



# 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 REPORT

# 2021



## Corporate Profile

Besunyen Holdings Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is a leading provider of therapeutic teas in the People’s Republic of China (the “**PRC**”), mainly engaging in the research and development, production, sale and promotion of therapeutic teas and medicines. By tagging along with the concept of “herbal, healthy, and quality functional tea”, the Group has produced Besunyen Detox Tea (碧生源牌常潤茶) and Besunyen Slimming Tea (碧生源牌常菁茶) (previously known as “碧生源牌減肥茶”) (collectively, the “**Two Teas**”) for 20 years. In recent years, the Company has dedicated itself to further developing the Two Teas and successively launching its product series of functional teas such as Besunyen Fit Tea (碧生源牌纖纖茶) (together with the Two Teas, the “**Three Teas**”). As of 30 June 2021, the Three Teas recorded an accumulated sales volume of over 5.48 billion bags. Since April 2015, the Group has commenced sale of LARLLY Orlistat weight-loss capsule and since October 2017, the Group has commenced the research and development, production and sale of Besunyen Orlistat weight-loss capsule through its subsidiaries, namely, Zhongshan Wanhan Pharmacy Co., Ltd. (“**Zhongshan Wanhan**”) and Zhongshan Wanyuan New Medicine Research and Development Co., Ltd. (“**Zhongshan Wanyuan**”, together “**Zhongshan Wanhan and Wanyuan**”). As such, the Group has expanded from slimming therapeutic tea market to weight-loss medicine over-the-counter (“**OTC**”) market and has further covered the slimming market segment. Since its launch, Besunyen Orlistat weight-loss capsule has been highly praised among consumers. As of 30 June 2021, Orlistat recorded an accumulated sales volume of over 0.51 billion pills.

According to the latest report issued by National Medical Products Administration Southern Medicine Economic Research Institute (“**SMERI**”), the market share of the Group’s core products, the Two Teas, remained in the leading position for several consecutive years. According to the latest statistics published by SMERI, based on the retail prices of products with laxative function and slimming function in retail pharmacies across the country, the market share of the Group’s Besunyen Slimming Tea and Besunyen Detox Tea was 22.38% and 13.89%, respectively, staying at the forefront in the market. In the first half of 2021, according to the statistics of Alibaba “Business Consultant”, the market share of Besunyen Orlistat was 31.42%, ranking top one in the market segment of Orlistat on Alibaba’s e-commerce platforms.

The production base of the Group’s Three Teas is located in Fangshan District, Beijing. The plant and production process are in compliance with the national GMP standards, and the Three Teas have passed the certifications of ISO9001, ISO22000 and HACCP. Introduced from IMA, an Italian company, its packing equipment is C24 tea bag high-speed machine with a special design of “tea bag with its tag linked with cotton thread nautical knot”, allowing inner and outer part of a bag combined at the same time and completing the bag production process automatically. Its production facilities undergo closed-ended management, and its pelleting facilities and inner packing facilities are class 100,000 clean areas furnished with temperature and humidity monitoring. The overall layout of the plant is a garden-like design surrounding a beautiful environment, with its hygiene, process, technology, procedure and management reaching the world’s advanced standards. The Group uses natural Chinese herbs and tea leaves as raw materials to research, develop, formulate and produce the Three Teas scientifically and standardly, providing safe, effective, convenient-to-use and affordable therapeutic products for those who have needs in aspects such as laxative and weight management or who are mildly affected by such problems.

The production, research and development base of the Group’s Besunyen Orlistat weight-loss capsule is located in Zhongshan City, Guangdong Province. The plant and production process are in compliance with the national GMP standards. It has a sound quality management system as well as software and hardware facilities that meet the demands of medicine research, development and production. Zhongshan Wanhan is also equipped with various production lines for medicines in different dosage forms, including hard capsule and film agent, and is capable of producing various Active Pharmaceutical Ingredients (APIs). Zhongshan Wanhan has passed the certification of intellectual property management system, and is an intellectual property demonstration enterprise in Guangdong Province, a national intellectual property advantage enterprise and a high-tech enterprise.

As of 30 June 2021, the Group’s offline sales business covered about 400,000 OTC pharmacies and the retail terminals in shopping malls and supermarkets, spanning across 31 provinces, autonomous regions and municipalities across the country, through 82 distributors and 158 sub-distributors, and its offline sales team has been able to serve about 100,000 OTC pharmacies as well as shopping malls and supermarkets directly. The Group’s online sales team has established 98 shops on 33 e-commerce platforms to conduct the sales of the Three Teas, Orlistat and other products of the Group. The above matured channels enabled the Group to launch its new products to the market more quickly, thereby maintaining the industrial leading position of the Group in terms of sales of products. The Group continued to deepen the development of the big health industry, built up an industrial incubation mechanism and improved the industrial chains on the basis of the “weight loss and weight management” as well as “laxative and gastrointestinal health” sectors, and strived to build an ecological system for the big health industry.



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# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Zhao Yihong  
*(Chairman and Chief Executive Officer)*  
Ms. Gao Yan *(Vice Chairman)*

### Non-executive Director

Mr. Zhuo Fumin

### Independent Non-executive Directors

Mr. Ren Guangming  
Mr. He Yuanping  
Mr. Fu Shula

## AUDIT COMMITTEE

Mr. He Yuanping *(Chairman)*  
Mr. Ren Guangming  
Mr. Fu Shula

## REMUNERATION COMMITTEE

Mr. Fu Shula *(Chairman)*  
Mr. Zhao Yihong  
Mr. Ren Guangming  
Mr. He Yuanping

## NOMINATION COMMITTEE

Mr. Ren Guangming *(Chairman)*  
Mr. Zhao Yihong  
Mr. He Yuanping  
Mr. Fu Shula

## STRATEGIC INVESTMENT COMMITTEE

Mr. Zhuo Fumin *(Chairman)*  
Mr. Zhao Yihong  
Mr. He Yuanping

## COMPANY SECRETARY

Mr. Au Lap Ming, *CPA, ACG, ACS*

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# Financial Highlights

## THE OPERATION RESULTS OF THE GROUP

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

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

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

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

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

# Management Discussion and Analysis

## BUSINESS REVIEW

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

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

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

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

Under the influence of the pandemic, people’s demand for the use of pharmaceutical e-commerce platform grew exponentially, and the new retail business of medicines has ushered in a broad development prospect. With the experience in medicine operation on the e-commerce platform, the Group continued to engage in the online pharmacy business. In March 2021, the Group formally established the e-commerce big pharmacy station, formed the big pharmacy procurement and operation team, and promoted the development of the pharmacy business on various platforms such as JD. com, Tmall and Pinduoduo. Meanwhile, based on the analysis of market data on major e-commerce platforms, the Group transitioned from single-product marketing to generic medicine marketing on the premise of ensuring the reasonable product selection and pricing of online pharmacies, and adjusted online medicine offerings, so as to maintain the continuous growth of pharmaceutical e-commerce performance.

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

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

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

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

### **Upgrading CRM marketing system and focusing on personalised services**

In the first half of 2021, to provide consumers with more professional health guidance and consumption consultation, the Group has continuously optimised the working model of the customer relationship management ("CRM") team and established a C-end customer marketing service system with collaborative services of marketing consultants and professional nutritionists. According to the individual needs of users, the CRM team tracked and advised on the health condition and products collocation during consumption, and continuously upgraded the existing product system based on user feedback to meet the consumption needs of users in different scenarios. The CRM centre focused on the development of "Burning Queen" brand series of products. Based on the product concept of "Burning Queen only launches high-quality products", products were constantly improved and upgraded from the visual, service, experience and other aspects. In the first half of 2021, the CRM team successively launched "Burning Queen" series of products such as zero-calorie sugar, high-fibre protein bar and liquid probiotic pink bean, which were loved and praised by loyal users.

## Management Discussion and Analysis

### **Optimising community marketing strategy and initiating corporate WeChat operations**

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

### **Exploring diversified cooperation models and strengthening refined management of offline channels**

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

To strengthen the marketing support for offline terminal channels, the Group established a “virtual market manager” mechanism. The marketing division implemented the marketing model of “one policy for one area” and “one policy for one customer” in offline channels and formulated rules for marketing events according to the marketing environment and the characteristics of channels to assist offline sales teams in implementation. Through promotion models such as introducing old and new product combinations and new product launch meeting, the marketing division and the offline sales teams cooperated to realise integration and interaction of sales channels and brand marketing. The sales teams’ initiative and creativity in marketing were also cultivated to lay a good foundation for the Group’s omnichannel marketing efforts.

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

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

## Management Discussion and Analysis

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

### **Ensuring brand safety and strictly adhering to the trademark authorization principle of “one product, one rule and one authorization”**

With more than 20 years’ market efforts, “Besunyen”, the trademark held by the Group, has ranked top among well-known brands and trademarks of China in terms of the brand value, industry position and market reputation. Capitalizing on the existing brand advantages, the Group actively expanded its product lines, diversified and expanded its product offerings. Through various cooperative operation methods such as OEM (original equipment manufacturing), ODM (original design manufacturing), brand authorizing and consignment sales, the marketing team could quickly identify and acquire more products in line with the development direction of the Group, and it could also significantly increase the number of Stocking Keeping Unit (“SKU”) under Besunyen brand within a short period of time, thereby enabling the Group to have the capability to select the fittest products catering to consumer demand. In the first half of the year, the marketing team rapidly developed new channels and made continuous innovation in new retail methods such as e-commerce platform, private domain traffic and selling products during live streaming, which laid a solid foundation for the Group’s future revenue growth.

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

### **Improving research and innovation capabilities and developing products of multiple categories**

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

## Management Discussion and Analysis

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

To further improve its technological innovation capability, the Group participated in the project “Modernisation of Chinese Medicine”, a key research and development plan of the Ministry of Science and Technology, and established a cooperative research and development platform with various renowned research institutes such as Beijing University of Chinese Medicine. In the first half of 2021, the Group actively involved itself in the acquisition of intellectual property rights, obtained one national invention patent and passed one Beijing New Technology and New Product (Service) Certification. Zhongshan Wanhan and Zhongshan Wanyuan have formed a complete patent layout for Orlistat, vortioxetine, eye drops and other medicines. Zhongshan Wanhan concluded “Orlistat Core Technology and High-Value Patent Cultivation Programme” under the high-value patent cultivation project of Zhongshan. The invention patent of “aqueous eye drops for the treatment of increased intraocular pressure” jointly declared by Zhongshan Wanhan and Zhongshan Wanyuan won the China Patent Award. Meanwhile, the Group organised the “Innovation and Development Seminar on the Integration of Production, Study and Research of Chinese Medicines” in conjunction with more than 30 experts and scholars in the field of Chinese medicine across the country to share innovative resources.

### Upgrading equipment and facilities and rebuilding the management systems of Xueyinghua

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

## SOCIAL WELFARE

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

### OUTLOOK

#### Macro economy

In 2021, the global impact of the pandemic, the downward pressure on the economy and the uncertain risks of market changes remain. According to the "Outline of the 14th Five-Year Plan for National Economic and Social Development and Long-Range Objectives for 2035 of the People's Republic of China (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》)", which was passed by the Fourth Meeting of the 13th National People's Congress, the State will put the protection of people's health in a strategic position for priority development, adhere to the prevention-first directive, deeply implement the Healthy China initiative, refine national health promotion policies, weave a stable protection network for national public health, and provide comprehensive, full-lifecycle health services for the people. The improvement of national income level, the increasing demand for chronic disease management of aging population, urbanization and living environment problems have aroused people's attention to health, which has become important driving forces for the development of the health food market. At the same time, the operating pressure brought by the pandemic will force more traditional health food enterprises to accelerate transformation and upgrading, carry out digital transformation in various aspects such as products, channels and marketing, and cater to the current changes in consumption habits of consumers, thus improving the overall operating efficiency of the industry.

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

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

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

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

## Management Discussion and Analysis

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

The Group will formulate targeted marketing plans and achieve precise product marketing by paying attention to market demands incessantly and taking into account the characteristics and market positioning of different products. At the same time, the Group will continue to explore the communication path of brand rejuvenation, create a unique way for brand rejuvenation through optimizing media programs and upgrading marketing strategies. In addition, based on the market consumption demand under the normalization of pandemic prevention and control, the Group will respond scientifically and proactively to changes, actively explore its own marketing model, and fully release the brand potential.

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

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

## FINANCIAL REVIEW

### Revenue

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

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

## Management Discussion and Analysis

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

### Cost of Sales, Gross Profit and Gross Profit Margin

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

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

### Selling and Marketing Expenses

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

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

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

## Management Discussion and Analysis

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

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

### Administrative Expenses

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

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

### Research and Development Costs

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

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

### Share of Profits of Investments Accounted for Using the Equity Method

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

## Management Discussion and Analysis

### Taxation

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

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

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

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

### Liquidity and Capital Resources

In the first half of 2021, funds and capital expenditure required in the operation of the Group mainly came from the cash flows from operating activities and proceeds from bank borrowings.

### Cash Flows

The following table summarises the net cash flows of the Group for the six months ended 30 June 2021 and 2020:

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

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

## Management Discussion and Analysis

### Financial Assets Measured at Fair Value through Profit or Loss

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

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

### Bank Balances, Cash and Bank Borrowings

The Group's bank balances and cash, comprising cash and cash equivalents, term deposits with initial term of over three months and restricted bank deposits, decreased by 36.4% from RMB720.9 million as at 31 December 2020 to RMB458.7 million as at 30 June 2021. Meanwhile, the Group has bank borrowings of RMB159.0 million, which bear interest rate ranging from 3.85% to 5.05%, as at 30 June 2021 (31 December 2020: RMB159.8 million).

### Capital Expenditure

In the first half of 2021, the capital expenditure of the Group amounted to RMB99.2 million (for the same period of 2020: RMB50.0 million), mainly represented by plant construction expenditure.

## Management Discussion and Analysis

### Inventories

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

	As at	
	30 June 2021 RMB'000	31 December 2020 RMB'000
Raw materials and packaging materials	45,396	48,351
Work in progress	5,715	5,052
Finished goods	102,805	85,991
Total inventories	153,916	139,394

### Risks in Foreign Exchange Rate

Almost all of the revenue, costs of sales and expenses as well as administrative expenses of the Group are denominated in Renminbi. Apart from some bank deposits that are denominated in Hong Kong dollar and US dollar, most assets and liabilities of the Group are also denominated in Renminbi. Since Renminbi is the functional currency of the Group, risks in foreign exchange rate mainly come from assets and liabilities denominated in Hong Kong dollar and US dollar.

For the six months ended 30 June 2021, the Group did not purchase any foreign exchange, interest rate derivative products or hedging instruments (for the same period of 2020: Nil).

### Material Acquisitions or Disposals

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

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

### Pledge of Assets

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

## Management Discussion and Analysis

### Gearing Ratio

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

### Contingent Liabilities and Guarantees

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

### Capital Commitments

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

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

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

### Human Resources Management

The Group regards high-quality employees as its most important resource. As at 30 June 2021, the Group had 1,864 employees in mainland China and Hong Kong (31 December 2020: 1,799 employees). For the six months ended 30 June 2021, total labour costs (including Directors' remunerations) were RMB135.1 million (for the same period of 2020: RMB109.8 million). Staff remuneration is formulated with reference to individual performance, work experience, qualification and prevailing industry practice. Apart from basic salary and statutory pension welfare scheme, staff welfare also includes discretionary bonus and share options.

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

The Group invests considerable efforts in continuous education and training for its employees, so as to keep enhancing the knowledge, skill and team spirit of employees. The Group often provides internal and external training courses to relevant employees based on various needs.

# Report on Review of Interim Financial Information



羅兵咸永道

**To the Board of Directors of Besunyen Holdings Company Limited**  
*(incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 19 to 51, which comprises the interim condensed consolidated balance sheet of Besunyen Holdings Company Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2021 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 13 August 2021

## Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Unaudited Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Revenue	7	670,695	609,775
Cost of sales	8	(214,838)	(168,467)
<b>Gross profit</b>		<b>455,857</b>	441,308
Other income		10,727	7,659
Selling and marketing expenses	8	(269,800)	(294,299)
Administrative expenses	8	(75,515)	(52,425)
Research and development costs	8	(54,206)	(35,741)
Other expenses	8	(5,538)	(1,609)
Other losses, net	9	(7,917)	(4,839)
<b>Operating profit</b>		<b>53,608</b>	60,054
Finance income	10	1,697	1,298
Finance costs	10	(3,156)	(2,764)
Finance costs, net	10	(1,459)	(1,466)
Share of profits/(losses) of investments accounted for using the equity method	18	13,773	(124)
<b>Profit before income tax</b>		<b>65,922</b>	58,464
Income tax expenses	11	(9,666)	(11,172)
<b>Profit for the period</b>		<b>56,256</b>	47,292
<b>Profit attributable to:</b>			
— Owners of the Company		26,429	9,384
— Non-controlling interests		29,827	37,908
		56,256	47,292
<b>Other comprehensive income</b>		—	—
<b>Total comprehensive income for the period</b>		<b>56,256</b>	47,292
<b>Attributable to:</b>			
— Owners of the Company		26,429	9,384
— Non-controlling interests	17	29,827	37,908
		56,256	47,292
<b>Earnings per share for the profit attributable to owners of the Company (RMB cents)</b>			
— Basic earnings per share	12	1.66	0.59
— Diluted earnings per share	12	1.66	0.59

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## Interim Condensed Consolidated Balance Sheet

	Note	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	369,571	322,278
Investment properties	14	8,994	9,500
Intangible assets	15	173,840	161,668
Right-of-use assets	23	154,275	118,367
Other non-current assets	16	33,292	19,204
Investments accounted for using the equity method	18	64,858	55,890
Financial assets measured at fair value through profit or loss	19	32,677	—
Deferred income tax assets	26	102,998	106,567
Total non-current assets		940,505	793,474
<b>Current assets</b>			
Inventories	20	153,916	139,394
Trade receivables	21(a)	120,055	65,643
Bills receivable	21(b)	8,489	9,119
Deposits, prepayments and other receivables	22	110,216	124,686
Restricted bank deposits		51,165	56,786
Term deposits with initial term of over three months		120,300	120,300
Cash and cash equivalents		287,256	543,822
Total current assets		851,397	1,059,750
<b>Total assets</b>		<b>1,791,902</b>	<b>1,853,224</b>

## Interim Condensed Consolidated Balance Sheet

	Note	Unaudited As at 30 June 2021 RMB'000	Audited As at 31 December 2020 RMB'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	24	94	94
Share premium		913,393	962,777
Other reserves		331,762	331,762
Accumulated losses		(253,973)	(280,402)
		<b>991,276</b>	1,014,231
Non-controlling interests	17	225,978	196,151
<b>Total equity</b>		<b>1,217,254</b>	1,210,382
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred government grants		33,727	33,795
Lease liabilities	29	24,165	10,044
Deferred income tax liabilities	26	49,368	37,380
Long-term borrowings	25	70,440	64,730
Other non-current liabilities		497	497
Total non-current liabilities		<b>178,197</b>	146,446
<b>Current liabilities</b>			
Trade and bills payables	27	91,467	107,148
Other payables and accrued expenses	28	166,787	235,627
Contract liabilities		24,597	34,180
Borrowings	25	88,570	95,050
Lease liabilities	29	19,858	12,563
Current income tax liabilities		5,172	11,828
Total current liabilities		<b>396,451</b>	496,396
<b>Total liabilities</b>		<b>574,648</b>	642,842
<b>Total equity and liabilities</b>		<b>1,791,902</b>	1,853,224

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

## Interim Condensed Consolidated Statement of Changes in Equity

	Unaudited						
	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
<b>Balance at 1 January 2021</b>	<b>94</b>	<b>962,777</b>	<b>331,762</b>	<b>(280,402)</b>	<b>1,014,231</b>	<b>196,151</b>	<b>1,210,382</b>
Total comprehensive income for the period	—	—	—	26,429	26,429	29,827	56,256
<b>Total transactions with owners, recognised directly in equity:</b>							
Dividends	—	(49,384)	—	—	(49,384)	—	(49,384)
<b>Balance at 30 June 2021</b>	<b>94</b>	<b>913,393</b>	<b>331,762</b>	<b>(253,973)</b>	<b>991,276</b>	<b>225,978</b>	<b>1,217,254</b>
<b>Balance at 1 January 2020</b>	94	962,777	327,065	(321,261)	968,675	110,771	1,079,446
Total comprehensive income for the period	—	—	—	9,384	9,384	37,908	47,292
<b>Total transactions with owners, recognised directly in equity:</b>							
Share-based payments under share option scheme and restricted share award scheme	—	—	24	—	24	—	24
<b>Balance at 30 June 2020</b>	94	962,777	327,089	(311,877)	978,083	148,679	1,126,762

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited	
		Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations		<b>(61,326)</b>	60,981
Income taxes paid		<b>(8,556)</b>	(3,763)
Interest received		<b>2,324</b>	1,482
Net cash (used in)/generated from operating activities		<b>(67,558)</b>	58,700
<b>Cash flows from investing activities</b>			
Purchases of financial assets measured at fair value through profit or loss		<b>(483,297)</b>	(364,000)
Proceeds from disposals of financial assets measured at fair value through profit or loss		<b>472,448</b>	262,633
Purchases of financial assets at amortised cost		<b>(80,000)</b>	—
Proceeds from disposals of financial assets at amortised cost		<b>80,566</b>	—
Placement of term deposits with initial term of over three months		<b>(140,000)</b>	(100,000)
Withdrawal of term deposits with initial term of over three months		<b>143,750</b>	45,557
Decrease in restricted bank deposits		<b>5,658</b>	17,734
Purchases of property, plant and equipment		<b>(98,339)</b>	(31,587)
Purchases of intangible assets		<b>(866)</b>	(52)
Distribution from a joint venture		<b>4,018</b>	—
Proceeds from disposals of land use rights, property, plant and equipment		<b>1,100</b>	—
Acquisition of a subsidiary	32	<b>(26,990)</b>	(4,000)
Proceeds from disposals of subsidiaries, net		—	55,500
Payment of transaction cost in connection with the disposal of a subsidiary		—	(11,581)
Addition to assets classified as held for sale		—	(18,378)
Net cash used in investing activities		<b>(121,952)</b>	(148,174)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		<b>82,000</b>	130,108
Repayment of borrowings		<b>(82,770)</b>	(68,400)
Principal elements of lease payments		<b>(15,461)</b>	(6,873)
Bank loan interest and other finance costs paid		<b>(4,892)</b>	(2,368)
Dividends paid to shareholders of the Company	31	<b>(45,553)</b>	—
Net cash (used in)/generated from financing activities		<b>(66,676)</b>	52,467

## Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited	
		Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
<b>Net decrease in cash and cash equivalents</b>		<b>(256,186)</b>	(37,007)
Cash and cash equivalents at beginning of period		<b>543,822</b>	270,803
Exchange losses		<b>(380)</b>	(1,338)
<b>Cash and cash equivalents at end of period</b>		<b>287,256</b>	232,458
Representing:			
— Cash at bank and financial institute and on hand		<b>287,256</b>	232,458

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the Interim Condensed Consolidated 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 principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) are the manufacturing and sales of therapeutic tea products and slimming and other medicines.

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

This interim condensed consolidated financial information is presented in Renminbi (“**RMB**”), unless otherwise stated.

This interim condensed consolidated financial information for the six months ended 30 June 2021 has been reviewed, not audited.

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

## 2. SIGNIFICANT EVENT

On 1 February 2021, Tibet Qianruiwanfu Venture Investment Co., Ltd. (“**Qianruiwanfu**”), an indirect wholly-owned subsidiary of the Company, entered into a restructuring investment agreement, pursuant to which Qianruiwanfu agreed to acquire 100% equity interest of Henan Xueyinghua Pharmaceutical Co., Ltd. (“**Xueyinghua**”) at a cash consideration of RMB31.99 million. The transaction was completed on 21 April 2021 and Xueyinghua became an indirect wholly-owned subsidiary of the Company. Further details are disclosed in Note 32.

### 3. BASIS OF PREPARATION

The Group's interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard 34 ("**IAS 34**") "Interim Financial Reporting". The interim condensed consolidated financial information should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2020 (the "**2020 Annual Financial Statements**"), which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), and any public announcement made by the Company during the current period.

### 4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The Group has not early adopted the new standards and amendments to IFRSs that have been issued and not yet effective for the year ending 31 December 2021 in the interim condensed consolidated financial information.

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

### 5. ESTIMATES

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2020 Annual Financial Statements.

## 6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 6.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk), credit risk, liquidity risk and fair value risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2020 Annual Financial Statements.

There have been no significant changes in the risk management policies since 31 December 2020.

### 6.2 Liquidity risk

There was no material change in the contractual undiscounted cash out flows for financial liabilities.

The Group is not subject to any significant liquidity risk in view of the sufficiency of its working capital.

### 6.3 Fair value risk

The Group has two types of financial assets that are measured at fair value as at 30 June 2021, which are the financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. The financial assets measured at fair value through other comprehensive income represent the Group's bills receivables, while the financial assets measured at fair value through profit or loss represent Group's equity investments in a fund and in a private company (Note 19). The Group does not have any financial liabilities that are measured at fair value.

The following table presents the Group's financial assets that are measured at fair value as at 30 June 2021:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>At 30 June 2021</b>				
<b>Assets</b>				
Financial assets measured at fair value through other comprehensive income	—	—	8,489	8,489
Financial assets measured at fair value through profit or loss	—	—	32,677	32,677

## 6. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

### 6.3 Fair value risk *(Continued)*

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2021:

	Financial assets measured at fair value through profit or loss RMB'000	Financial assets measured at fair value through other comprehensive income RMB'000
Opening balance	—	9,119
Additions	502,677	169,164
Disposals	(471,784)	(169,794)
Gains recognised in 'other losses, net'	1,784	—
Closing balance	32,677	8,489
Includes unrealised gains during the period recognised in profit or loss under 'other losses, net'	1,784	—

## 7. REVENUE AND SEGMENT INFORMATION

The executive directors of the Company, identified as the chief operating decision makers ("CODM") review the Group's internal reporting in order to assess performance and allocate resources.

The CODM has determined the operating segments based on these reports and assessed the manufacturing and sales of tea products and slimming and other medicines as separate reportable segments, namely the tea products segment and the slimming and other medicines segment.

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

## Notes to the Interim Condensed Consolidated Financial Information

### 7. REVENUE AND SEGMENT INFORMATION (Continued)

The segment results for the six months ended 30 June 2021 are as follows:

	Tea products segment RMB' 000	Slimming and other medicines segment RMB' 000	Total RMB' 000
Total revenue	305,293	365,402	670,695
Inter-segment revenue	—	—	—
<b>Revenue from external customers</b>	<b>305,293</b>	<b>365,402</b>	<b>670,695</b>
Timing of revenue recognition			
At a point in time	305,293	365,402	670,695
Cost of sales	(79,986)	(134,852)	(214,838)
<b>Gross profit</b>	<b>225,307</b>	<b>230,550</b>	<b>455,857</b>
Selling and marketing expenses	(178,428)	(91,372)	(269,800)
Research and development costs	(5,131)	(49,075)	(54,206)
<b>Segment results</b>	<b>41,748</b>	<b>90,103</b>	<b>131,851</b>
Other income			10,727
Other losses, net			(7,917)
Administrative expenses			(75,515)
Other expenses			(5,538)
<b>Operating profit</b>			<b>53,608</b>
Finance income			1,697
Finance costs			(3,156)
Finance costs, net			(1,459)
Share of profits of investments accounted for using the equity method			13,773
Profit before income tax			65,922
Income tax expenses			(9,666)
Profit for the period			56,256
Other segment information:			
Impairment	—	—	—
Depreciation	(16,035)	(14,589)	(30,624)
Amortisation	(390)	(4,468)	(4,858)

## Notes to the Interim Condensed Consolidated Financial Information

### 7. REVENUE AND SEGMENT INFORMATION (Continued)

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

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

Note:

Non-current assets are all located in the PRC.

For the six months ended 30 June 2021, the revenue of approximately RMB129,429,000 (six months ended 30 June 2020: RMB164,204,000) was derived from an e-commerce platform ("Customer A"), which took 19.3% (six months ended 30 June 2020: 26.9%) of the Group's total revenues and was primarily attributable to the slimming and other medicines segment. Other than Customer A, the revenues derived from any of the remaining external customers were less than 10% of the Group's total revenues.

## Notes to the Interim Condensed Consolidated Financial Information

### 8. EXPENSES BY NATURE

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Changes in inventories of finished goods and work in progress	(17,477)	(13,643)
Raw materials and consumables used	202,783	154,083
Provision for/(reversal of) trade receivables impairments	376	(379)
Employee benefit expenses	135,087	109,830
Marketing and promotion expenses	107,599	142,019
Advertising costs	53,796	59,992
Depreciation and amortisation	35,482	26,876
Researching and development outsource expenses	17,545	17,475
Professional and consulting service fees	17,719	20,648
Logistics expenses	11,528	6,951
Entertainment and travelling expenses	10,870	4,685
Rental expenses (Note)	3,604	1,354
Maintenance and testing costs	7,682	3,916
Office expenses	3,672	2,600
Stamp duties, property and other taxes	2,823	2,025
Others	26,808	14,109
<b>Total cost of sales, selling and marketing expenses, administrative expenses, research and development costs and other expenses</b>	<b>619,897</b>	<b>552,541</b>

Note:

Rental expenses derived from short-term leases and leases of low-value assets which are charged on a straight-line basis to profit or loss.

## 9. OTHER LOSSES, NET

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Impairment loss on other non-current assets	—	(2,264)
Impairment loss on prepayment for an equity transaction (Note)	<b>(4,000)</b>	—
Donation	<b>(2,451)</b>	(1,186)
Change in fair value of financial assets measured at fair value through profit or loss (Note 6.3)	<b>1,784</b>	860
Net losses on disposals of land use rights and property, plant and equipment	<b>(423)</b>	(4)
Net foreign exchange losses	<b>(730)</b>	(2,673)
Others	<b>(2,097)</b>	428
	<b>(7,917)</b>	(4,839)

Note:

On 8 April 2020, Beijing Outsell Product Development Co., Ltd. (“**Beijing Outsell**”), a wholly owned subsidiary of the Group, entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) with the independent third party, owner of Weihai Shitongyuan Biological Technology Co., Ltd. (“**Weihai Shitongyuan**”), pursuant to which Beijing Outsell has conditionally agreed to purchase and the owner of Weihai Shitongyuan has conditionally agreed to transfer 51% of Weihai Shitongyuan’s equity interest through cash injection of RMB16,500,000 (the “Proposed Equity Transfer”), and an advance payment of RMB4,000,000 has been made by Beijing Outsell as a part of cash consideration.

On 16 March 2021, Beijing Outsell terminated the Equity Transfer Agreement, and made the full provision for the prepayment of RMB4,000,000 considering the risk of recoverability.

## Notes to the Interim Condensed Consolidated Financial Information

### 10. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Interest income from financial assets held for cash management purpose	(1,697)	(1,298)
Finance income	(1,697)	(1,298)
Interest expenses:		
— for borrowings	3,700	3,543
— for lease liabilities	691	594
Guarantee fee for bank borrowings	651	609
	5,042	4,746
Less: Amount capitalised (Note)	(1,886)	(1,982)
Finance costs	3,156	2,764
<b>Finance costs, net</b>	<b>1,459</b>	<b>1,466</b>

Note:

The rate used to determine the capitalisation of borrowing costs was the weighted-average interest rate applicable to the Group's general borrowings during the six months ended 30 June 2021, which was 4.94% (2020: 5.37%).

### 11. INCOME TAX EXPENSES

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

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

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

## 11. INCOME TAX EXPENSE (Continued)

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

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

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

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

The effective tax rate for the six months ended 30 June 2021 was 14% (2020: 19%). The major reason for the effective tax rate is that a substantial part of the Group’s profit before income tax for the current period was contributed from subsidiaries with HNT E qualification and entitled preferential corporate income tax rate of 15%.

## 12. EARNINGS PER SHARE

### (a) Basic

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

	Six months ended 30 June	
	2021	2020
Profit attributable to owners of the Company (RMB’000)	26,429	9,384
Weighted-average number of ordinary shares in issue	1,595,406,253	1,595,189,678
Basic earnings per share (RMB cent per share)	1.66	0.59

### (b) Diluted

The share options granted and restricted shares awarded by the Company have potential dilutive effect on the earnings per share. Diluted earnings per share is calculated by adjusting the weighted-average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options granted and restricted shares awarded by the Company (collectively forming the denominator for computing the diluted earnings per share). The share options had an anti-diluted effect to the Group for the six months ended 30 June 2021 and 2020. In addition, there were no unvested restricted shares which would result in a dilutive effect to the Group as at 30 June 2021 and 2020. Accordingly, the diluted earnings per share were the same as the basic earnings per share for the six months ended 30 June 2021 and 2020.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	Plant and machinery RMB'000	Furniture and others RMB'000	Construction in progress RMB'000	Total RMB'000
<b>At 31 December 2020</b>					
Cost	206,874	266,446	68,164	80,456	621,940
Accumulated depreciation	(68,031)	(178,835)	(39,559)	—	(286,425)
Accumulated impairment	(1,630)	(11,607)	—	—	(13,237)
<b>Net Book Value</b>	<b>137,213</b>	<b>76,004</b>	<b>28,605</b>	<b>80,456</b>	<b>322,278</b>
<b>Six months ended 30 June 2021</b>					
Opening net book amount	<b>137,213</b>	<b>76,004</b>	<b>28,605</b>	<b>80,456</b>	<b>322,278</b>
Acquisition of a subsidiary (Note 32)	<b>12,630</b>	<b>1,283</b>	<b>187</b>	—	<b>14,100</b>
Additions	<b>1,428</b>	<b>11,183</b>	<b>4,288</b>	<b>40,029</b>	<b>56,928</b>
Transfers	<b>56,733</b>	<b>4,322</b>	<b>2,122</b>	<b>(63,177)</b>	—
Disposals/write-off	<b>(1,145)</b>	—	<b>(142)</b>	—	<b>(1,287)</b>
Depreciation charges	<b>(6,476)</b>	<b>(9,431)</b>	<b>(6,541)</b>	—	<b>(22,448)</b>
<b>Closing net book amount</b>	<b>200,383</b>	<b>83,361</b>	<b>28,519</b>	<b>57,308</b>	<b>369,571</b>
<b>At 30 June 2021</b>					
Cost	276,520	283,234	74,619	57,308	691,681
Accumulated depreciation	(74,507)	(188,266)	(46,100)	—	(308,873)
Accumulated impairment	(1,630)	(11,607)	—	—	(13,237)
<b>Net Book Value</b>	<b>200,383</b>	<b>83,361</b>	<b>28,519</b>	<b>57,308</b>	<b>369,571</b>

#### 14. INVESTMENT PROPERTIES

	Buildings and facilities RMB'000
<b>At 31 December 2020</b>	
Cost	16,670
Accumulated depreciation	(6,347)
Accumulated impairment	(823)
<b>Net book amount</b>	<b>9,500</b>
<b>Six months ended 30 June 2021</b>	
Opening net book amount	<b>9,500</b>
Depreciation charge	<b>(506)</b>
Closing net book amount	<b>8,994</b>
Cost	<b>16,670</b>
Accumulated depreciation	<b>(6,853)</b>
Accumulated impairment	<b>(823)</b>
<b>Net book amount</b>	<b>8,994</b>

## Notes to the Interim Condensed Consolidated Financial Information

### 15. INTANGIBLE ASSETS

	Goodwill	Trade — marks and brand name	Computer software	Exclusive medicine distribution right	Medicine production licenses	Patents and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 31 December 2020</b>							
Cost	56,453	13,398	10,954	7,740	126,000	4,971	219,516
Accumulated amortisation	—	(11,871)	(9,266)	(2,938)	(25,543)	(3,428)	(53,046)
Accumulated impairment	—	—	—	(4,802)	—	—	(4,802)
<b>Net book amount</b>	<b>56,453</b>	<b>1,527</b>	<b>1,688</b>	<b>—</b>	<b>100,457</b>	<b>1,543</b>	<b>161,668</b>
<b>Six months ended</b>							
<b>30 June 2021</b>							
Opening net book amount	<b>56,453</b>	<b>1,527</b>	<b>1,688</b>	<b>—</b>	<b>100,457</b>	<b>1,543</b>	<b>161,668</b>
Acquisition of a subsidiary (Note 32)	<b>3,800</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>13,000</b>	<b>16,800</b>
Additions	—	—	230	—	—	—	230
Amortisation charges	—	(98)	(118)	—	(3,956)	(686)	(4,858)
Closing net book amount	<b>60,253</b>	<b>1,429</b>	<b>1,800</b>	<b>—</b>	<b>96,501</b>	<b>13,857</b>	<b>173,840</b>
<b>At 30 June 2021</b>							
Cost	<b>60,253</b>	<b>13,398</b>	<b>11,184</b>	<b>7,740</b>	<b>126,000</b>	<b>17,971</b>	<b>236,546</b>
Accumulated amortisation	—	(11,969)	(9,384)	(2,938)	(29,499)	(4,114)	(57,904)
Accumulated impairment	—	—	—	(4,802)	—	—	(4,802)
<b>Net book amount</b>	<b>60,253</b>	<b>1,429</b>	<b>1,800</b>	<b>—</b>	<b>96,501</b>	<b>13,857</b>	<b>173,840</b>

Note:

Management has assessed and concluded that no provision for impairment of goodwill has to be recognised as of 30 June 2021 (31 December 2020: Nil).

**16. OTHER NON-CURRENT ASSETS**

	As at	
	30 June 2021 RMB'000	31 December 2020 RMB'000
Prepayment for purchases of intangible assets	7,090	6,454
Prepayment for construction of property, plant and equipment	32,476	19,024
	39,566	25,478
Impairment on prepayment for purchases of intangible assets	(6,274)	(6,274)
Total other non-current assets	33,292	19,204

**17. NON-CONTROLLING INTERESTS ("NCI")**

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are post inter-company eliminations.

**Summarised balance sheet**

	Zhongshan Wanhan		Zhongshan Wanyuan	
	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Current assets	305,015	318,051	5,823	4,596
Current liabilities	(79,736)	(126,340)	(22,318)	(10,773)
<b>Net current assets/ (liabilities)</b>	<b>225,279</b>	191,711	<b>(16,495)</b>	(6,177)
Non-current assets	318,102	271,469	66,635	62,991
Non-current liabilities	(113,483)	(97,940)	(18,859)	(21,746)
<b>Net non-current assets</b>	<b>204,619</b>	173,529	<b>47,776</b>	41,245
<b>Net assets</b>	<b>429,898</b>	365,240	<b>31,281</b>	35,068
NCI	210,650	178,968	15,328	17,183

**17. NON-CONTROLLING INTERESTS ("NCI")** (Continued)

## Summarised statement of comprehensive income

	Zhongshan Wanhan		Zhongshan Wanyuan	
	For the six months ended 30 June		For the six months ended 30 June	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	227,586	218,509	—	—
<b>Profit for the year</b>	<b>64,658</b>	76,811	<b>(3,787)</b>	553
Other comprehensive income	—	—	—	—
<b>Total comprehensive income</b>	<b>64,658</b>	76,811	<b>(3,787)</b>	553
Profit allocated to NCI	<b>31,682</b>	37,637	<b>(1,855)</b>	271
Dividends paid to NCI	—	—	—	—

**18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

The amounts recognised in the interim condensed consolidated balance sheet are as follows:

	As at	
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
Joint ventures	<b>64,858</b>	55,890

The amounts recognised in the interim condensed consolidated statement of comprehensive income are as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Joint ventures	<b>13,773</b>	(124)

## 18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

Note:

Movements in the Group's interest in the joint ventures are as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
<b>Beginning of the period</b>	<b>55,890</b>	79,276
Disposals	<b>(4,805)</b>	—
Profit/(loss) for the period	<b>13,773</b>	(124)
<b>End of the period</b>	<b>64,858</b>	79,152

## 19. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	30 June	31 December
	2021	2020
	RMB'000	RMB'000
— Equity investments in a private company (b)	<b>19,380</b>	—
— Equity investments in a fund (c)	<b>13,297</b>	—
Financial assets measured at fair value through profit or loss	<b>32,677</b>	—

Note:

- (a) The Group's wealth management products and structured deposit purchased from commercial financial institutes are denominated in RMB. The principals and returns of the wealth management products are not guaranteed, while the principles of the structured deposit are protected with the returns not guaranteed. The contractual cash flows of wealth management products and structured deposit do not qualify for solely payments of principal and interest, accordingly, they are measured at fair value through profit or loss, and there are no balance amount as at 30 June 2020 and 2021.

The fair values are based on discounted cash flow using the expected return based on management estimation and are within level 3 of the fair value hierarchy (Note 6.3).

## 19. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

(Continued)

Note: (Continued)

- (b) The Group has obtained 3.732% equity interests of ERX Pharmaceuticals Inc. (“**ERX**”) for a cash consideration of USD3.0 million (equivalent to RMB19,380,000) on 30 April 2021. Considering that the Group can neither control nor execute significant influence on ERX, the management recognised this investment as financial assets measured at fair value through profit or loss.
- (c) Out of USD2.3505 million total capital commitment based on the agreement on 26 February 2021, the Group invested USD2.0609 million (equivalent to approximately RMB13,297,000) to a fund on 17 May 2021. Considering that the Group can neither control nor execute significant influence on the fund, the management recognised this investment as financial assets measured at fair value through profit or loss.

## 20. INVENTORIES

	As at	
	30 June 2021 RMB'000	31 December 2020 RMB'000
Raw materials and packaging materials	<b>45,396</b>	48,351
Work in progress	<b>5,715</b>	5,052
Finished goods	<b>102,805</b>	85,991
	<b>153,916</b>	139,394
Less: Provision for impairment	—	—
	<b>153,916</b>	139,394

## 21. TRADE AND BILLS RECEIVABLES

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

- (a) The Group normally grants a credit period of 15–90 days to its customers. The following is an ageing analysis of trade receivables (net of allowance for doubtful debts) based on the goods delivery dates, which approximated to their invoice dates:

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

- (b) As of 30 June 2021, bills receivable amounted to RMB8,489,000 (31 December 2020: RMB9,119,000) were all bank acceptance notes with maturity date within 6 months and are classified as financial assets measured at fair value through other comprehensive income, included in trade and bills receivables.

**22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

	As at	
	30 June 2021 RMB'000	31 December 2020 RMB'000
Prepayments for advertisement	11,180	7,547
Prepayments for promotion activities	7,557	7,492
Advances to suppliers	20,544	30,109
Other receivables	55,838	70,554
Interest receivables	—	1,290
Others	15,097	7,694
	<b>110,216</b>	<b>124,686</b>

**23. RIGHT-OF-USE ASSETS**

	As at	
	30 June 2021 RMB'000	31 December 2020 RMB'000
Land use rights	105,916	98,558
Sales and leaseback property (a)	355	709
Office premises and staff quarters	47,817	18,886
Leased vehicles	187	214
	<b>154,275</b>	<b>118,367</b>

- (a) As at 30 June 2021, the right-of-use assets and lease liabilities associated with the property under the sales and leaseback arrangement amounted to RMB355,000 (31 December 2020: RMB709,000) and RMB1,543,000 (31 December 2020: RMB4,567,000) respectively.

**24. SHARE CAPITAL**

	Number of shares	Amount US\$	Share capital RMB'000
Ordinary shares of US\$0.00000833333 each			
Authorised:			
At 30 June 2021 and 31 December 2020	6,000,000,000	50,000	341
Issued and fully paid:			
At 30 June 2021 and 31 December 2020	1,630,207,820	13,585	94

At 30 June 2021, 34,801,607 ordinary shares (31 December 2020: 34,801,607) of par value of USD0.00000833333 each were held by the Company for its restricted share award scheme (Note 30).

## 25. BORROWINGS

As at 30 June 2021, the Group's borrowings were as follows:

	As at	
	30 June 2021 RMB'000	31 December 2020 RMB'000
<b>Included in current liabilities</b>		
Bank borrowing, secured (a)	<b>88,570</b>	92,050
Bank borrowing, unsecured	—	3,000
	<b>88,570</b>	95,050
<b>Included in non-current liabilities</b>		
Bank borrowing, secured (a)	<b>70,440</b>	64,730
	<b>70,440</b>	64,730

(a) The details of secured bank borrowings are as follows:

Bank borrowings	Land use rights with buildings built on as collateral		Guarantor
	RMB'000	Buildings RMB'000	
60,000	78,700	5,972	A third-party guarantee company
15,000	29,175	17,488	Ms. Peng Wei*
8,500	29,175	18,510	Ms. Peng Wei
17,000	29,175	17,488	Ms. Peng Wei
49,660	45,215	18,510	Ms. Peng Wei
8,850	Not applicable	Not applicable	Ms. Peng Wei

\* Ms. Peng Wei is a non-controlling shareholder of Zhongshan Wanhan and Zhongshan Wanyuan.

(b) The fair values of the borrowings are not materially different from their carrying amounts, considering the short remaining maturity period and also all of these borrowings bear fixed interest rates which are closed to the market interest rates.

## 26. DEFERRED INCOME TAX

### Deferred income tax assets

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
At beginning of period	119,822	69,844
(Charged)/credited to profit or loss	(3,736)	10,430
At end of period	116,086	80,274

### Deferred income tax liabilities

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
At beginning of period	50,636	36,719
Acquisition of a subsidiary	7,790	—
Credited/(charged) to profit or loss	4,030	(971)
At end of period	62,456	35,748

Note:

The net balance of deferred income tax assets and liabilities was RMB13,088,000 as at 30 June 2021 (31 December 2020: RMB13,255,000).

## 27. TRADE AND BILLS PAYABLES

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

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

## 28. OTHER PAYABLES AND ACCRUED EXPENSES

	As at	
	30 June 2021 RMB'000	31 December 2020 RMB'000
Accrued expenses	<b>21,916</b>	41,362
Taxes and surcharge payable	<b>5,790</b>	5,216
Payroll and welfare payable	<b>22,477</b>	22,203
Accrued sales rebate	<b>19,429</b>	71,112
Payable to suppliers for:		
— purchases of property, plant and equipment	<b>19,030</b>	48,948
— advertisement	<b>23,487</b>	8,980
Dividend payable	<b>3,831</b>	—
Others	<b>50,827</b>	37,806
	<b>166,787</b>	235,627

## 29. LEASE LIABILITIES

	As at	
	30 June 2021 RMB'000	31 December 2020 RMB'000
Current lease liabilities	<b>19,858</b>	12,563
Non-current lease liabilities	<b>24,165</b>	10,044
Total lease liabilities	<b>44,023</b>	22,607

During the six months ended 30 June 2021, the weighted-average lessee's incremental borrowing rate applied to the recognition of lease liabilities was 5.59% (2020: 5.59%).

### 30. SHARE-BASED PAYMENTS

#### Share option scheme

The Company adopted a pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”) and a post-IPO share option scheme (the “**Post-IPO Share Option Scheme**”) on 30 April 2010 and 8 September 2010, respectively for the granting of share options to qualified persons.

Movements in the number of share options outstanding under the share option schemes and the related weighted average exercise prices of the options granted are as follows:

	Pre-IPO Share Option Scheme		Post-IPO Share Option Scheme		Total number of options
	Average exercise price (RMB)	Number of options	Average exercise price (HK\$)	Number of options	
<b>At 1 January 2020</b>	1.23	72,290,000	1.01	19,820,000	92,110,000
Granted	—	—	—	—	—
Lapsed	1.23	(72,290,000)	1.00	(1,200,000)	(73,490,000)
<b>At 30 June 2020</b>	1.23	—	1.01	18,620,000	18,620,000
Exercisable as at 30 June 2020	1.23	—	1.01	18,620,000	18,620,000
<b>At 1 January 2021</b>	—	—	<b>1.01</b>	<b>18,620,000</b>	<b>18,620,000</b>
Granted	—	—	—	—	—
Lapsed	—	—	<b>1.00</b>	<b>(100,000)</b>	<b>(100,000)</b>
<b>At 30 June 2021</b>	—	—	<b>1.01</b>	<b>18,520,000</b>	<b>18,520,000</b>
Exercisable as at 30 June 2021	—	—	<b>1.01</b>	<b>18,520,000</b>	<b>18,520,000</b>

### 30. SHARE-BASED PAYMENTS (Continued)

#### Restricted share award scheme

The Company adopted a restricted share award scheme on 11 November 2011 with duration of 10 years for the granting of restricted shares to eligible participants (the “**Selected Participants**”).

The Company has set up a trust (the “**Trust**”) to administer and hold the Company’s shares before they are vested and transferred to the Selected Participants. The Trust purchases the Company’s shares being awarded from the open market using cash contributed by the Company.

In January 2012, the Trust purchased 61,000,000 shares of the Company on the Stock Exchange at a total consideration of HK\$48,291,000 (equivalent to RMB39,312,000) for the restricted share award scheme.

As at 30 June 2021, 34,801,567 (As at 31 December 2020: 34,801,567) shares were held by the Trust and not yet granted to the Selected Participants.

Movements in the number of restricted shares are as follows:

	Number of shares held for the Restricted Share Award Scheme	Number of awarded shares	Total
<b>At 1 January 2020</b>	35,201,567	200,000	35,401,567
Granted	—	—	—
Vested and transferred	—	(200,000)	(200,000)
<b>At 30 June 2020</b>	35,201,567	—	35,201,567
<b>At 1 January 2021</b>	<b>34,801,567</b>	—	<b>34,801,567</b>
Granted	—	—	—
Vested and transferred	—	—	—
<b>At 30 June 2021</b>	<b>34,801,567</b>	—	<b>34,801,567</b>

### 31. DIVIDEND

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

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

### 32. BUSINESS COMBINATION

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

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

	Xueyinghua RMB'000
<b>Fair value</b>	
Property, plant and equipment (Note 13)	14,100
Land use rights	8,880
Intangible assets (Note 15)	13,000
Deferred income tax liabilities (Note 26)	(7,790)
Net identifiable assets acquired	28,190
<b>Total consideration paid</b>	<b>31,990</b>
Goodwill (Note 15)	3,800

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

### 33. COMMITMENTS

#### (a) Capital commitments

As at 30 June 2021, capital expenditure for property, plant and equipment as contracted for but not yet incurred amounted to RMB15,697,000 (31 December 2020: RMB52,363,000).

As at 30 June 2021, capital investments in a joint venture contracted for but not yet incurred amounted to RMB9,790,000 (31 December 2020: RMB9,790,000).

As at 30 June 2021, capital investments in the fund contracted for but not yet incurred amounted to USD0.2896 million, equivalent to RMB1,871,000 (31 December 2020: Nil) (Note 19(c)).

#### (b) Operating lease commitments

The Group leases various office premises and staff quarters under non-cancellable short-term operating leases agreements. The future minimum lease payments contracted for at the balance sheet dates but not recognised as liabilities, are as follows:

	As at	
	30 June 2021 RMB'000	31 December 2020 RMB'000
No later than 1 year	509	812
1-5 years	49	15
	<b>558</b>	827

### 34. RELATED PARTY TRANSACTIONS

#### Key management compensation

Key management includes Chief Executive Officer, Chief Financial Officer and Vice Presidents. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Salaries, bonus and other allowances	5,404	5,893
Share-based compensation	—	—
Pension cost — defined contribution plan	139	18
	<b>5,543</b>	5,911

### 35. EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

## Other Information

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, so far as known to the Directors, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Name of Director/ Chief Executive	Nature of interest	Number of Shares/options	Number of options granted under the Share Option Scheme	Approximate percentage of total issued Shares (%) <sup>(7)</sup>
Mr. ZHAO Yihong	Beneficial owner, interest of his spouse, founder of a discretionary trust and interest of corporation controlled by the Director <sup>(1)(3)</sup>	837,255,216 <sup>(1)(L)</sup>	5,000,000 <sup>(1)(L)</sup>	51.36%
Ms. GAO Yan	Beneficial owner and interest of her spouse <sup>(2)(3)</sup>	837,255,216 <sup>(2)(L)</sup>	5,000,000 <sup>(2)(L)</sup>	51.36%
Mr. ZHUO Fumin	Beneficial owner and interest of his spouse	736,000 <sup>(4)(L)</sup>	600,000 <sup>(4)(L)</sup>	0.05%
Mr. REN Guangming	Beneficial owner	970,000 <sup>(5)(L)</sup>	600,000 <sup>(5)(L)</sup>	0.06%
Mr. HE Yuanping	—	—	—	—
Mr. FU Shula	Beneficial owner	200,000 <sup>(6)(L)</sup>	—	0.01%

## Other Information

- (1) Mr. Zhao Yihong, executive Director, beneficially owns 4,000,000 options granted under the Share Option Scheme and 1,741,000 Shares directly. Mr. Zhao is also deemed or taken to be interested in the following Shares/options for the purposes of the SFO:
    - (i) 816,259,176 Shares which are beneficially owned by Foreshore Holding Group Limited, a company which is controlled by Mr. Zhao;
    - (ii) 14,255,040 Shares which are beneficially owned by Better Day Holdings Limited, a company which is controlled by Mr. Zhao; and
    - (iii) 1,000,000 options granted under the Share Option Scheme, which are beneficially owned by Ms. Gao Yan, Mr. Zhao's spouse.
  - (2) Ms. Gao Yan, executive Director, beneficially owns 1,000,000 options granted under the Share Option Scheme. Ms. Gao is also deemed or taken to be interested in the following Shares/options for the purposes of the SFO:
    - (i) 1,741,000 Shares beneficially owned by Mr. Zhao Yihong, Ms. Gao's spouse;
    - (ii) 816,259,176 Shares which are deemed to be beneficially owned by Mr. Zhao, as controlling shareholder of Foreshore Holding Group Limited;
    - (iii) 14,255,040 Shares which are deemed to be beneficially owned by Mr. Zhao as controlling shareholder of Better Day Holdings Limited; and
    - (iv) 4,000,000 options granted under the Share Option Scheme, which are beneficially owned by Mr. Zhao.
  - (3) The entire issued share capital of Foreshore Holding Group Limited is directly owned by Sea Network Holdings Limited. The entire issued share capital of Sea Network Holdings Limited is held by TMF Trust (HK) Limited, in its capacity as the trustee of a family trust established by Mr. Zhao Yihong as the settlor for the benefit of himself and his family members.
  - (4) Mr. Zhuo Fumin, non-executive Director, beneficially owns 600,000 options granted under the Share Option Scheme. Mr. Zhuo is also deemed or taken to be interested in the 136,000 Shares beneficially owned by his wife for the purposes of the SFO.
  - (5) Mr. Ren Guangming, independent non-executive Director, beneficially owns 600,000 options granted under the Share Option Scheme and 370,000 Shares.
  - (6) Mr. Fu Shula, independent non-executive Director, beneficially owns 200,000 Shares.
  - (7) This is calculated based on 1,630,207,820 Shares, being the number of Shares in issue as at 30 June 2021. The percentage of interest in the columns includes the options granted under the Share Option Scheme.
- \* The letter "L" denotes the person's long position in such Shares.

## Other Information

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, so far as known to the Directors, persons (other than the Directors or chief executive of the Company) who had an interest in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

<b>Substantial Shareholders</b>	<b>Number of Shares</b>	<b>Approximate percentage of total issued Shares (%)<sup>(3)</sup></b>
Foreshore Holding Group Limited <sup>(1)</sup>	816,259,176 <sup>(L)</sup>	50.07%
Sea Network Holdings Limited <sup>(1)</sup>	816,259,176 <sup>(L)</sup>	50.07%
TMF Trust (HK) Limited <sup>(1)</sup>	816,259,176 <sup>(L)</sup>	50.07%
Ms. PENG Wei <sup>(2)</sup>	128,115,000 <sup>(L)</sup>	7.86%
Everyoung Investment Holdings Limited <sup>(2)</sup>	123,750,000 <sup>(L)</sup>	7.59%

(1) The entire issued share capital of Foreshore Holding Group Limited is directly owned by Sea Network Holdings Limited. The entire issued share capital of Sea Network Holdings Limited is held by TMF Trust (HK) Limited, in its capacity as the trustee of a family trust established by Mr. Zhao Yihong as the settlor for the benefit of himself and his family members.

(2) The entire issued share capital of Everyoung Investment Holdings Limited is directly owned by Ms. Peng Wei. Ms. Peng beneficially owns 4,365,000 Shares.

(3) This is calculated based on 1,630,207,820 Shares, being the number of Shares in issue as at 30 June 2021.

\* The letter "L" denotes the person's long position in such Shares.

Save as disclosed above, as at 30 June 2021, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

## Other Information

### SHARE OPTION SCHEME

The Company's Share Option Scheme was adopted pursuant to a resolution passed on 8 September 2010 for the purpose of motivating eligible persons. Under the Share Option Scheme, the Board may grant options to eligible Directors, employees and consultants to subscribe for shares in the Company.

The maximum number of shares which can be granted under the Share Option Scheme shall not exceed 168,109,132, being 10% of the shares of the Company in issue immediately after the initial public offering on the listing date which is the effective date of such schemes and representing approximately 10.31% of the issued shares as at the date of this interim report. The maximum number of shares which can be granted under the Share Option Scheme to each eligible person in any 12-month period up to the offer date of share options shall not exceed 1% of the issued shares of the Company on the offer date. The scheme period of the Share Option Scheme ended at the end of 29 September 2020, after which no further share options shall be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any outstanding share options.

On 27 October 2014, the Company granted 44,860,000 share options under the Share Option Scheme.

On 10 August 2015, the Company granted 2,900,000 share options under the Share Option Scheme.

On 15 March 2016, the Company granted 1,500,000 share options under the Share Option Scheme.

On 20 December 2016, the Company granted 400,000 share options under the Share Option Scheme.

The consideration for accepting a share option is HK\$1.00. The exercise price for the share option granted under Share Option Scheme shall be such price as the Board in its absolute discretion shall determine. Please see the table below with specific amounts.

Options type	Date of grant	Share options			Exercise Price	Fair value of
		granted	Vesting period	Exercise period		option at grant date
					HK\$	HK\$
1st	27.10.2014	20,200,000	10.11.2014–9.11.2018	10.11.2015–9.11.2022	1.00	0.419
2nd	27.10.2014	21,060,000	10.11.2014–9.11.2018	10.11.2015–9.11.2022	1.00	0.388
3rd	27.10.2014	3,600,000	10.11.2014–9.11.2018	10.11.2015–9.11.2022	1.00	0.447
4th	10.8.2015	2,400,000	24.8.2015–23.8.2019	24.8.2016–23.8.2023	1.16	0.480
5th	10.8.2015	500,000	24.8.2015–23.8.2019	24.8.2016–23.8.2023	1.16	0.450
6th	15.3.2016	1,500,000	29.3.2016–28.3.2020	29.3.2017–28.3.2024	1.00	0.337
7th	20.12.2016	400,000	3.1.2017–2.1.2021	3.1.2018–2.1.2025	1.00	0.095

## Other Information

The following table discloses the movement of the Company's share options held by the Directors, employees and consultants under the Share Option Scheme for the six months ended 30 June 2021:

	Date of grant	Options type	Vesting period	Outstanding at 1/1/2021	Granted during the period	Cancelled during the period	Lapsed during the period	Exercised during the period	Outstanding at 30/6/2021
Executive directors									
Zhao Yihong	27.10.2014	1st	4 Years	4,000,000	—	—	—	—	4,000,000
Gao Yan	27.10.2014	1st	4 Years	1,000,000	—	—	—	—	1,000,000
				5,000,000	—	—	—	—	5,000,000
Non-executive director									
Zhuo Fumin	27.10.2014	1st	4 Years	600,000	—	—	—	—	600,000
				600,000	—	—	—	—	600,000
Independent non-executive directors									
Ren Guangming	27.10.2014	1st	4 Years	600,000	—	—	—	—	600,000
He Yuanping	—	—	—	—	—	—	—	—	—
Fu Shula	—	—	—	—	—	—	—	—	—
				600,000	—	—	—	—	600,000
Employees and consultants in aggregate									
	27.10.2014	1st	4 Years	6,800,000	—	—	(100,000)	—	6,700,000
	27.10.2014	2nd	4 Years	5,620,000	—	—	—	—	5,620,000
	27.10.2014	3rd	4 Years	—	—	—	—	—	—
	10.8.2015	4th	4 Years	—	—	—	—	—	—
	10.8.2015	5th	4 Years	—	—	—	—	—	—
	15.3.2016	6th	4 Years	—	—	—	—	—	—
	20.12.2016	7th	4 Years	—	—	—	—	—	—
				12,420,000	—	—	(100,000)	—	12,320,000
Total				18,620,000	—	—	(100,000)	—	18,520,000
Weighted average exercise price (HK\$)				1.00	—	—	1.00	—	1.00
Exercisable at the end of the period									18,520,000

## Other Information

Pursuant to the Share Option Scheme, the share options granted on 27 October 2014, 10 August 2015, 15 March 2016 and 20 December 2016, shall be exercisable during the period from the first anniversary of the commencement date and ending on the expiry of the option period in the following manner:

- (i) up to 25% of the option was exercisable during the period from the first anniversary of the commencement date and ending on the expiry of the option period;
- (ii) up to 50% of the option was exercisable during the period from the second anniversary of the commencement date and ending on the expiry of the option period;
- (iii) up to 75% of the option was exercisable during the period from the third anniversary of the commencement date and ending on the expiry of the option period; and
- (iv) up to 100% of the option will be exercisable during the period from the fourth anniversary of the commencement date and ending on the expiry of the option period.

The binomial option pricing model has been used to determine the fair value of share options granted during the six months ended 30 June 2021. The inputs into the model were as follows:

	Option type						
	1st	2nd	3rd	4th	5th	6th	7th
Grant date share price (HK\$)	0.98	0.98	0.98	1.16	1.16	0.92	0.53
Exercise price (HK\$)	1.00	1.00	1.00	1.16	1.16	1.00	1.00
Expected volatility	50%	50%	50%	54%	54%	53%	52%
Option life	8 years	8 years	8 years	8 years	8 years	8 years	8 years
Dividend yield	1.00%	1.00%	1.00%	2.80%	2.80%	3.53%	6.13%
Risk-free interest rate	1.68%	1.68%	1.68%	1.52%	1.52%	1.30%	1.92%
Annual post-vesting forfeit rate	15.0%	25.0%	0.0%	15.0%	24.0%	16.0%	24.0%
Total estimated fair value of the options granted (HK\$'000)	8,458	8,178	1,611	1,145	225	505	38

Expected volatility was estimated based on the historical share price volatility over the past 8 years of the Company and other comparable listed companies.

The risk-free interest rate of the option was estimated based on the yield of 8-year Hong Kong Sovereign Bond as at the grant date.

The selected dividend yield was estimated with consideration of the Company's expected dividend policy and analysis of historical trend of share price-to-earnings ratio of the Company.

The annual post-vesting forfeit rate was estimated with analysis of historical forfeit rate of the Company.

The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

## Other Information

The Group did not recognize expense for the six months ended 30 June 2021 (recognized total credit for the six months ended 30 June 2020: RMB42,000) in relation to the Share Option Scheme of the Company.

### RESTRICTED SHARE AWARD SCHEME

The Company adopted a restricted share award scheme on 11 November 2011 with duration of 10 years commencing from the effective date. The purpose of the Restricted Share Award Scheme is to attract, motivate and retain the eligible participants who shall receive offers of restricted shares as designated by the administration committee (the “**Selected Participants**”) and to increase the degree to which the Selected Participants’ remuneration and interests are tied to the financial performance of the Company and the fortunes of the shareholders of the Company. This scheme will provide the Selected Participants, which includes any Director, employee, consultant, executive or officer of the Company or any of its subsidiaries, with the opportunities to have a personal stake in the Company. The Company has set up the Employees’ Share Award Scheme Trust (the “**Trust**”) to administer and hold the Company’s shares before they are vested and transferred to the Selected Participants. The Trust purchases the Company’s shares being awarded from the open market using cash contributed by the Company.

As at 30 June 2021, 34,801,567 shares (31 December 2020: 34,801,567 shares) were held by the Trust and not yet vested to Selected Participants.

The Group did not recognize expense for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB66,000) in relation to the Restricted Share Award Scheme of the Company.

The Group did not grant the Company’s restricted shares granted to the Selected Participants for the six months ended 30 June 2021.

Save as disclosed above, during the six months ended 30 June 2021, neither the Company nor any of its subsidiaries was a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any associated corporation and none of the Directors had any right to subscribe for the securities of the Company, or exercised any such right during the aforesaid period.

### 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 Listing Rules during the six months ended 30 June 2021, except for code provision A.2.1 of the CG Code.

## Other Information

### CODE PROVISION A.2.1

Under code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of both Chairman and Chief Executive Officer are performed by Mr. Zhao Yihong. Mr. Zhao is a co-founder of the Group and has 31-year 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 interim report, the audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. He Yuanping, a Director with the appropriate professional qualifications and serving as the chairman of the Audit Committee, Mr. Ren Guangming and Mr. Fu Shula. The Audit Committee has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 and this interim report, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters.

### REVIEW OF INTERIM RESULTS

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 has been reviewed by PricewaterhouseCoopers, the auditor of the Company.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own securities dealing code for the Directors. Having made specific inquiries of all Directors, all Directors confirmed that they complied with the required standard as set out in the Model Code during the six months ended 30 June 2021.

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

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the six months ended 30 June 2021.

### CHANGES IN THE INFORMATION OF DIRECTORS

There has been no change in the information of the Directors from the date of the 2020 annual report to the date of this interim report that is required to be disclosed under Rule 13.51B(1) of the Listing Rules.

## Other Information

### INTERIM DIVIDEND

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

### SUBSEQUENT EVENTS

There was not any significant event occurred after 30 June 2021 up to the date of this interim condensed consolidated financial information which requires disclosure.

On behalf of the Board

**ZHAO Yihong**

*Chairman*

Hong Kong, 13 August 2021