



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 2015

草本健康
功能好茶



Corporate Profile

Besunyen Holdings Company Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) is a leading provider of therapeutic teas in China, mainly engaging in the development, production, sale and promotion of therapeutic teas. For the last 15 years, the Group has always been focused on the operation of the Besunyen Detox Tea and Besunyen Slimming Tea (the “**Two Teas**”). The Two Teas recorded an accumulated sales volume of approximately 3.7 billion bags, with an accumulated sales revenue of over RMB4.8 billion as of June 2015.

The production base of the Group is located in Fangshan District, Beijing. The production plant and the production process are in compliance with the requirements of the national GMP standards. As for production, the C24 tea bag packaging machine introduced from IMA, an Italian company, is adopted as the key production equipment, and the production lines assembled thereunder are of world-class level.

The therapeutic teas, the proprietary R&D products of the Group, are formulated on the basis of natural Chinese herbal-based medicine and tea leaves, providing safe, effective, price-competitive and convenient-to-use healthcare products for those with mild or recurring health problems, as well as those seeking to maintain healthy body and lifestyle.

In the first half of 2015, a vast majority of the Group’s revenue was derived from the sale of the Group’s two best selling products, namely Besunyen Detox Tea and Besunyen Slimming Tea. According to the results of a survey conducted by an independent third party research institute, in 2014, these two products were the number one leading therapeutic tea product in the laxative and slimming products markets in China respectively, and in terms of retail sales value, accounted for 21.67% and 42.69% of market share of laxative and slimming products sold through retail pharmacies in China respectively.

The Group divides its sales regions across the country into 13 large regions and 44 districts, spanning across 31 provinces, autonomous regions and municipals. As at 30 June 2015, the Group had a total of 78 distributors and 331 sub-distributors, and served about 125,000 retail pharmacies and retail terminals in shopping malls and supermarkets via the distributors, sub-distributors and the sales teams directly under the Group. Moreover, by means of the dynamics of brand attraction and channels’ promotion, the sale of the Two Teas has a coverage of about 400,000 retail pharmacies across the country.

Contents

Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	5
Report on Review of Interim Financial Information	20
Interim Condensed Consolidated Statement of Comprehensive Income	21
Interim Condensed Consolidated Balance Sheet	22
Interim Condensed Consolidated Statement of Changes in Equity	24
Interim Condensed Consolidated Statement of Cash Flows	25
Notes to the Interim Condensed Consolidated Financial Information	27
Other Information	42

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. Huang Jingsheng
Mr. Wang Jing
Mr. Ren Guangming

AUDIT COMMITTEE

Mr. Wang Jing (Chairman)
Mr. Huang Jingsheng
Mr. Ren Guangming

REMUNERATION COMMITTEE

Mr. Huang Jingsheng (Chairman)
Mr. Zhao Yihong
Mr. Wang Jing
Mr. Ren Guangming

NOMINATION COMMITTEE

Mr. Ren Guangming (Chairman)
Mr. Zhao Yihong
Mr. Huang Jingsheng
Mr. Wang Jing

COMPANY SECRETARY

Mr. Au Lap Ming, CPA, ACIS, ACS

REGISTERED OFFICE IN CAYMAN ISLANDS

Portcullis TrustNet (Cayman) Ltd.
The Grand Pavilion Commercial Centre
Oleander Way, 802 West Bay Road
P.O. Box 32052
Grand Cayman KY1-1208
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN PRC

10/F., Besunyen Building, Linglong Tiandi
No. 160 West 4th Ring Road North
Haidian District, Beijing 100036
PRC

PLACE OF BUSINESS IN HONG KONG

Room 1303, 13/F., China Resources Building
26 Harbour Road, Wanchai
Hong Kong

WEBSITE OF THE COMPANY

<http://ir.besunyen.com>

INVESTOR RELATIONS

ir@besunyen.com

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

MaplesFS Limited
P.O. Box 1093, Queensgate House
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen’s Road East, Wanchai
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince’s Building
Central, Hong Kong

LEGAL ADVISORS

As to Hong Kong Law:
DLA Piper Hong Kong
17th Floor, Edinburgh Tower
The Landmark
15 Queen’s Road Central
Hong Kong

As to PRC Law:
Jia Yuan Law Offices
F407–408 Ocean Plaza
158 Fuxing Men Nei Ave
Xicheng District
Beijing
China

COMPLIANCE ADVISER

Somerley Capital Limited
20/F., China Building
29 Queen’s Road Central
Hong Kong

Financial Highlights

THE OPERATION RESULTS OF THE GROUP

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

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

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

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

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

Management Discussion and Analysis

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

BUSINESS REVIEW

Explicating Brand Positioning to Consolidate Leadership

Expanding consumer base

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

Official partner of Chinese Figure Skating Team

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

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

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

Management Discussion and Analysis

Combining different media for wider coverage

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

Launching New Products to Deeply Penetrate the Market

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

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

Management Discussion and Analysis

Evidence-based Medical Research for Quality Assurance

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

Channels Streamlization and Retail Pharmacies Management

Optimising channels for price stabilisation

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

Making flexible use of mobile phones for efficient management

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

Forming Alliance to Create a Win-Win Situation

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

Management Discussion and Analysis

Tapping into Mobile E-commerce and Enriching Product Mix

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

Star Programme and Campus Recruitment

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

Summer Internship Programme in Collaboration with New Huadu Business School

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

PROSPECTS

Macro Economy

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

Focusing on Terminals and Reining Back on Expenses

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

Management Discussion and Analysis

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

Establishing Model Market for New Products

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

New Opportunities, New Products, New Businesses

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

FINANCIAL REVIEW

Revenue

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

The Group's revenue increased by 10.8% from RMB314.0 million in the first half of 2014 to RMB347.9 million in the same period of 2015. Among this, revenue of Besunyen Detox Tea increased by 15.2% from RMB127.5 million in the first half of 2014 to RMB146.9 million in the same period of 2015, mainly due to the increase in sales

Management Discussion and Analysis

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

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

Cost of Sales and Gross Profit

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

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

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

Selling and Marketing Expenses

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

Management Discussion and Analysis

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

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

Administrative Expenses

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

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

Research and Development Costs

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

Management Discussion and Analysis

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

Taxation

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

Profit and Total Comprehensive Income

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

Use of Net Proceeds from IPO

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

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

On 16 June 2015, in order for the Company to seize the business opportunities in the medical and pharmaceutical industries and to utilise the net proceeds of the Company more efficiently, the Board resolved to change the proposed use of the unutilised net proceeds from the IPO as follows: (i) approximately RMB150,000,000 to be used

Management Discussion and Analysis

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

Liquidity and Capital Resources

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

Cash Flow

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

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

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

Management Discussion and Analysis

Cash and Cash Equivalents and Bank Loans

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

Capital Expenditure

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

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

Investment Properties

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

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Investment properties	387,444	394,012

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

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

Management Discussion and Analysis

Inventories

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

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

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

Trade and Bills Receivables

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

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

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

Management Discussion and Analysis

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

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

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

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

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

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

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

Management Discussion and Analysis

Trade and Bills Payables

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

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

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

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

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

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

Management Discussion and Analysis

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

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
0–90 days	6,229	1,409
91–180 days	560	191
181–365 days	18	51
Over 1 year	—	82
Total	6,807	1,733

Risks in Foreign Exchange Rate

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

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

Material Acquisition or Disposal

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

Pledge of Assets

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

Gearing Ratio

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

Contingent Liabilities and Guarantees

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

Off-balance Sheet Commitments and Arrangements

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

Management Discussion and Analysis

Capital Commitments

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

Human Resources Management

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

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

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

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 21 to 41, 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 2015 and the related interim condensed consolidated statements of comprehensive income, changes in equity and 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 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 6 August 2015

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Unaudited	
		Six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
Revenue	7	347,883	314,001
Cost of sales		(46,387)	(43,948)
Gross profit		301,496	270,053
Other income		18,265	25,447
Selling and marketing expenses		(208,505)	(224,674)
Administrative expenses		(52,951)	(40,911)
Research and development costs		(2,175)	(3,750)
Other expenses		(6,907)	(6,798)
Other (losses)/gains		(1,059)	255
Gain on disposal of a subsidiary		—	9,977
Profit before income tax	9	48,164	29,599
Income tax expense	10	(8,363)	(12,397)
Profit for the period		39,801	17,202
Profit attributable to:			
— Owners of the Company		39,292	17,202
— Non-controlling interests		509	—
		39,801	17,202
Other comprehensive income		—	—
Total comprehensive income for the period		39,801	17,202
Total comprehensive income attributable to:			
— Owners of the Company		39,292	17,202
— Non-controlling interests		509	—
		39,801	17,202
Earnings per share attributable to owners of the Company (RMB cents)	11		
— Basic earnings per share		2.57	1.12
— Diluted earnings per share		2.57	1.12

The notes on pages 27 to 41 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Balance Sheet

	Note	Unaudited 30 June 2015 RMB'000	Restated 31 December 2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	342,265	352,056
Land use right		59,528	58,850
Investment properties	14	387,444	394,012
Intangible assets		9,559	1,933
Non-current deposits		4,631	5,439
Deferred income tax assets	19	8,867	12,850
Total non-current assets		812,294	825,140
Current assets			
Inventories		10,830	5,114
Trade and bills receivables	15	41,493	14,121
Deposits, prepayments and other receivables	16	66,523	34,805
Short-term investments	17	189,338	—
Pledged bank deposits		—	813
Term deposits with initial term of over three months		120,000	100,000
Cash and cash equivalents		208,398	377,753
Total current assets		636,582	532,606
Total assets		1,448,876	1,357,746
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	89	89
Share premium			
— Proposed interim/final dividend		15,483	24,180
— Others		1,231,926	1,247,409
Other reserves		321,830	318,377
Accumulated losses		(367,541)	(407,020)
		1,201,787	1,183,035
Non-controlling interests		10,546	—
Total equity		1,212,333	1,183,035

Interim Condensed Consolidated Balance Sheet

	Note	Unaudited 30 June 2015 RMB'000	Restated 31 December 2014 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred government grant		5,932	6,326
Deferred income tax liabilities	19	8,839	6,833
Other non-current liabilities		1,698	1,693
Total non-current liabilities		16,469	14,852
Current liabilities			
Trade and bills payables	20	20,228	10,381
Other payables and accrued expenses	21	194,030	147,771
Current income tax liabilities		5,816	1,707
Total current liabilities		220,074	159,859
Total liabilities		236,543	174,711
Total equity and liabilities		1,448,876	1,357,746
Net current assets		416,508	372,747
Total assets less current liabilities		1,228,802	1,197,887

The notes on pages 27 to 41 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity

	Unaudited							
	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Accumulated losses	RMB'000			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January, 2014	89	1,287,209	317,494	(453,450)	1,151,342	—	1,151,342	
Total comprehensive income for the period	—	—	—	17,202	17,202	—	17,202	
Total transactions with owners:								
Share-based payments under share option scheme	—	—	91	—	91	—	91	
Share-based payments under restricted share award scheme	—	—	708	—	708	—	708	
Transfer of share-based payment reserve upon expiration of share options	—	—	(2,574)	2,574	—	—	—	
Vesting of restricted shares under restricted share award scheme	—	—	707	(707)	—	—	—	
Balance at 30 June 2014	89	1,287,209	316,426	(434,381)	1,169,343	—	1,169,343	
Balance at 1 January, 2015	89	1,271,589	318,377	(407,020)	1,183,035	—	1,183,035	
Total comprehensive income for the period	—	—	—	39,292	39,292	509	39,801	
Total transactions with owners:								
Share-base payments under share option scheme	—	—	3,075	—	3,075	—	3,075	
Share-base payments under restricted share award scheme	—	—	565	—	565	—	565	
Dividends relating to 2014	—	(24,180)	—	—	(24,180)	—	(24,180)	
Acquisition of a subsidiary	—	—	—	—	—	10,037	10,037	
Vesting of restricted shares under restricted share award scheme	—	—	(187)	187	—	—	—	
Balance at 30 June 2015	89	1,247,409	321,830	(367,541)	1,201,787	10,546	1,212,333	

The notes on pages 27 to 41 form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before income tax	48,164	29,599
Adjustments for:		
Provision for/(reversal of) receivable impairment	47	(112)
Amortisation of intangible assets	156	152
Depreciation of investment properties	6,568	5,313
Depreciation of property, plant and equipment	15,204	15,809
Exchange gain	(676)	(190)
Gain on disposal of subsidiary	—	(9,977)
Interest income	(3,505)	(4,434)
Investment income from short-term investments	(4,110)	(3,522)
Loss on disposal of property, plant and equipment	109	24
Amortisation of deferred government grant	(394)	(392)
Amortisation of land use right	678	675
Share-based compensation	3,640	799
Negative goodwill on acquisition of a subsidiary	(146)	—
Write down of inventories	—	500
Operating cash flows before movements in working capital	65,735	34,244
Increase in inventories	(5,639)	(8,404)
(Increase)/decrease in trade and bills receivables	(19,847)	165
Increase in deposits, prepayments and other receivables	(21,680)	(2,863)
Increase in trade and bills payables	4,236	41,507
Increase in other payables and accrued expenses	41,443	36,300
Cash generated from operations	64,248	100,949
Income tax paid	(2,619)	(4,761)
Interest received	2,201	6,170
Net cash from operating activities	63,830	102,358

Major non-cash transaction:

During the six-month period ended 30 June 2015, bills receivables of RMB18,216,000 (2014: RMB3,158,000) have been endorsed to certain suppliers as the Group's settlement of the purchases of raw materials and advertisement costs.

Interim Condensed Consolidated Statement of Cash Flows

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Cash flows from investing activities		
Purchases of short-term investments	(347,000)	(672,000)
Placement of term deposits with initial term of over three months	(120,000)	(142,629)
Purchases of property, plant and equipment	(10,159)	(15,203)
Placement of pledged bank deposits	—	(28,003)
Payment for land use right	—	(3,000)
Proceeds from maturity of short-term investments	161,772	555,522
Proceeds from maturity of term deposits with initial term of over three months	103,548	201,000
Withdrawal of pledged bank deposits	813	19,817
Net cash inflow arising from disposal of a subsidiary	—	2,519
Acquisition of a subsidiary, net of cash and cash equivalents acquired (Note 8)	1,343	—
Proceeds from disposal of property, plant and equipment	2	109
Other	—	2,326
Net cash used in investing activities	(209,681)	(79,542)
Cash flows from financing activities		
Dividends paid to owners of the Company	(24,180)	—
Net cash used in financing activities	(24,180)	—
Net (decrease)/increase in cash and cash equivalents	(170,031)	22,816
Cash and cash equivalents at the beginning of period	377,753	210,739
Exchange gains	676	190
Cash and cash equivalents at end of period	208,398	233,745

The notes on pages 27 to 41 form an integral part of this interim condensed consolidated financial information.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2015

1. GENERAL INFORMATION

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

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

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 2015 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 6 August 2015.

Key event

The operational highlight of the period was the acquisition of Guangzhou Runliang Pharmaceutical Co., Ltd., a company which engages in the sales of slimming medicines. Further details are given in Note 8.

2. BASIS OF PREPARATION AND PRESENTATION

This interim condensed consolidated financial information for the six months ended 30 June 2015 has been prepared in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting". The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

Resulting from the prior period adjustment as described in Note 25, certain comparative figures have been restated or reclassified to conform with the current period's presentation.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2015

3. ACCOUNTING POLICIES *(Continued)*

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

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

4. 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 consolidated financial statements for the year ended 31 December 2014.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk

There was no other 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.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2015

6. SEGMENT INFORMATION

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

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

7. REVENUE

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

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

8. BUSINESS COMBINATION

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

The acquired business contributed revenue of RMB20,536,163 and net profit of RMB2,543,895 to the Group for the period from 1 May 2015 to 30 June 2015. If the acquisition had occurred on 1 January 2015, consolidated revenue and consolidated profit for the six months ended 30 June 2015 would have been RMB31,962,961 and RMB5,281,816 respectively.

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2015

8. BUSINESS COMBINATION (Continued)**Recognised amounts of identifiable assets acquired and liabilities assumed**

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

	As at 30 April 2015 RMB'000
Inflow of cash to acquire business, net of cash and cash equivalents acquired	
— Cash consideration paid	(40,000)
— Cash and cash equivalents of the subsidiary acquired	41,343
Cash inflow on acquisition	1,343

The Group measures the non-controlling interests at the proportion of net assets acquired shared by the non-controlling interests.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2015

9. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Crediting		
Investment income from short-term investments	4,110	3,522
Interest income on bank balances and deposits	3,505	4,434
Negative goodwill on acquisition of a subsidiary	146	—
Amortisation of deferred government grant	394	392
Charging		
Depreciation		
— property, plant and equipment	(15,204)	(15,809)
— investment properties	(6,568)	(5,313)
Amortisation		
— intangible assets	(156)	(152)
— land use right	(678)	(675)
Loss on disposals of property, plant and equipment	(109)	(24)

10. INCOME TAX EXPENSE

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

No provision for Hong Kong Profits Tax has been made as the Group’s operations in Hong Kong had no assessable profit in Hong Kong for the current and the prior period.

In February 2015, Beijing Outsell Health Product Development Co., Ltd. (“Beijing Outsell”), a subsidiary of the Group, has obtained the High and New Technology Enterprise (“HNTE”) qualification for three years from 2014 to 2016, in which the applicable income tax rate during the approved period is 15%. All other PRC subsidiaries of the Group are subject to the statutory income tax rate of 25%.

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2015

10. INCOME TAX EXPENSE *(Continued)*

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated annual tax rate used for the year ending 31 December 2015 is 17% (for the six months ended 30 June 2014 was 42%). The lower estimated annual tax rate for the year ending 31 December 2015 was primarily attributable to the aforementioned preferential tax rate of 15% as entitled by Beijing Outsell and the expected significant reduction in non-deductible expenditures items for the year ending 31 December 2015.

11. EARNINGS PER SHARE

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

12. DIVIDEND**(a) Dividends attributable to the current period**

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

On 6 August 2015, the Board has resolved to declare an interim dividend of HK1.25 cents per share (HK\$19,618,000 in aggregate, equivalent to approximately RMB15,483,000) for the six months ended 30 June 2015 to the shareholders of the Company whose names appear on the register of members of the Company on 26 August 2015. The interim dividend will be distributed from the share premium account and paid on 7 September 2015.

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2015

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group has additions to and disposals of property, plant and equipment of approximately RMB5,979,000 and RMB1,713,000, respectively (2014: RMB10,694,000 and RMB6,993,000, respectively).

At 30 June 2015, the Group is still in the process of obtaining the property certificates for the leasehold land and buildings which are located in the PRC with the carrying amount of approximately RMB71,825,000 (At 31 December 2014: RMB73,058,000).

14. INVESTMENT PROPERTIES

The Group has no addition to and disposal of investment properties during the six months ended 30 June 2015 (2014: Nil).

At 30 June 2015, the Group is still in the process of obtaining the property certificates for the investment properties (including leasehold land and buildings which are located in the PRC) with the carrying amount of approximately RMB238,224,000 (At 31 December 2014: RMB323,943,000).

15. TRADE AND BILLS RECEIVABLES

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

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2015

16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

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

17. SHORT-TERM INVESTMENTS

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
Investments in wealth management products	189,338	—

The short-term investments represent the Group's investments in wealth management products as issued by banks which retain the possible loss of the principal amount invested and are classified as available-for-sale financial assets. These wealth management products are with variable return rates indexed to the performance of certain underlying assets and are maturing within one year. As at 30 June 2015, the carrying amounts of these investments approximate to their fair values as determined within level 3 of the fair value hierarchy (i.e.: inputs for the assets that are not based on observable market data (that is, unobservable inputs)).

18. SHARE CAPITAL

	Number of shares	Amount US\$	Share capital RMB'000
Ordinary shares of USD0.00000833333 each			
Authorised:			
At 30 June 2015 and 31 December 2014	6,000,000,000	50,000	341
Issued and fully paid:			
At 30 June 2015 and 31 December 2014	1,569,421,820	13,079	89

Note:

At 30 June 2015, 37,113,567 ordinary shares (31 December 2014: 37,967,567) of par value of USD0.00000833333 each were held by the Company for its restricted share award scheme (Note 22).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2015

19. DEFERRED INCOME TAX**Deferred income tax assets**

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Beginning of period	12,850	14,496
(Charged)/credited to profit or loss	(3,983)	617
End of period	8,867	15,113

Deferred income tax liabilities

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Beginning of period	6,833	7,104
Acquisition of a subsidiary	1,935	—
Charged/(credited) to profit or loss	71	(430)
End of period	8,839	6,674

20. TRADE AND BILLS PAYABLES

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

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2015

21. OTHER PAYABLES AND ACCRUED EXPENSES

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

22. SHARE-BASED PAYMENTS**Share incentive plans**

The Company adopted a Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme ("Share Option Scheme") on 30 April 2010 and 8 September 2010 respectively (collectively the "Share Incentive Plans") for the granting of share options to qualified persons.

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

	Six months ended 30 June			
	2015		2014	
	Average exercise price in RMB per share	Number of share options involved	Average exercise price in RMB per share	Number of share options involved
Balance, beginning of period	1.07	122,440,000	1.23	82,770,000
Granted	—	—	—	—
Lapsed	0.78	(6,100,000)	1.23	(5,110,000)
Balance, end of period	1.09	116,340,000	1.23	77,660,000

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2015

22. 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 who shall receive offers of restricted shares as designated by the administration committee (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 2015, 37,113,567 shares (31 December 2014: 37,967,567 shares) were held by the Trust and not yet granted to the Selected Participants.

Movements in the number of restricted shares are as follows:

	Six months ended 30 June	
	2015	2014
Balance, beginning of period	—	—
Granted	854,000	2,195,000
Vested	(854,000)	(2,195,000)
Balance, end of period	—	—

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2015

23. COMMITMENTS**(a) Capital commitments**

As at 30 June 2015, capital expenditure of property, plant and equipment contracted for as of 30 June 2015 but not yet incurred amounted to approximately RMB3,316,000 (as at 31 December 2014: RMB6,392,000).

(b) Operating lease commitments*The Group as lessee*

At the end of the reporting period, the Group's commitments for future minimum lease payments under non-cancellable operating leases as follows:

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
No later than 1 year	1,731	2,237
Later than 1 year and no later than 5 years	273	381
	2,004	2,618

Operating lease payments primarily represent rental payable by the Group for certain of its office building and staff quarters.

The Group as lessor

At the end of the reporting period, the future minimum lease payments receivable under non-cancellable operating leases are as follows:

	As at	
	30 June 2015 RMB'000	31 December 2014 RMB'000
No later than 1 year	17,825	17,296
Later than 1 year and no later than 5 years	25,429	28,796
	43,254	46,092

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2015

24. RELATED PARTY TRANSACTIONS

Key management compensation for the period is summarised as below:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Salaries and other short-term benefits	3,712	3,777
Share-based compensation	956	21
Retirement benefit scheme contributions	76	75
	4,744	3,873

25. PRIOR PERIOD ADJUSTMENT

The Company has carried out a reassessment on the Group's consolidated financial statements for the year ended 31 December 2014 and identified the following misstatement:

A one-year term bank deposit of RMB100 million was previously classified as part of the Group's cash and cash equivalents as at 31 December 2014. Considering the relatively long maturity of the bank deposit, a prior period adjustment has been made in this interim condensed consolidated financial information to reclassify the deposit and present it as "Term deposits with initial term of over three months" in the balance sheet. Accordingly, the related comparative figures as presented in this interim condensed consolidated financial information have been restated to conform with the current period's presentation.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2015

25. PRIOR PERIOD ADJUSTMENT (Continued)**Summary of the effect of the prior period adjustment**

The effects of the prior period adjustment aforementioned on the Group's financial information are summarised as follows:

	As previously reported RMB'000	Adjustments RMB'000	As restated RMB'000
As at 31 December 2014			
ASSETS			
Non-current assets			
Property, plant and equipment	352,056	—	352,056
Land use right	58,850	—	58,850
Investment properties	394,012	—	394,012
Intangible assets	1,933	—	1,933
Non-current deposits	5,439	—	5,439
Deferred income tax assets	12,850	—	12,850
Total non-current assets	825,140	—	825,140
Current assets			
Inventories	5,114	—	5,114
Trade and bills receivables	14,121	—	14,121
Deposits, prepayments and other receivables	34,805	—	34,805
Pledged bank deposits	813	—	813
Term deposits with initial term of over three months	—	100,000	100,000
Cash and cash equivalents	477,753	(100,000)	377,753
Total current assets	532,606	—	532,606
Total assets	1,357,746	—	1,357,746

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2015

25. PRIOR PERIOD ADJUSTMENT (Continued)

Summary of the effect of the prior period adjustment (continued)

	As previously reported RMB'000	Adjustments RMB'000	As restated RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	89	—	89
Share premium	1,271,589	—	1,271,589
Other reserves	318,377	—	318,377
Accumulated losses	(407,020)	—	(407,020)
Total equity	1,183,035	—	1,183,035
LIABILITIES			
Non-current liabilities			
Deferred government grant	6,326	—	6,326
Deferred income tax liabilities	6,833	—	6,833
Other non-current liabilities	1,693	—	1,693
Total non-current liabilities	14,852	—	14,852
Current liabilities			
Trade and bills payables	10,381	—	10,381
Other payables and accrued expenses	147,771	—	147,771
Current income tax liabilities	1,707	—	1,707
Total current liabilities	159,859	—	159,859
Total liabilities	174,711	—	174,711
Total equity and liabilities	1,357,746	—	1,357,746

The prior period adjustment does not have any impact on the Group's profit and cash flows for the six months ended 30 June 2014 and the Group's consolidated balance sheet as at 1 January 2014.

26. POST BALANCE SHEET EVENTS

On 6 August 2015, the Board has resolved to declare an interim dividend. Further details are disclosed in Note 12(a).

Other Information

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

As at 30 June 2015, 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 entered into 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 Pre-IPO Share Option Scheme	Number of options granted under the Share Option Scheme	Approximate percentage of total issued Shares (%) ⁽⁸⁾
Mr. ZHAO Yihong	Beneficial owner, interest of his spouse, founder of a discretionary trust and interest of corporation controlled by the Director ⁽¹⁾⁽³⁾	1,034,498,640 ^{(1)(L)}	36,000,000 ^{(1)(L)}	5,000,000 ^{(1)(L)}	65.92%
Ms. GAO Yan	Beneficial owner and interest of her spouse ⁽²⁾⁽³⁾	1,034,498,640 ^{(2)(L)}	36,000,000 ^{(2)(L)}	5,000,000 ^{(2)(L)}	65.92%
Mr. ZHUO Fumin	Beneficial owner and interest of his spouse	1,136,000 ^{(4)(L)}	400,000 ^{(4)(L)}	600,000 ^{(4)(L)}	0.07%
Mr. HUANG Jingsheng	Beneficial owner	1,100,000 ^{(5)(L)}	500,000 ^{(5)(L)}	600,000 ^{(5)(L)}	0.07%
Mr. WANG Jing	Beneficial owner	600,000 ^{(6)(L)}	—	600,000 ^{(6)(L)}	0.04%
Mr. REN Guangming	Beneficial owner	600,000 ^{(7)(L)}	—	600,000 ^{(7)(L)}	0.04%

(1) Mr. Zhao Yihong, executive Director, beneficially owns 24,000,000 options granted under the Pre-IPO Share Option Scheme, 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) 978,002,600 Shares which are beneficially owned by Foreshore Holding Group Limited, a company which is controlled by Mr. Zhao;
- (ii) 13,755,040 Shares which are beneficially owned by Better Day Holdings Limited, a company which is controlled by Mr. Zhao; and
- (iii) 12,000,000 options granted under the Pre-IPO Share Option Scheme and 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 12,000,000 options granted under the Pre-IPO Share Option Scheme and 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;

Other Information

- (ii) 978,002,600 Shares which are deemed to be beneficially owned by Mr. Zhao, as controlling shareholder of Foreshore Holding Group Limited;
 - (iii) 13,755,040 Shares which are deemed to be beneficially owned by Mr. Zhao as controlling shareholder of Better Day Holdings Limited; and
 - (iv) 24,000,000 options granted under the Pre-IPO Share Option Scheme and 4,000,000 options granted under the Share Option Scheme, which are beneficially owned by Mr. Zhao.
- (3) 84.15% of the 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 KCS Trust 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 400,000 options granted under the Pre-IPO Share Option Scheme and 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. Huang Jingsheng, independent non-executive Director, beneficially owns 500,000 options granted under the Pre-IPO Share Option Scheme and 600,000 options granted under the Share Option Scheme.
- (6) Mr. Wang Jing, independent non-executive Director, beneficially owns 600,000 options granted under the Share Option Scheme.
- (7) Mr. Ren Guangming, independent non-executive Director, beneficially owns 600,000 options granted under the Share Option Scheme.
- (8) This is calculated based on 1,569,421,820 Shares, being the number of Shares in issue as at 30 June 2015. The percentage of interest in the columns includes the options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.
- * The letter "L" denotes the person's long position in such Shares.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2015, 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:

Substantial Shareholders	Number of Shares	Approximate percentage of total issued Shares (%) ⁽³⁾
Foreshore Holding Group Limited ⁽¹⁾	978,002,600 ^(L)	62.32%
KCS Trust Limited ⁽¹⁾	978,002,600 ^(L)	62.32%
Sea Network Holdings Limited ⁽¹⁾	978,002,600 ^(L)	62.32%
GGV III Entrepreneurs Fund L.P. ⁽²⁾	102,788,640 ^(L)	6.55%
Granite Global Ventures III L.L.C. ⁽²⁾	102,788,640 ^(L)	6.55%
Granite Global Ventures III L.P. ⁽²⁾	102,788,640 ^(L)	6.55%

Other Information

- (1) 84.15% of the 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 KCS Trust 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) Granite Global Ventures III L.L.C. is the general partner of Granite Global Ventures III L.P., which beneficially owns 101,144,040 Shares, and GGVI III Entrepreneurs Fund L.P., which beneficially owns 1,644,600 Shares. Granite Global Ventures III L.P. and GGVI III Entrepreneurs Fund L.P. are parties to an agreement under section 317 of the SFO and are deemed or taken to be interested in a total of 102,788,640 Shares.
 - (3) This is calculated based on 1,569,421,820 Shares, being the number of Shares in issue as at 30 June 2015.
- * The letter "L" denotes the person's long position in such Shares.

Save as disclosed above, as at 30 June 2015, 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.

PRE-IPO SHARE OPTION SCHEME

The Company adopted the Pre-IPO Share Option Scheme on 30 April 2010. The Pre-IPO Share Option Scheme gives the employees an opportunity to have a personal stake in the Company and to motivate the employees to optimise their performance and efficiency, and to retain the employees whose contributions are important to the long-term growth and profitability of the Group. No further options under the Pre-IPO Share Option Scheme can be granted after the date of listing of the shares of the Company on the Stock Exchange.

The maximum number of shares which may be issued upon exercise of all options granted under the Pre-IPO Share Option Scheme is 77,580,000, representing approximately 4.94% of the issued shares as at the date of this interim report.

Details of specific category of share options are as follows:

Options type	Date of grant	Share options granted		Exercise period	Exercise Price RMB	Fair value of option at grant date RMB
			Vesting period			
1st	6.5.2010	94,524,000	6.5.2010–5.11.2013	6.11.2010–5.5.2020	1.23	0.50
2nd	6.5.2010	19,872,000	6.5.2010–5.5.2014	6.5.2011–5.5.2020	1.23	0.51
3rd	6.5.2010	16,800,000	6.5.2010–5.5.2013	6.5.2011–5.5.2020	1.23	0.50
4th	6.5.2010	4,800,000	6.5.2010–5.5.2014	6.5.2011–5.5.2020	3.30	0.28
5th	31.5.2010	6,120,000	31.5.2010–5.5.2014	6.5.2011–30.5.2020	1.23	0.50
6th	21.6.2010	120,000	21.6.2010–5.5.2014	6.5.2011–20.6.2020	1.23	0.87
7th	28.6.2010	1,680,000	28.6.2010–5.5.2014	6.5.2011–27.6.2020	1.23	0.87

Other Information

The following table discloses the movement of the Company's share options held by the directors of the Company, employees and consultants under the Pre-IPO Share Option Scheme for the six months ended 30 June 2015:

	Date of grant	Options type	Vesting period	Outstanding at 1/1/2015	Cancelled during the period	Lapsed during the period	Exercised during the period	Outstanding at 30/06/2015
<i>Executive directors</i>								
Zhao Yihong	6.5.2010	1st	3.5 Years	24,000,000	—	—	—	24,000,000
Gao Yan	6.5.2010	1st	3.5 Years	12,000,000	—	—	—	12,000,000
				36,000,000	—	—	—	36,000,000
<i>Non-executive directors</i>								
Zhuo Fumin	6.5.2010	2st	4 Years	400,000	—	—	—	400,000
				400,000	—	—	—	400,000
<i>Independent non-executive directors</i>								
Arthur Wong Lap Tat	28.6.2010	7th	3.9 Years	500,000	—	—	—	500,000
Huang Jingsheng	6.5.2010	2nd	4 Years	500,000	—	—	—	500,000
				1,000,000	—	—	—	1,000,000
<i>Employees and consultant</i>								
In aggregate	6.5.2010	1st	3.5 Years	34,890,000	—	—	—	34,890,000
	6.5.2010	2nd	4 Years	4,990,000	—	—	—	4,990,000
	31.5.2010	5th	3.9 Years	—	—	—	—	—
	21.6.2010	6th	3.9 Years	100,000	—	—	—	100,000
	28.6.2010	7th	3.9 Years	200,000	—	—	—	200,000
				40,180,000	—	—	—	40,180,000
	Total			77,580,000	—	—	—	77,580,000
Weighted average exercise price (RMB)				1.23	—	—	—	1.23
Exercisable at the end of the period								77,580,000

There were no share options granted or exercised under the Pre-IPO Share Option Scheme during the six months ended 30 June 2015.

Pursuant to the Pre-IPO Share Option Scheme, the first option type granted on 6 May 2010 shall be exercisable during the period from the first semi-anniversary of the date of grant (the “**first semi-anniversary**”) 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 semi-anniversary and ending on the expiry of the option period;
- (ii) up to 50% of the option was exercisable during the period from the first anniversary of the first semi-anniversary and ending on the expiry of the option period;
- (iii) up to 75% of the option was exercisable during the period from the second anniversary of the first semi-anniversary and ending on the expiry of the option period; and
- (iv) up to 100% of the option was exercisable during the period from the third anniversary of the first semi-anniversary and ending on the expiry of the option period.

Other Information

Pursuant to the Pre-IPO Share Option Scheme, the third option type granted on 6 May 2010, 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 30% of the option was exercisable during the period from 6 May 2011 and ending on the expiry of the option period;
- (ii) up to 60% of the option was exercisable during the period from 6 May 2012 and ending on the expiry of the option period; and
- (iii) up to 100% of the option was exercisable during the period from 6 May 2013 and ending on the expiry of the option period.

Pursuant to the Pre-IPO Share Option Scheme, except the first and third option types above, the options granted on 6 May 2010, 31 May 2010, 21 June 2010 and 28 June 2010 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 Group recognised nil expense for the six months ended 30 June 2015 (2014: RMB91,000) in relation to share options granted under the Pre-IPO Share Option Scheme by the Company.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 8 September 2010.

The purpose of the Share Option Scheme is to provide an incentive to motivate, attract and retain eligible persons, and to encourage them to optimise their performance efficiency, enhance the value of the Company and promote the long-term growth of the Company. This scheme provides the eligible participants, including employees, consultants, executives and officers of the Company, an opportunity to have a personal stake in the Company to achieve its intended purpose.

Other Information

The Share Option Scheme shall be valid and effective for a period of 10 years to 29 September 2020, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

The maximum number of shares in respect of which may be issued upon exercise of all options to be granted under the Share Option Scheme is 168,109,132, being 10% of the shares of the Company in issue immediately after the initial public offering (the "IPO") on the listing date (i.e. 29 September 2010) which is the effective date of such scheme and representing approximately 10.71% of the issued Shares as at the date of this interim report.

The maximum number of shares issued and to be issued upon exercise of the options granted to any eligible person under the Share Option Scheme shall not in any 12-month period up to the date of grant exceed 1% of the issued share capital of the Company from time to time. Any further grant of share options in excess of this limit is subject to the issue of a circular and shareholders' approval in general meeting. The period within which an option may be exercised under the Share Option Scheme will be determined by the Board at its absolute discretion, save that no option may be exercised later than 10 years from the date of grant of the particular option. Under the Share Option Scheme, the exercise price in relation to each option shall be determined by the Board at its absolute discretion, but in any event shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of such option; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of such option; and (iii) the nominal value of a share on the date of grant of such option.

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

Options type	Date of grant	Share options		Exercise period	Exercise	Fair value of
		granted	Vesting period		Price	option at
					HKD	grant date
						HKD
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

Other Information

The following table discloses the movement of the Company's share options held by the directors of the Company, employees and consultants under the Share Option Scheme for the six months ended 30 June 2015:

	Date of grant	Options type	Vesting period	Outstanding at 1/1/2015	Cancelled during the period	Lapsed during the period	Exercised during the period	Outstanding at 30/06/2015
<i>Executive directors</i>								
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
<i>Non-executive directors</i>								
Zhuo Fumin	27.10.2014	1st	4 Years	600,000	—	—	—	600,000
				600,000	—	—	—	600,000
<i>Independent non-executive directors</i>								
Huang Jingsheng	27.10.2014	1st	4 Years	600,000	—	—	—	600,000
Wang Jing	27.10.2014	1st	4 Years	600,000	—	—	—	600,000
Ren Guangming	27.10.2014	1st	4 Years	600,000	—	—	—	600,000
				1,800,000	—	—	—	1,800,000
<i>Employees and consultant</i>								
In aggregate	27.10.2014	1st	4 Years	12,800,000	—	—	—	12,800,000
	27.10.2014	2nd	4 Years	21,060,000	—	(3,100,000)	—	17,960,000
	27.10.2014	3th	4 Years	3,600,000	—	(3,000,000)	—	600,000
				37,460,000	—	(6,100,000)	—	31,360,000
	Total			44,860,000	—	(6,100,000)	—	38,760,000
Weighted average exercise price (HKD)								
				1.00	—	1.00	—	1.00
Exercisable at the end of the period								
								—

There were no share options granted or exercised under the Share Option Scheme during the six months ended 30 June 2015.

Pursuant to the Share Option Scheme, the option granted on 27 October 2014, 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;

Other Information

- (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 year ended 31 December 2014. The inputs into the model were as follows:

	Option type		
	1st	2nd	3rd
Grant date share price (HK\$)	0.98	0.98	0.98
Exercise price (HK\$)	1.00	1.00	1.00
Expected volatility	50%	50%	50%
Option life	8 years	8 years	8 years
Dividend yield	1.0%	1.0%	1.0%
Risk-free interest rate	1.68%	1.68%	1.68%
Annual post-vesting forfeit rate	15.0%	25.0%	0.0%
Total estimated fair value of the options granted (HK\$'000)	8,458	8,178	1,611

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.

The Group recognised a total expense of RMB3,109,922 for the six months ended 30 June 2015 (six months ended 30 June 2014: nil) in relation to share options granted under the Share Option Scheme by the Company.

RESTRICTED SHARE AWARD SCHEME

The Company adopted the Restricted Share Award Scheme on 11 November 2011.

Other Information

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 fortunes of the shareholders of the Company. This scheme will provide the eligible participants, which include any director, employee, consultant, executive or officer of the Company or any of its subsidiaries, an opportunity to have a personal stake in the Company.

The total number of restricted shares which may be granted under the Restricted Share Award Scheme shall not exceed 5% of the aggregate of the shares in issue on 2 December 2011, and the total number of restricted shares which may be granted under the Restricted Share Award Scheme to an individual Selected Participant shall not exceed 1.5% of the aggregate of the shares in issue on 2 December 2011.

The Company has set up a trust (the “**Trust**”) for this scheme. Pursuant to the Restricted Share Award Scheme, existing shares will be purchased by the trustee from the open market using cash contributed by the Company and be held in trust for the relevant participants until such shares are vested with the relevant participants in accordance with the provisions of the Restricted Shares Award Scheme.

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

On 3 September 2012, 11,750,838 shares were granted by the Company to the Selected Participants. 6,750,838 shares were vested and awarded to Selected Participants in October 2012. Another 5,000,000 shares were lapsed in December 2012.

On 10 April 2013, 11,339,880 shares were granted by the Company to a Selected Participant without consideration, and vested on 13 May 2013. On 28 June 2013, 2,546,715 shares were granted by the Company to a Selected Participant without consideration, and vested on 2 September 2013.

On 28 May 2014, 2,195,000 shares were granted by the Company to Selected Participants at nil consideration, and vested on 28 June 2014. On 21 November 2014, 200,000 shares were granted by the Company to a Selected Participant at nil consideration, and vested on 22 December 2014.

On 14 April 2015, 854,000 shares were granted by the Company to Selected Participants at nil consideration, and vested on 15 May 2015.

As at 30 June 2015, 37,113,567 shares (31 December 2014: 37,967,567 shares) were held by the Trust and not yet granted to Selected Participants.

The Group recognised a total expense of RMB565,454 for the six months ended 30 June 2015 (six months ended 30 June 2014: RMB708,000) in relation to the restricted shares granted under the Restricted Share Award Scheme by reference to the share price of the Company on the grant dates.

Other Information

The following table discloses the movement of the Company's restricted shares granted to the Selected Participants for the six months ended 30 June 2015 and outstanding at 30 June 2015:

Employees	Number of awarded shares
Outstanding as at 1 January 2015	—
Granted during the period	854,000
Vested during the period	854,000
Outstanding as at 30 June 2015	—

The closing price of the Company's shares immediately before 14 April 2015, the date of grant of the restricted shares, was HK\$1.19.

The closing price of the Company's shares immediately before 15 May 2015, the date on which the restricted shares were vested, was HK\$1.13.

Save as disclosed above, during the six months ended 30 June 2015, neither the Company nor any of its subsidiaries is 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 had 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 2015, except for code provision A.2.1 of the CG Code.

CODE PROVISION A.2.1

Under code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of both Chairman and Chief Executive Officer are performed by Mr. Zhao Yihong. Mr. Zhao is a co-founder of the Group and has 25 years of experience in China's food and beverage industry. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies currently and in the foreseeable future. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

AUDIT COMMITTEE

As at the date of this interim report, the audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Mr. Wang Jing, a Director with the appropriate professional qualifications and serving as the chairman of the Audit Committee, Mr. Huang Jingsheng and Mr. Ren Guangming. The Audit Committee has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2015 and this announcement, reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters.

Other Information

REVIEW OF INTERIM RESULTS

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

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 2015.

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

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company for the six months ended 30 June 2015.

CHANGES IN THE INFORMATION OF DIRECTORS

There has been no change in the information of the Directors from the date of the 2014 annual report to the date of this interim report that is required to be disclosed under Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

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

CLOSURE OF THE REGISTER OF MEMBERS

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

On behalf of the Board

ZHAO Yihong

Chairman

Hong Kong, 6 August 2015