(used in) financing activities	**32,316**	(144,518)
Net decrease in cash and cash equivalents (before effect of foreign exchange rate changes)	**(10,874)**	(199,517)
Effect of foreign exchange rate changes	**891**	(633)
Net decrease in cash and cash equivalents	**(9,983)**	(200,150)

In the first half of 2017, net cash from operating activities of the Group was RMB46.7 million (for the same period of 2016: net cash used in operating activities was RMB4.2 million). The increase as compared to the same period of 2016, was mainly due to the increase in operating profits during the current period. In the first half of 2017, the net cash used in investing activities of the Group was RMB89.9 million (for the same period of 2016: RMB50.8 million). The increase as compared to the same period of 2016, was mainly due to the payment of consideration for the acquisition of the equity interest in Zhongshan Wanhan. In the first half of 2017, the net cash from financing activities of the Group was RMB32.3 million which was mainly due to the issue of shares during the current period (for the same period of 2016: net cash used in financing activities was RMB144.5 million which was mainly due to settlement of dividends).

Bank Balances, Cash and Bank Loans

The Group's bank balances and cash, comprising cash and cash equivalents and restricted bank deposits, amounted to RMB149.3 million as at 30 June 2017, representing a decrease of 5.4% as compared to RMB157.8 million as at 31 December 2016. In addition, the Group did not have any bank borrowings and unused bank credit lines as at 30 June 2017 (as at 31 December 2016: nil).

Capital Expenditure

In the first half of 2017, capital expenditure of the Group was RMB10.9 million (for the same period of 2016: RMB12.6 million), mainly on construction of plants and purchases of production equipment.

Inventories

The turnover days of the Group's inventories in the first half of 2017 (calculated by dividing the average 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 72 days (for the year ended 31 December 2016: 59 days).

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 2017, the Group did not purchase any foreign exchange, interest rate derivative products or hedging instruments (for the same period of 2016: nil).

Material Acquisitions or Disposals

On 10 March 2017 and 25 July 2017, Beijing Outsell Health Product Development Co., Ltd. ("**Beijing Outsell**") entered into an equity transfer agreement and its supplemental agreement, respectively, with Zhonghang Tuohong (Xi'an) Property Co., Ltd. (an independent third party) ("**Zhonghang Tuohong**") and Beijing Besunyen Food and Beverage Co., Ltd. ("**Besunyen Food and Beverage**"), pursuant to which (i) Beijing Outsell agreed to dispose of and Zhonghang Tuohong agreed to acquire 100% equity interest in Besunyen Food and Beverage for an aggregate consideration of RMB75,000,000; and (ii) Besunyen Food and Beverage agreed to repay the debt of RMB50,000,000 to Beijing Outsell. Upon completion of the equity transfer, Besunyen Food and Beverage will cease to be a subsidiary of the Company. Proceeds from the equity transfer and the debt repaid by Besunyen Food and Beverage will be used by Beijing Outsell for its operation of business and strategic investments. For details, please refer to the announcements of the Company dated 10 March 2017 and 25 July 2017.

On 10 March 2017 and 28 July 2017, Beijing Outsell, Zhongshan Wanyuan, Zhongshan Wanhan Pharmacy Co., Ltd. ("**Zhongshan Wanhan**"), Zhuhai Yinchen Investment Consulting Co., Ltd., Zhuhai Jiatai Chengzhang Investment Co., Ltd., Ms. LUO Dongfang, Mr. ZHAO Rui, Mr. ZOU Yong, and Ms. PENG Wei (collectively, the "**Sellers**") entered into an investment agreement (the "**Investment Agreement**") and its supplemental agreement, respectively. Pursuant to the Investment Agreement: (1) Beijing Outsell conditionally agreed to purchase and the sellers of Zhongshan Wanhan conditionally agreed to sell 39.66% equity interest in Zhongshan Wanhan for a total consideration of RMB77,100,000; and (2) Beijing Outsell conditionally agreed to make capital contribution in cash to each of Zhongshan Wanhan and Zhongshan Wanyuan in the total sum of RMB60,600,000. Pursuant to the supplemental agreement, all the rights and obligations of Beijing Outsell under the Investment Agreement shall be taken over by another subsidiary of the Group, Khorgos Besunyen Venture Investment Co., Ltd. ("**Besunyen Venture Investment**"). Upon completion of the Investment Agreement, Besunyen Venture Investment will own 51% equity interest in each of Zhongshan Wanhan and Zhongshan Wanyuan. This transaction will facilitate the Group to obtain more comprehensive qualifications in pharmaceutical research and development, manufacture and medical e-commerce, and also lay a good foundation for the Group's comprehensive layout and development in pharmaceutical industry. For details, please refer to the announcements of the Company dated 10 March 2017 and 28 July 2017.

Save as aforesaid or as otherwise disclosed herein, for the six months ended 30 June 2017, the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures (for the six months ended 30 June 2016: nil).

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

Save for those disclosed in this announcement, there were no other significant investments held by the Group during the first half of 2017. Apart from those disclosed in this announcement, there was no plan of the Group for other material investments or additions of capital assets at the date of this announcement.

Issue of Shares

On 10 March 2017, the Company entered into a share subscription agreement with Ms. LI Jiaozhi, Mr. WANG Jining, Mr. LUO Xuezhi and Everyoung Investment Holdings Limited (collectively, the "**Subscribers**"), pursuant to which the Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to issue and allot 165,000,000 new shares of the Company ("**Subscription Shares**") at HK$0.5 per share subject to a lock-up period of 1 year. The Subscription Shares would be issued and allotted under the general mandate in two tranches, namely the Tranche I Subscription Shares (90,000,000 new shares of the Company) and the Tranche II Subscription Shares (75,000,000 new shares of the Company). For details, please refer to the announcements of the Company dated 10 March 2017 and 28 April 2017.

The Company has issued to the Subscribers, the Tranche I Subscription Shares and the Tranche II Subscription Shares on 22 June 2017 and 25 July 2017, respectively. For details, please refer to the announcements of the Company dated 22 June 2017 and 25 July 2017.

Pledge of Assets

As at 30 June 2017, the Group had no pledge of assets (as at 31 December 2016: nil).

Gearing Ratio

As at 30 June 2017, the Group's gearing ratio (total liabilities divided by total assets, in percentage) was 17.54% (as at 31 December 2016: 13.56%).

Contingent Liabilities and Guarantees

As at 30 June 2017, the Group had no material contingent liabilities and guarantees (as at 31 December 2016: nil)

Capital Commitments

As at 30 June 2017, capital expenditure of property, plant and equipment contracted for but not yet incurred amounted to RMB4.9 million (as at 31 December 2016: RMB8.4 million).

As at 30 June 2017, capital investments in an associate and a joint venture contracted for but not yet incurred amounted to RMB14.7 million and RMB29.4 million, respectively (as at 31 December 2016: RMB14.7 million and RMB29.4 million).

As at 30 June 2017, capital investments in Zhongshan Wanyuan and Zhongshan Wanhan contracted for but not yet incurred amounted to RMB64.7 million.

Human Resources Management

The Group regards high-quality employees as its most important resource. As at 30 June 2017, the Group had 920 employees in mainland China and Hong Kong (31 December 2016: 1,156 employees), which included 22 promotional staff employed by employment agents (31 December 2016: 79). For the six months ended 30 June 2017, total labour costs (including Directors' remunerations and non-cash share-based compensation) were RMB80.7 million (for the same period of 2016: RMB71.6 million). Staff remuneration is formulated with reference to individual performance, work experience, qualification and prevailing industry practice. Apart from basic salary and statutory pension welfare, staff welfare also includes discretionary bonus and stock options.

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

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

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the six months ended 30 June 2017, 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 27 years of experience in food and beverage industry in the PRC. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies currently and in the foreseeable future. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. He Yuanping, a Director with the appropriate professional qualifications and serving as the chairman of the Audit Committee, Mr. 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 2017 and this announcement, the accounting principles and practices adopted by the Group and discussed the Group's internal controls and financial reporting matters.

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

The Shares repurchased by the Company on the Stock Exchange during the six months ended 30 June 2017 are as follows:

		Price per Share		
Month	**Number of Shares repurchased**	**Highest**	**Lowest**	**Total consideration**
		HK$	*HK$*	*HK$'000*
January	15,267,000	0.50	0.47	7,378
Total	15,267,000	0.50	0.47	7,378

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

Save as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the six months ended 30 June 2017.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2017.

SUBSEQUENT EVENTS

On 25 July 2017, Beijing Outsell, Beijing Pincha Online E-Commerce Co., Ltd. ("**Pincha**"), Mr. Zhao Yihong and Ms. Gao Yan entered into a termination agreement to terminate the Structure Contracts and related confirmation and undertaking. "Structure Contracts" refers to the exclusive business cooperation agreement, the equity interest pledge agreement, the exclusive purchase agreement and the power of attorney entered into by Beijing Outsell, Pincha and Mr. Zhao Yihong, where applicable, on 28 March 2011, all of which were supplemented by a supplemental contract dated 12 July 2012 and renewed on 27 October 2014. On the same date, Beijing Outsell entered into an equity transfer agreement with Mr. Zhao Yihong, pursuant to which Mr. Zhao Yihong agreed to transfer 100%

equity interest in Pincha to Beijing Outsell at nil consideration payable by Beijing Outsell. Upon the completion of the reorganization, Pincha will become a wholly-owned subsidiary of Beijing Outsell, and thus become an indirect wholly-owned subsidiary of the Company. For details, please refer to the announcement of the Company dated 25 July 2017.

On 25 July 2017, a resolution has been passed by the board of directors of the Company approving, among others, the securitisation of a property owned by the Group located at Besunyen Building of Linglong Tiandi, No. 160 West 4th Ring Road North, Beijing, the PRC (the "**Underlying Asset**") and the establishment of a quasi-reits programme (the "**Quasi-REITs Programme**") in the PRC. In the event that the Quasi-REITs Programme proceeds as planned, the net proceeds to be raised from the Quasi-REITs Programme will be amounted to approximately RMB300 million. The Quasi-REITs Programme allows optimal asset utilisation, expansion of financing channels and strengthening of liquidity of the Group, providing financial support for the development of the Group. In addition, the Group may take a share of the increased operating income from the Underlying Asset. For details, please refer to the announcement of the Company dated 25 July 2017.

On 28 July 2017, Besunyen Venture Investment, Zhuhai Kangbaina Pharmaceutical Co., Ltd. ("**Kangbaina**"), Zhuhai Aolixin Pharmaceutical Co., Ltd. ("**Aolixin**") and their shareholders entered into an investment agreement, pursuant to which: (1) Besunyen Venture Investment agreed to purchase and the shareholders of Kangbaina agreed to sell 100% equity interest in Kangbaina for a total consideration of RMB6,000,000; and (2) Besunyen Venture Investment agreed to purchase and the shareholders of Aolixin agreed to sell 100% equity interest in Aolixin for a total consideration of RMB1,500,000. Upon completion of the transactions, Kangbaina and Aolixin will become indirect wholly-owned subsidiaries of the Company. For details, please refer to the announcement of the Company dated 28 July 2017.

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 2017 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, 15 August 2017

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