



碧生源控股有限公司

Besunyen Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 926



2023

INTERIM REPORT



Corporate Profile

Besunyen Holdings Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is a leading provider of therapeutic teas in the People’s Republic of China (the “**PRC**”), mainly engaging in the research and development, production, sale and promotion of therapeutic teas and medicines. The Group applies “One Focus and Two Dimensions” as its guiding principle: “One Focus” means focusing on herbs and health regimen; and “Two Dimensions” means expanding new businesses in the areas of “weight loss and weight management” as well as “laxative and gastrointestinal health”. By tagging along with the concept of “herbal, healthy, and quality functional tea”, the Group has produced Besunyen Detox Tea (碧生源牌常潤茶) and Besunyen Slimming Tea (碧生源牌常菁茶) (previously known as “碧生源牌減肥茶”) (collectively, the “**Two Teas**”) for more than twenty years. The Group has dedicated itself to further developing the Two Teas in recent years and successively launching its product series of functional teas such as Besunyen Fit Tea (碧生源牌纖纖茶) and Besunyen Relief Tea (碧生源牌清源茶) (together with the Two Teas, the “**Four Teas**”). Meanwhile, the Group has also launched Besunyen Orlistat weight-loss medicines and a series of products that meet the needs of consumers, such as nutrition meal replacements, probiotics and enzymes.

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

The Group obtained the “High-Tech Enterprise Certificate” issued by Beijing Municipal Science and Technology Commission, and was granted the title of “Leading Enterprise in Beijing” issued by Beijing Municipal Bureau of Agriculture and Rural Affairs as well as the titles of “‘Innovative’ Small and Medium-Sized Enterprise in Beijing” and “‘Specialized, Refined, Unique and Innovative’ Small and Medium-Sized Enterprise in Beijing” issued by Beijing Municipal Bureau of Economy and Information Technology.

In the first half of 2023, the Group’s offline sales business covered about 410,000 over-the-counter (“**OTC**”) pharmacies and retail terminals in shopping malls and supermarkets, spanning across 31 provinces, autonomous regions and municipalities across the country, through 118 distributors and 98 sub-distributors, and its offline sales team has been able to serve about 100,000 OTC pharmacies as well as shopping malls and supermarkets directly. The Group’s online sales team has established 120 shops on 36 e-commerce platforms to conduct the sales of the Four Teas, Orlistat and other products of the Group. In proactively adapting to the development of new sales trend, the Group made repeated attempts in respect of new retail including Douyin, Kuaishou, O2O and B2C. The above mature and innovative channels enabled the Group to launch its new products to the market more quickly, thereby maintaining the industrial leading position of the Group in terms of sales of products.

The Group has 38 approvals for health food issued by the China Food and Drug Administration, and it has possessed 116 patented technologies, including 18 invention patents.

Contents

Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	5
Report on Review of Interim Financial Information	23
Interim Condensed Consolidated Statement of Comprehensive Income	24
Interim Condensed Consolidated Balance Sheet	26
Interim Condensed Consolidated Statement of Changes in Equity	28
Interim Condensed Consolidated Statement of Cash Flows	29
Notes to the Interim Condensed Consolidated Financial Information	31
Other Information	54



Corporate Information

DIRECTORS

Executive Directors

Mr. Zhao Yihong
(Chairman and Chief Executive Officer)
Ms. Gao Yan *(Vice Chairman)*
Mr. Yu Hongjiang *(Executive Vice President, Chief Operating Officer and Chief Financial Officer)*

Independent Non-executive Directors

Mr. He Yuanping
Mr. Fu Shula
Mr. Shi Xiangxin

AUDIT COMMITTEE

Mr. He Yuanping *(Chairman)*
Mr. Fu Shula
Mr. Shi Xiangxin

REMUNERATION COMMITTEE

Mr. Fu Shula *(Chairman)*
Mr. Zhao Yihong
Mr. Yu Hongjiang
Mr. He Yuanping
Mr. Shi Xiangxin

NOMINATION COMMITTEE

Mr. Shi Xiangxin *(Chairman)*
Mr. Zhao Yihong
Mr. Yu Hongjiang
Mr. He Yuanping
Mr. Fu Shula

STRATEGIC INVESTMENT COMMITTEE

Mr. Yu Hongjiang *(Chairman)*
Mr. Zhao Yihong
Mr. He Yuanping

COMPANY SECRETARY

Mr. Au Lap Ming, *FCCA, FCG, HKFCG*

REGISTERED OFFICE IN CAYMAN ISLANDS

Portcullis (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

No. 1 Qishi Industrial Park, Doudian Town
Fangshan District, Beijing 102433
PRC

PLACE OF BUSINESS IN HONG KONG

Units 2005C-2006A, 20/F., Exchange Tower
No. 33 Wang Chiu Road, Kowloon Bay, Kowloon
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 and Registered PIE Auditor
22/F, Prince's Building
Central
Hong Kong

LEGAL ADVISORS

As to Hong Kong Law:

DLA Piper Hong Kong
25th Floor, Three Exchange Square
8 Connaught Place, Central
Hong Kong

As to PRC Law:

Beijing Tian Yuan Law Firm
20–21/F, China Life Finance Centre
23 Zhenzhi Road
Chaoyang District, Beijing
PRC

Financial Highlights

THE OPERATION RESULTS OF THE GROUP

The revenue from continuing operations of the Group for the first half of 2023 was RMB343.0 million, representing a decrease of 15.1% as compared with the revenue from continuing operations of RMB403.8 million for the same period of 2022.

The gross profit from continuing operations of the Group for the first half of 2023 was RMB222.2 million, representing a decrease of 8.3% as compared with the gross profit from continuing operations of RMB242.3 million for the same period of 2022. The gross profit margin from continuing operations of the Group for the first half of 2023 was 64.8%, representing an increase of 4.8 percentage points as compared with the gross profit margin from continuing operations of 60.0% for the same period of 2022.

The total operating expenses (including selling and marketing expenses, administrative expenses and research and development costs) from continuing operations of the Group for the first half of 2023 were RMB222.6 million, representing a decrease of 1.4% as compared with the total operating expenses from continuing operations of RMB225.7 million for the same period of 2022.

The total comprehensive loss of the Group for the first half of 2023 was RMB174.5 million (for the same period of 2022: the total comprehensive loss was RMB9.1 million), of which the total comprehensive income from continuing operations was RMB1.3 million (for the same period of 2022: the total comprehensive loss from continuing operations was RMB4.0 million); and the total comprehensive loss from discontinued operations was RMB175.8 million (for the same period of 2022: the total comprehensive loss from discontinued operations was RMB5.1 million).

The total comprehensive loss attributable to owners of the Company for the first half of 2023 was RMB116.2 million, of which the total comprehensive income from continuing operations was RMB1.3 million and the total comprehensive loss from discontinued operations was RMB117.5 million (for the same period of 2022: the total comprehensive loss attributable to owners of the Company was RMB6.6 million, of which the total comprehensive loss from continuing operations was RMB4.0 million and the total comprehensive loss from discontinued operations was RMB2.6 million). The basic and diluted losses per share attributable to owners of the Company for the first half of 2023 were both RMB206.93 cents, of which the basic and diluted earnings per share attributable to owners of the Company from continuing operations were both RMB2.28 cents and the basic and diluted losses per share attributable to owners of the Company from discontinued operations were both RMB209.21 cents (for the same period of 2022: the basic and diluted losses per share attributable to owners of the Company were both RMB16.25 cents, of which the basic and diluted losses per share attributable to owners of the Company from continuing operations were both RMB9.89 cents and the basic and diluted losses per share attributable to owners of the Company from discontinued operations were both RMB6.36 cents).

Management Discussion and Analysis

BUSINESS REVIEW

In the first half of 2023, revenue of the Group amounted to RMB343.0 million, representing a decrease of 15.1% as compared with the same period last year, of which revenue from the “Four Teas” (Besunyen Detox Tea (碧生源牌常潤茶), Besunyen Slimming Tea (碧生源牌常菁茶), Besunyen Fit Tea (碧生源牌纖纖茶) and Besunyen Relief Tea (碧生源牌清源茶)) amounted to RMB163.4 million, representing a decrease of 3.9% as compared with the same period last year, and revenue from weight-loss medicines amounted to RMB116.2 million, representing a decrease of 3.1% as compared with the same period last year. In the first half of 2023, the Group adhered to the keynote of seeking progress while maintaining stability and made every effort to reduce cost and enhance efficiency. Organizational operation efficiency was enhanced through optimizing organizational structure and staffing and profitability was improved through adjusting and optimizing product mix. Meanwhile, the Group continued to explore new business growth drivers and actively made attempts to initiate new sales models such as new retail, Douyin, Kuaishou, O2O, B2C and cross-border e-commerce. However, as the projects were still in the exploration and development stage, there was room for further deepening and expansion.

The Group continued to exert great efforts on therapeutic teas (i.e. the “Four Teas”) and weight-loss medicines (namely Orlistat) in the first half of 2023 by continuously expanding the promotion of the Group’s products and brand via medium including high-speed rail, screen media, Xiaohongshu, KOLs, Douyin and Kuaishou. In the first half of 2023, the Group’s offline sales business covered about 410,000 OTC pharmacies and third terminals, spanning across 31 provinces, autonomous regions and municipalities across the country through 118 distributors and 98 sub-distributors, and its offline sales team has been able to serve about 100,000 OTC pharmacies and third terminals directly. The Group’s online sales team has established 120 shops on 36 e-commerce platforms to conduct the sales of the Four Teas, Orlistat and other products of the Group. In proactively adapting to the development of new sales trend, the Group made repeated attempts in respect of new retail including Douyin, Kuaishou, O2O, B2C and cross-border e-commerce. The above mature and innovative channels enabled the Group to launch its new products to the market more quickly, thereby maintaining the industrial leading position of the Group in terms of sales of products.

Management Discussion and Analysis

SOUND OPERATION OF OFFLINE CHANNELS

The Group continued to conduct regional management in block mode for the offline OTC business, while it interspersed with financial, human resource and business management lines to form a reticulated penetration. In terms of products, on top of the sales of traditional therapeutic teas, a deep layout of Orlistat products was deployed. In response to the market changes, the Group conducted comprehensive trial and implementation of the “Detox and Control” (一排一控) promotional and marketing activities at the chain end, focusing on weight-loss and laxative products. Effort went into expanding new consumer groups in a proactive manner while serving old customers with high quality. Also, with the focus on chains at various levels, the Group was committed to building core chains and regional key chains and optimizing the implementation of marketing strategy. In the first half of 2023, the key aspects of implementation of the Group’s offline channel are set out below:

I. Cooperation with chains to jointly develop the product category

In view of the needs of chains for professional service teams and marketing empowerment, the Group put its focus on weight-loss product category. From the perspectives of consumer groups and case analysis, it developed the concept of losing weight healthily, and launched a product mix of “Detox and Control”, which contained new and old products with the purposes of control, detox and double reduction. Its diversified promotion provided consumers with efficient solutions, helping chain terminals to enhance consumer stickiness. Effective marketing plans were made and implemented together with chains to expand product category and increase volume. Through joint development with chains, a strategic cooperation between manufacturers and retailers for joint development of product category was achieved.

II. Operation of multi-promotion platforms

Through interactive promotion such as O2O, membership platform and live streaming, advertorial, recommendations on membership platform and provision of complete sets of solutions based on case analysis, promotion reached consumers, arousing members’ purchasing desire. Diversified live streaming was also launched in the chain system to interact with consumers. Promotional activities were conducted during holidays and store celebrations, where special areas for laxative and weight-loss products, banner site display, promotion, group buying and lightning deal improved the convenience of purchase. With the combination and alignment of offline and online promotional activities, the improved professional promotion and services by shop assistants, and the addition of tasting sessions, consumer experience was enhanced and consumer orders increased.

Management Discussion and Analysis

III. Provision of professional services and strengthening of execution capabilities

First of all, it was achieved on three types of occasions, namely the kick-off meeting, the training session and the product launch meeting. For the kick-off meeting, the senior management of both parties signed contracts and determined the strategic direction, and formulated the promotion requirements and two-way management with indicators for all team members; for the training session, product knowledge and sales skills were mainly trained (with the slogan of “Detox and Control and Keep Fit Healthily”); and for the product launch meeting, sales skills of shop assistants were enhanced through the storefront meeting, counter display and store replication. The second one was about experience enhancement. The Group, together with the chains, conducted an internal Besunyen health and weight-loss competition themed “Detox and Control and Keep Fit Healthily” which lasted for 10 to 15 days. It included forming a chat group, check-in and daily service by professional health practitioners, who guided and helped trainees to improve the quality of health and weight-loss. The event was aimed at enhancing the personal experience and confidence of shop assistants, as well as improving trustworthiness when serving customers with their own experience.

IV. Implementation of elimination system and diversified incentive programs to improve the motivation of employees and agents

The OTC business division implemented a system that would eliminate bottom performers based on the staff ranking in terms of quarterly operating results, thereby optimizing the personnel structure and improving the employees’ motivation and passion for work. Sales competitions, regional PKs, large order incentives and sales commissions were seen at all levels and among divisions, so as to improve the sales motivation of agents, the willingness to sell and continuity to develop the recommendation-to-customers habits among agents, and improve execution capabilities.

V. Timely review and conclusion

Multi-dimensional data review and analysis were conducted in complete reliance on, among other things, distribution rate, number of increased stores, customer order growth, and single-store productivity, such that pros and cons were analyzed, and promotion plans were optimized continuously. A professional service system exclusive for chains was created, in which the operations of various divisions developed together to boost sales.

Management Discussion and Analysis

REFINED OPERATION OF E-COMMERCE SECTOR

I. Adhering to the profit-oriented business strategy and deepening the refined operation

From the start of the new financial year, the e-commerce business division pursued the profit-oriented business strategy emphasizing return on investment and cost-efficiency ratio. The input and output of various operating expenses were tracked daily and reviewed monthly with periodic adjustments. Based on various operating data, it followed up the input and output of various expenses of different operating units in real time and reviewed the operating effects of various activities. In addition, it focused on the market and competitive product dynamics, and adjusted the operating strategy and expense allocation strategy in a timely manner according to market changes and results evaluation. Therefore, both the operating results and the rate of operating results have been significantly improved compared with previous years;

The e-commerce business division strengthened the stocking plan and inventory management and paid attention to the inventory turnover, which effectively shortened the stocking cycle and inventory turnover cycle of customers. A “sales-based production” model was adopted, wherein the sales plan and the responsibility of business entity within the stocking cycle were clarified, the implementation of sales plan was followed up in real time, and the expiry of inventory was updated on a weekly basis. As such, while avoiding the loss of expired products, the amount of inventory and the occupation of the company’s stocking funds were effectively reduced and improved.

II. Grasping the traffic flow to monetize user services

- 1) **Customer acquisition in market through information flow:** In recent years, as the traffic on shopping platforms such as Tmall, JD.com and Pinduoduo has shifted to user traffic on Douyin and other short video platforms, in order to effectively grasp the opportunities of traffic flow and obtain user traffic of better quality through more effective exposure, since the new financial year, while optimizing the overall cost ratio, the e-commerce business division has increased investment in information flow of user behavior data, improved content production capabilities, and accumulated experience in information flow promotion. The operation team and the customer service team worked together, and by means of traffic monetization combining customer acquisition through information flow, platform monetization and continuous re-purchase, they achieved positive operating results and grasped the traffic advantages and business opportunities from short video information flow;

Management Discussion and Analysis

- 2) **Monetization of Xiaohe traffic:** In respect of the operation on the Douyin platform, the e-commerce drug station set up a business unit in Xiaohe Health, becoming the first batch of merchants settled in Xiaohe Health. It deeply developed the operation of Orlistat products on the Douyin platform and realized a closed-loop operation system of in-station promotion and trading on the Douyin platform. By improving the promotion effect of the Douyin platform, more high-quality new customer resources were obtained, and the internal traffic trading channel was opened up by cooperating with the data marketing team. Also, the secondary monetization and conversion of traffic helped drive traffic to the front-end platform, thus a monetization model for product operation service on the Douyin platform was successfully established.

III. Focusing on platform resource cooperation to achieve cost reduction and efficiency increase

- 1) **Strengthening of platform communication and implementation of platform resource cooperation:** In the first half of 2023, under the guidance and assistance of the e-commerce management division, all stations of the e-commerce business division achieved big breakthroughs in platform negotiation, channel expansion and supplier resources. In terms of platform commerce, through regular visits and communication with the platform's staff, platform-end collaboration was strengthened, and several types of platform resources were examined. In the 8-March, 5-May, 18-June and other major promotional and regular activities of various platforms, the Group gained resource support from various e-commerce platforms in terms of site resource niches, promotion subsidies and rebates. At the same time, in the annual contract negotiations with platform customers such as JD.com, the Group also secured better cooperation conditions and policy support;
- 2) **Channel expansion and cooperation with brand customers:** In terms of channels, in the first half of 2023, the e-commerce channel was expanded with the new settlement in Baidu Health Mall and Dewu Platform. At the same time, through the daily management and tracking of various distributors, policy support was given to distributors with strong operational capabilities, while targeted elimination of those with weak operational capabilities was also carried out to ensure the operational quality and efficient output of distribution channels. In terms of cross-border operation, the cooperation with brand customers such as VitaRealm was deepened, and satisfactory results were achieved in commodity price negotiation and brand policy support.

IV. Improving manpower efficiency by internal collaboration and sharing

- 1) **Cross-division manpower collaboration:** Since September 2022, the e-commerce business division has reorganized the customer service team and matched its personnel according to business volume and undertaking capacity, thereby realizing cross-store, cross-region, cross-station and cross-division undertaking and deployment. In the case of a shortage of manpower, it would collaborate with customer service team of Kuaishou business division to share customer service resources, and conduct manpower efficiency settlement through the division of energy value and labor cost, effectively realizing the improvement of manpower efficiency and personnel integration;

Management Discussion and Analysis

- 2) **AI workflow optimization:** With the popularization and application of AIGC tools, the content team of the e-commerce business division quickly researched and studied the application of AI in various workflows. Through the promotion and application of ChatGPT-assisted design research, AI visual scene and design material plan generation and other tools in content and design, the content production process was simplified, the design and creation ideas were inspired, and the quality and effect of materials were improved. As such, the efficiency of content design and production was greatly improved and the production cycle was shortened, thereby improving the manpower efficiency and output in content design and production.

CONTINUOUS DEVELOPMENT OF NEW RETAIL, DOUYIN, KUAISHOU AND PRIVATE DOMAIN OPERATIONS

Following the integration of online and offline consumption channels, the new retail sector has begun to bear fruit. New retail is the integration of experience and shopping, which has gained the favor of many consumers due to the model of offline experience, online purchase, offline customer acquisition and online re-purchase. New retail makes the shopping process of consumers smoother. New retail has been on the rise rapidly. With the online and offline combination, new retail has won the support of people, while it better reduced marketing cost, achieved faster sales efficiency, and thus occupied a larger market share.

In recent years, the Group has innovated and expanded business channels through social community, data marketing, Douyin, Kuaishou and cross-border e-commerce, and has gained some initial experience and results.

CONTINUOUS DEVOTION TO MARKETING FOR BRAND REJUVENATION

I. Advertising in high-speed rail media to draw social attention and enhance brand influence with its charisma

In 2023, the Group joined hands with China's high-speed rail to reach a large passenger flow within a short period of time, quickly release the brand potential, and create a new model for the promotion of China's big health ecosystem.

The Group made use of China's high-speed rail as carrier to place advertisements, which highlighted the value, strength and confidence of the leading brand of big health ecosystem and drew widespread social attention. The partnership with China's high-speed rail enabled the Group to seize the high ground of communication and premium flow. Products were disseminated rapidly that aroused widespread attention from core consumers and swept the country with their high exposure and coverage. The products adopted a short-term, high-exposure brand strategy to quickly cover the target market, reach a large passenger flow, and release the brand potential strongly. The value of time and space facilitated powerful transformation. Benefitted from the characteristics of one-to-one, zero-distance, bundled, and strong contact of the media in the high-speed rail, the products had their exclusive mobile brand display space. Furthermore, users' attention was drawn within the 3-hour ultra-long audience contact time, which helped create a super single product of Orlistat, and enabled end-user conversion by scanning the code. The Group carried the values and missions of focusing on people's health. Besunyen joined hands with China's high-speed rail to continuously deepen and explore the path of creating a healthy and better life for users, bringing green, herbal and healthy products to millions of passengers.

Management Discussion and Analysis

II. Occupying the commanding heights of elevator traffic with Tikin Media, and creating an opportunity for manufacturer-retailer cooperation

The Group targeted the business groups' demand for weight-loss products. Leveraging Tikin Media (梯影傳媒)'s strong coverage of elevators in commercial office buildings in first-tier cities and the position advantage of large projection screens, it integrated into the work and life of white-collar groups and accurately hit the target customer groups. The strong coverage of large projection screens on white-collar groups perfectly matched the target audience of the Group, and through the scenario of elevator in office building, the audience and products were deeply bound, realizing the high-frequency dissemination and effective reach of advertisements, and building a precise scenario-based marketing portal for the brand. The Company communicated with consumers with professional quality. Through centralized exposure of brand information, it achieved the ultimate goal of awakening consumers' memory and influencing consumption decisions. Knowing the core scenario of target audience was the key to the success of brand precision marketing.

III. Accurately targeting family groups in the new retail era and finding the second growth curve of the lower-tier markets

The Group and Xiping elevator advertisement formed a strong alliance by entering into a strategic cooperation. With the support of the large elevator media platform in the lower-tier markets, it deeply deployed the third- and fourth-tier markets in 209 cities across the country and conducted brand marketing and publicity matrix. Through the big data analysis and life media value of Xiping Media (喜屏傳媒), the Group was tightly bound up with the pharmacy channels near the community, so that its quality products and services were accurately and effectively integrated into the daily life of consumers. Consumers' health needs were emphasized to accelerate consumption decisions, and the integration of online and offline marketing channels allowed more people to quickly taste Besunyen products. Relying on the unique media advantages of Xiping Media, the brand's health concept of "Detox and Control" penetrated into thousands of households, seized the living space of users, and realized close communication with consumers.

IV. Applying product placement within films and TV dramas, using content marketing and scenario-based marketing to promote brand

Product placement within TV dramas is an act that embeds product or brand information into TV dramas, unknowingly leading audiences and consumers to marketing of products when they indulge in watching the TV dramas. It dilutes the commercial characteristics of traditional advertisements, making it easier for audiences to accept information about products or brands unconsciously, making their memory more durable.

In the first half of 2023, the Group continued to devote itself to content marketing, and product concepts were promoted, and usage scenarios were strengthened through soft product placement. In May 2023, Sweet and Cold (《甜小姐與冷先生》), an urban emotion drama series starring Wang Ziwen, Jin Han and Jill Hsu, was broadcast simultaneously on Zhejiang Satellite TV and Youku Video. Once and Forever (《曾少年》), an emotion and romance drama series starring Zhang Yishan, Guan Xiaotong, Fan Chengcheng and Li Xirui, was broadcast on CCTV-8, Iqiyi and Tencent Video in July 2023.

Management Discussion and Analysis

V. Rejuvenating brand and opening up a new world with the power and thoughts of the youth

The spending habits of the Gen-Z youth changed fundamentally. This spring, keeping pace with the Academy Award Spring Competition, the “Be Sisters” (碧家小妹) arrived at the campus with a new China-chic IP image, and started a wonderful campus trip with 5,000+ offline fans. The cooperation with the Academy Award continued to empower brand rejuvenation to the Group, and the brand’s in-depth implantation in the university classrooms provided them with practical topics and enriched the practical teaching content. In addition, the cooperation between schools and enterprises helped establish new thinking of talent training, creative innovation and application services, providing a practical platform for self-realization for millions of creative students. Besunyen visited 17 well-known universities and held 15 brand presentations to share the inspiration with the youth, and nationwide live streaming on Netease led a wave of youth creativity. It made an in-depth interpretation of the core proposition of “Be Sisters”, which implanted the life philosophy of “Keeping Fit Healthily” in 100,000+ creative teachers and students across the country. With the use of trendy language, the brand became widely known and entered a new stage of brand rejuvenation. Besunyen was provided with young minds for the research and development and marketing of its products, and established a rich and creative resource pool for the brand.

ORDERLY ADVANCEMENT OF RESEARCH AND DEVELOPMENT WORK

I. Successful completion of the tasks under the special project of the Ministry of Science and Technology

In the first half of 2023, in the National Key Research and Development Plan on Modernization of Chinese Medicine, the Group successfully completed the conclusion work of the project of evaluation system and demonstration research of TCM compound health products themed “Research on the evaluation technology system of TCM compound health products based on dialectical health theory and the establishment of demonstration research and development platform” (基於辨證保健的中藥複方保健產品評價技術體系研究及示範研發平台的建立) (key special project 4.1.2). The project was led by Beijing University of Chinese Medicine and participated by 12 organizations including Tianjin University of Traditional Chinese Medicine, Peking University, Xiyuan Hospital of Chinese Academy of Chinese Medical Sciences and the National Institutes for Food and Drug Control.

As a participant of the project, the Group successfully completed the tasks of building an efficacy research system of TCM compound health products, safety evaluation system, new product R&D evaluation system and demonstration R&D platform. It cooperated with Beijing University of Chinese Medicine to complete the R&D and academic research of new product of Poria Alisma Tablets (茯苓澤瀉片), which have weight-loss and healthcare functions. In addition, the Group was deeply involved in the research of TCM compound health products which have been launched. The project team selected “Besunyen Detox Tea” as a demonstration research product with good modern research foundation and application prospect, and conducted research on functional ingredients, interpretation of modern scientific connotation, research on functional factors and large sample clinical trial and research, which fully demonstrated the scientificity, efficacy, safety and stability of Besunyen Detox Tea. The successful acceptance of the project will provide a series of research and development and evaluation standards for the TCM health product industry and provide a scientific basis for the precise application and development of TCM health products.

Management Discussion and Analysis

II. Continuous deepening of the layout of intellectual property rights

The Group's R&D center continued to deepen the layout and transformation of intellectual property rights, and actively conducted the exploration and declaration of invention patents, utility model patents, software copyrights and design patents. In the first half of 2023, based on the research results, 2 invention patents and 1 utility model patent were newly declared, and 2 utility model patents were granted. The intellectual property management system was further improved to comprehensively protect the Group's inventions and creations and increase the commercial value of products.

III. Reserves of new health food products

In February 2023, the Group successfully completed the technical update of the health food product named "Besunyen Lingzhi Goji Berry Poria Tea" (碧生源牌靈芝枸杞茯苓茶) and obtained the health food registration certificate (Guo Shi Jian Zhu G20080562) upon review and approval by the State Administration for Market Regulation. In the first half of 2023, the Group completed the technical review and pilot scale-up production of "Besunyen Lingzhi Goji Berry Poria Tea" (which has auxiliary effect on chemical-driven liver damage) and "Besunyen Lingzhi Ginseng Granules" (碧生源牌靈芝人參顆粒) (which improve sleep and enhance immunity). Pre-launch preparation is expected to be completed in the second half of 2023. The technical reserves of the two new healthcare functional products lay a solid foundation for further building a diversified product matrix, tapping into new market segment, and horizontally expanding into new functional fields.

PROSPECTS

Since the beginning of the year, China's economic recovery continued its steady progress, and demonstrated an overall upward trend. Nonetheless, the prevailing economic operation encounters new difficulties and challenges with relatively large number of risks and hazards in key areas under complex and severe external environment, coupled with increasingly intense market competition and various unfavourable factors. Based on the practical situation of its companies, the Group will continue to adhere to the operation principles of stabilizing operation, adjusting structure, reducing cost and enhancing quality, while cultivating the sectors of "weight loss and weight management" and "laxative and gastrointestinal health". By placing focus on research and development, the Group will capture the market development trend and consumption demand of the new generation to strengthen the competitiveness of Besunyen products. Meanwhile, the Group will introduce an innovative access-to-customers mechanism to encourage its staff to operate the Company's products in an innovative manner with entrepreneurship. With continuous expansion of multi-channel deployment, streamlining of offline operation, optimization of e-commerce business as well as exploration and following-up of new retail development, the Group strives to capture new growth drivers. As a domestic brand with 23 years of experience in the health industry, the Group will also enhance its efforts on brand building and lift up the awareness and reputation of Besunyen brand via scenario-based marketing, integrated media interaction, social influence and rejuvenation. The Group will closely pay attention to the ever-changing market and consumption demand, continue to undergo product research and development to satisfy growing pursuit of healthiness among the public.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

	For the six months ended 30 June			
	2023		2022	
	RMB'000	Percentage of revenue	RMB'000	Percentage of revenue
Revenue:				
Besunyen Detox Tea	56,290	16.4%	62,867	15.6%
Besunyen Slimming Tea	63,587	18.5%	66,503	16.5%
Besunyen Fit Tea	35,374	10.3%	31,612	7.8%
Besunyen Relief Tea	8,130	2.4%	8,990	2.2%
Weight-loss medicines	116,184	33.9%	119,892	29.7%
Other health food	54,313	15.8%	76,337	18.9%
Other medicines	9,109	2.7%	37,573	9.3%
Total	342,987	100.0%	403,774	100.0%

Note: Weight-loss medicines mainly consist of Besunyen Orlistat, other health food mainly consists of health food and other tea products (excluding the Four Teas), and other medicines mainly consist of finished medicines.

The Group's revenue in the first half of 2023 was RMB343.0 million, representing a decrease of 15.1% from RMB403.8 million in the first half of 2022.

In particular, revenue from the Four Teas in the first half of 2023 was RMB163.4 million, representing a decrease of 3.9% from RMB170.0 million in the first half of 2022, revenue from weight-loss medicines in the first half of 2023 was RMB116.2 million, representing a decrease of 3.1% from RMB119.9 million in the first half of 2022, revenue from other health food in the first half of 2023 was RMB54.3 million, representing a decrease of 28.9% from RMB76.3 million in the first half of 2022, and revenue from other medicines in the first half of 2023 was RMB9.1 million, representing a decrease of 75.8% from RMB37.6 million in the first half of 2022.

The decrease in revenue in the first half of 2023 as compared to the first half of 2022 was mainly due to the adjustment of the Group's strategy by optimizing original equipment manufacturer ("OEM") products and trading products with small volume and no profit prospects.

Management Discussion and Analysis

Cost of Sales, Gross Profit and Gross Profit Margin

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Cost of sales	120,827	161,487
Gross profit	222,160	242,287
Gross profit margin	64.8%	60.0%

The Group's cost of sales in the first half of 2023 was RMB120.8 million, representing a decrease of 25.2% as compared to RMB161.5 million in the first half of 2022. The gross profit margin in the first half of 2023 was 64.8%, representing an increase of 4.8 percentage points as compared to 60.0% in the first half of 2022, which was mainly due to (i) the increase in the proportion of revenue from the Four Teas and weight-loss medicines with higher gross profit and the decrease in the proportion of revenue from other medicines and other health food with lower gross profit; and (ii) the decrease in the procurement cost of weight-loss medicines in the first half of 2023 as compared to the first half of 2022.

Selling and Marketing Expenses

	For the six months ended 30 June			
	2023		2022	
	RMB'000	Percentage of revenue	RMB'000	Percentage of revenue
Advertising costs	21,788	6.4%	3,056	0.7%
Marketing and promotion expenses	66,251	19.3%	76,977	19.1%
Employee benefit expenses	54,105	15.8%	60,710	15.0%
Others	19,983	5.8%	21,653	5.4%
Total	162,127	47.3%	162,396	40.2%

The Group's selling and marketing expenses in the first half of 2023 were RMB162.1 million, which remained basically stable as compared to RMB162.4 million in the first half of 2022.

The advertising costs increased by RMB18.7 million in the first half of 2023 as compared to the first half of 2022, mainly due to the increase in expenditure on advertising activities.

The marketing and promotion expenses decreased by RMB10.7 million in the first half of 2023 as compared to the first half of 2022, mainly due to the decrease in expenditure of marketing and promotion via e-commerce platforms.

The employee benefit expenses decreased by RMB6.6 million in the first half of 2023 as compared to the first half of 2022, mainly due to the decrease in the number of sales personnel.

Management Discussion and Analysis

Administrative Expenses

	For the six months ended 30 June			
	2023		2022	
	RMB'000	Percentage of revenue	RMB'000	Percentage of revenue
Employee benefit expenses	19,169	5.6%	25,187	6.2%
Office expenses	1,111	0.3%	1,447	0.4%
Professional and consultation service fees	6,624	1.9%	9,046	2.2%
Entertainment and travelling expenses	2,768	0.9%	2,909	0.8%
Others	12,151	3.5%	20,578	5.1%
Total	41,823	12.2%	59,167	14.7%

The Group's administrative expenses in the first half of 2023 were RMB41.8 million, representing a decrease of 29.3% from RMB59.2 million in the first half of 2022. This was mainly due to the decrease in employee benefit expenses, office expenses, professional and consultation service fees as well as entertainment and travelling expenses as a result of the Group's overall strategic planning for cost reduction and efficiency enhancement and optimization of organizational structure.

Research and Development Costs

	For the six months ended 30 June			
	2023		2022	
	RMB'000	Percentage of revenue	RMB'000	Percentage of revenue
Research and development costs	18,609	5.4%	4,177	1.0%

The research and development costs in the first half of 2023 were RMB18.6 million, representing an increase of RMB14.4 million from RMB4.2 million in the first half of 2022, mainly due to the Group's outsourced research and development activities.

Share of Losses of Investments Accounted for Using the Equity Method

The Group's share of losses of investments accounted for using the equity method for the first half of 2023 was RMB1.2 million, which was mainly comprised of the loss of RMB1.6 million from the disposal of shares held by the Group's joint venture Ningbo Yuanyuan Liuchang Investment Centre (Limited Partnership) in Chaoju Eye Care Holdings Limited.

Management Discussion and Analysis

Taxation

The income tax expenses of the Group in the first half of 2023 were RMB5.7 million, as compared to the income tax expenses of RMB13.4 million in the first half of 2022, which was mainly attributable to the utilization of deductible losses recognized in the previous years.

Total Comprehensive Loss for the Period

Due to the factors set out above, the total comprehensive loss of the Group for the first half of 2023 was RMB174.5 million (for the same period of 2022: the total comprehensive loss was RMB9.1 million), of which the total comprehensive income from continuing operations was RMB1.3 million (for the same period of 2022: the total comprehensive loss from continuing operations was RMB4.0 million) and the total comprehensive loss from discontinued operations was RMB175.8 million (for the same period of 2022: the total comprehensive loss from discontinued operations was RMB5.1 million).

Liquidity and Capital Resources

In the first half of 2023, funds and capital expenditure required in the operation of the Group mainly came from the cash flows from operating activities, bank borrowings, proceeds from the disposal of subsidiaries and proceeds from rights issue.

Cash Flows

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

	For the six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Continuing operations:		
Net cash inflow/(outflow) from operating activities	44,126	(52,704)
Net cash inflow from investing activities	76,395	27,633
Net cash outflow from financing activities	(85,112)	(25,859)
Discontinued operations:		
Net cash inflow from operating activities	44,071	62,209
Net cash (outflow)/inflow from investing activities	(58,382)	57,383
Net cash inflow/(outflow) from financing activities	13,799	(23,604)
Net increase in cash and cash equivalents	34,897	45,058
Exchange (losses)/gains on cash and cash equivalents	(256)	559
Cash and cash equivalents at end of period	264,961	261,659

Management Discussion and Analysis

In the first half of 2023, the Group's net cash inflow from operating activities of continuing operations was RMB44.1 million (for the same period of 2022: net cash outflow of RMB52.7 million), which was mainly attributable to the operating activities during the year. In the first half of 2023, the Group's net cash inflow from investing activities of continuing operations was RMB76.4 million, which was mainly due to the disposal of the Company's indirect subsidiaries, namely, Zhongshan Wanhan Pharmacy Co., Ltd. (中山萬漢製藥有限公司) ("Wanhan"), Zhongshan Wanyuan New Medicine Research and Development Co., Ltd. (中山萬遠新藥研發有限公司) ("Wanyuan") and Zhongshan Wanhan Pharmaceutical Co., Ltd. (中山萬漢醫藥有限公司) ("Wanhan Pharmaceutical") (for the same period of 2022: net cash inflow of RMB27.6 million, which was mainly due to the disposal of the land use rights and buildings held by Shanghai Bisheng Property Management Co., Ltd., an indirect wholly-owned subsidiary of the Company). In the first half of 2023, the net cash outflow from financing activities of continuing operations was RMB85.1 million, which was mainly due to the repayment of borrowings (for the same period of 2022: net cash outflow of RMB25.9 million, which was mainly due to the repayment of borrowings).

Financial Assets Measured at Fair Value through Profit or Loss

As at 30 June 2023, the Group's financial assets measured at fair value through profit or loss amounted to RMB55.6 million (31 December 2022: RMB47.3 million), which mainly included:

(i) The Group's investment in Vstar Investment Fund Limited Partnership amounting to approximately RMB15.3 million; (ii) the Group's investment in ERX Pharmaceuticals Inc. amounting to approximately RMB19.4 million; and (iii) the Group's investment in Nanjing Jinbi Venture Investment Management Partnership (Limited Partnership) amounting to approximately RMB20.9 million.

Bank Balances and Cash

The Group's bank balances and cash, comprising cash and cash equivalents and term deposits, amounted to RMB377.9 million as at 30 June 2023 (31 December 2022: RMB483.8 million).

Borrowings and Pledge of Assets

As at 30 June 2023, the Group had bank borrowings of RMB5.0 million, which bear interest rate of 4.70% (31 December 2022: RMB177.6 million, bearing interest rate ranging from 2.03% to 6.00%).

As at 30 June 2023, the Group's outstanding bank borrowings were all credit borrowings without any pledge of assets (as at 31 December 2022: the Group had bank borrowings of RMB133.6 million pledged by properties with total book value of RMB120.9 million and land use rights with total book value of RMB33.6 million to banks and guarantee companies; on 14 January 2022, the Group signed a financial leasing contract with a third-party financial leasing company, pursuant to which the Group received approximately RMB4.79 million through the sale and leaseback arrangement of a machine. Such money is equivalent to borrowing pledged by the aforementioned machine under the accounting policy).

Management Discussion and Analysis

Use of Proceeds from Rights Issue

The net proceeds from the rights issue of the Company (after deducting the expenses in relation to the rights issue) amounted to approximately RMB125.9 million. As at 30 June 2023, the proceeds from the rights issue were fully utilized as intended.

The following table sets forth the use of proceeds of the Group as at 30 June 2023:

	Amount utilized as at 31 December 2022 RMB million	Amount utilized during the six months ended 30 June 2023 RMB million	Amount utilized as at 30 June 2023 RMB million
For settlement of the outstanding indebtedness	61.4	44.1	17.3
For advertising and marketing expenses	29.7	23.9	5.8
For development of new retail business division	20.3	10.2	10.1
As working capital and for other general corporate purposes (including research and development expenses)	14.5	14.5	0.0
Total	125.9	92.7	33.2

Capital Expenditure

In the first half of 2023, the capital expenditure of the Group's continuing operations amounted to RMB3.2 million (for the same period of 2022: RMB15.5 million) as indicated in the following table:

	For the six months ended 30 June 2023 RMB'000	2022 RMB'000
Property, plant and equipment	3,164	11,378
Intangible assets	22	4,076
Total	3,186	15,454

Management Discussion and Analysis

Inventories

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

	As at	
	30 June 2023 RMB'000	31 December 2022 RMB'000
Raw materials and packaging materials	5,615	41,297
Work in progress	1,644	8,919
Finished goods	28,780	59,762
	36,039	109,978
Less: provision for impairment	(739)	(739)
Total inventories	35,300	109,239

Risks of Foreign Exchange Rate

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

For the six months ended 30 June 2023, the Group did not purchase any foreign exchange, interest rate derivative products or hedging instruments (for the same period of 2022: Nil).

Material Acquisitions or Disposals

On 5 May 2023, (i) Tibet Qianruiwanfu Venture Investment Co., Ltd., an indirect wholly-owned subsidiary of the Company (as vendor), (ii) Zhuhai Jiatai Chengzhang Investment Co., Ltd., or entity(ies) controlled by Ms. Peng Wei (being a connected person of the Company at the subsidiary level) as designated by her from time to time (not being connected person(s) of the Company at the issuer level) (the "Purchaser") and (iii) Wanhan, Wanyuan and Wanhan Pharmaceutical (collectively, the "Target Companies") entered into the equity transfer agreement, pursuant to which the vendor sold 51% equity interest in each of the Target Companies to the Purchaser at the total consideration of RMB137.7 million, which was determined after arm's length negotiations between the Purchaser and the vendor taking into account of: (i) the net assets of the Target Companies; (ii) the previous financial performance and future prospects of the Target Companies; (iii) the market conditions for the core products and businesses of the Target Companies; and (iv) the reasons for and benefits of the disposal. As a result of the above disposal, the Group recorded (i) after-tax loss for the period from discontinued operations of RMB175.8 million; (ii) a decrease in total assets of approximately RMB567.6 million; (iii) a decrease in total liabilities of approximately RMB282.2 million; and (iv) a decrease in non-controlling interests of approximately RMB198.1 million for the six months ended 30 June 2023. For details, please refer to the announcement of the Company dated 5 May 2023 and the circular of the Company dated 8 May 2023.

Management Discussion and Analysis

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the first half of 2023.

Future Plans on Material Investment or Acquisition of Capital Assets

The Group strives to explore potential investment opportunities to generate investment income and in turn enhance Shareholders' value. To this end, while maintaining capital liquidity, the Group has allocated certain capital towards investment in funds and other financial assets. Details of the Group's financial assets are set out in note 17 to the interim condensed consolidated financial information.

If there arises any potential investment opportunity which may be beneficial to the value of Shareholders, after having considered the investment terms, risks and the Group's financial position (including but not limited to cash reserve, capital requirement for maintaining day-to-day business operation, asset structure and other factors) and compliance with the Listing Rules and relevant laws and regulations, the Group will reasonably utilize available capital for investments and/or acquisitions of capital assets.

Gearing Ratio

As at 30 June 2023, the Group's gearing ratio (total liabilities divided by total assets, in percentage) was 19.0% (31 December 2022: 31.5%).

Contingent Liabilities and Guarantees

As at 30 June 2023, the Group had no material contingent liabilities and guarantees (31 December 2022: Nil).

Capital Commitments

As at 30 June 2023, capital commitments for property, plant and equipment as contracted for but not yet incurred amounted to RMB7.2 million (31 December 2022: RMB12.6 million).

Compliance with Laws and Regulations

The Group shall conduct business in compliance with the requirements of various laws and regulations, mainly including the Food Safety Law of the PRC, the Drug Administration Law of the PRC, the Regulations for Implementation of the Drug Administration Law of the PRC, the Environmental Protection Law of the PRC, the Labour Law of the PRC, the Labour Contract Law of the PRC as well as other applicable regulations, policies and normative legal documents issued based on or related to such laws and regulations. The Group's prevailing quality and safety control systems of product production are comprehensive and impose effective control over design and execution. The Group has passed the certifications of quality management systems such as ISO9001, ISO22000 and HACCP, ensuring its product quality and safety in an all-round and in-depth manner. In case of any changes in applicable laws, regulations and normative legal documents related to our principal businesses, the Group would inform relevant staff and operation teams in time. In addition, the Group ensured its compliance with such requirements via numerous measures, such as internal control and approval procedures as well as training and supervision on different business departments.

During the first half of 2023, so far as known to the Directors, there was no non-compliance with any relevant laws and regulations which would have a material impact on the Group.

Management Discussion and Analysis

Relationships with Employees, Suppliers and Customers

The Group endeavors to maintain sustainable development in the long term, continuously create value for its employees and customers, and foster good relationships with its suppliers. The Group understands that employees are its valuable assets, and the realization and enhancement of employees' values will facilitate the achievement of the Group's overall goals. For the six months ended 30 June 2023, the Group provided generous social insurance benefits to its employees to motivate their proactivity at work and heighten their sense of belonging. The Group also understood the importance of maintaining good relationships with its suppliers and customers to the overall development of the Group. The Group placed emphasis on supplier selection and encouraged fair and open competition to foster long-term relationships with quality suppliers on the basis of mutual trust. To maintain the competitiveness of its brand and products, the Group abided by the principles of honesty and trustworthiness and committed itself to consistently providing quality products to establish a reliable service environment for its customers. For the six months ended 30 June 2023, there was no significant or material dispute between the Group and its suppliers and/or customers.

Human Resources Management

The Group regards high-quality employees as its most important resource. As at 30 June 2023, the Group had 802 employees in mainland China and Hong Kong (31 December 2022: 913 employees). For the six months ended 30 June 2023, the staff costs of the Group from continuing operations (including remunerations of the Directors) were RMB81.8 million (for the same period of 2022: RMB95.4 million). Employee remuneration was determined with reference to individual performance, work experience, qualification and prevailing industry practice. Apart from basic remuneration and statutory pension benefit scheme, employee benefits also included discretionary bonus.

The Group places emphasis on the recruitment, motivation and retention of suitable talents. The Group invests considerable efforts in continuous education and training for its employees, so as to keep enhancing the knowledge, skill and team spirit of employees. The Group often provides internal and external training courses to relevant staff members 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 24 to 53, 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 2023 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 August 2023

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Continuing operations			
Revenue	6	342,987	403,774
Cost of sales	7	(120,827)	(161,487)
Gross profit		222,160	242,287
Other income		5,345	2,398
Selling and marketing expenses	7	(162,127)	(162,396)
Administrative expenses	7	(41,823)	(59,167)
Research and development costs	7	(18,609)	(4,177)
Credit impairment losses		(487)	(549)
Fair value changes on investments measured at fair value through profit or loss		279	403
Other expenses	7	(25)	(242)
Other gains/(losses), net	8	4,706	(1,499)
Operating profit		9,419	17,058
Finance income	9	537	1,042
Finance costs	9	(1,754)	(4,383)
Finance costs, net	9	(1,217)	(3,341)
Share of net losses of associates and joint ventures accounted for using the equity method	16	(1,173)	(4,329)
Profit before income tax		7,029	9,388
Income tax expenses	10	(5,747)	(13,418)
Profit/(loss) for the period from continuing operations		1,282	(4,030)
Discontinued operations			
Loss for the period from discontinued operations, net of tax	11	(175,772)	(5,080)
Loss for the period		(174,490)	(9,110)
Other comprehensive income		—	—
Total comprehensive loss for the period		(174,490)	(9,110)

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Total comprehensive income/(loss) attributable to:			
Owners of the Company			
— Continuing operations		1,282	(4,030)
— Discontinued operations	11	(117,501)	(2,591)
		(116,219)	(6,621)
Non-controlling interests			
— Continuing operations		—	—
— Discontinued operations	11	(58,271)	(2,489)
		(58,271)	(2,489)
Earnings/(losses) per share for the profit attributable to the ordinary equity holders of the Company (RMB cents)			
Basic earnings/(losses) per share	12		
— Continuing operations		2.28	(9.89)
— Discontinued operations		(209.21)	(6.36)
		(206.93)	(16.25)
Diluted earnings/(losses) per share	12		
— Continuing operations		2.28	(9.89)
— Discontinued operations		(209.21)	(6.36)
		(206.93)	(16.25)

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

Interim Condensed Consolidated Balance Sheet

	Note	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	144,293	398,114
Intangible assets	14	9,243	131,959
Right-of-use assets	22	38,589	78,219
Other non-current assets	15	12,369	14,086
Investments accounted for using the equity method	16	28,023	29,196
Financial assets measured at fair value through profit or loss	17	55,562	47,283
Long-term bank deposits	21	—	40,000
Deferred income tax assets	25	46,172	55,509
Total non-current assets		334,251	794,366
Current assets			
Inventories	18	35,300	109,239
Trade receivables	19(a)	108,101	104,163
Bills receivable	19(b)	1,936	5,153
Deposits, prepayments and other receivables	20	53,736	80,426
Restricted bank deposits		—	5,801
Short-term bank deposits	21	112,915	207,670
Cash and cash equivalents		264,961	230,320
Total current assets		576,949	742,772
Total assets		911,200	1,537,138
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	23	288	288
Share premium		1,039,108	1,039,108
Other reserves		342,871	342,871
Accumulated losses		(644,149)	(527,930)
		738,118	854,337
Non-controlling interests		—	198,073
Total equity		738,118	1,052,410

Interim Condensed Consolidated Balance Sheet

	Note	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred government grants		2,255	41,679
Lease liabilities	28	4,190	8,289
Deferred income tax liabilities	25	7,208	32,070
Long-term borrowings	24	—	52,681
Total non-current liabilities		13,653	134,719
Current liabilities			
Trade and bills payables	26	3,532	20,559
Other payables and accrued expenses	27	135,646	169,863
Contract liabilities		6,280	24,945
Borrowings	24	5,000	124,890
Lease liabilities	28	8,151	9,027
Current income tax liabilities		820	725
Total current liabilities		159,429	350,009
Total liabilities		173,082	484,728
Total equity and liabilities		911,200	1,537,138

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

Interim Condensed Consolidated Statement of Changes in Equity

	Unaudited							
	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Accumulated losses	Total			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2023	288	1,039,108	342,871	(527,930)	854,337	198,073	1,052,410	
Total comprehensive loss for the period	—	—	—	(116,219)	(116,219)	(58,271)	(174,490)	
Total transactions with owners, recognised directly in equity:								
Disposal of subsidiaries (Note 11)	—	—	—	—	—	(139,802)	(139,802)	
Balance at 30 June 2023	288	1,039,108	342,871	(644,149)	738,118	—	738,118	
Balance at 1 January 2022	94	913,393	340,274	(426,244)	827,517	227,873	1,055,390	
Total comprehensive loss for the period	—	—	—	(6,621)	(6,621)	(2,489)	(9,110)	
Total transactions with owners, recognised directly in equity:								
Dividends	—	—	—	—	—	(24,500)	(24,500)	
Balance at 30 June 2022	94	913,393	340,274	(432,865)	820,896	200,884	1,021,780	

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

Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited	
		Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations (continuing operations)		43,656	(53,742)
Income taxes paid		—	(4)
Interest received		470	1,042
		44,126	(52,704)
Discontinued operations		44,071	62,209
Net cash inflow from operating activities		88,197	9,505
Cash flows from investing activities			
Payments for financial assets measured at fair value through profit or loss		(262,000)	(410,000)
Proceeds from disposals of financial assets measured at fair value through profit or loss		263,170	411,898
Payments for investments measured at fair value through profit or loss		(8,000)	(8,000)
Distribution from a joint venture		—	4,790
Payments for property, plant and equipment		(3,164)	(11,378)
Payments for intangible assets		(22)	(4,076)
Proceeds from disposals of property, plant and equipment		38	62
Proceeds from disposal of assets classified as held for sale		—	44,337
Proceeds from disposals of subsidiaries, net	11	86,373	—
		76,395	27,633
Discontinued operations		(58,382)	57,383
Net cash inflow from investing activities		18,013	85,016
Cash flows from financing activities			
Proceeds from borrowings		—	64,790
Repayment of borrowings		(79,872)	(79,884)
Principal elements of lease payments		(3,725)	(8,570)
Bank loan interest and other finance costs paid		(1,515)	(2,195)
		(85,112)	(25,859)
Discontinued operations		13,799	(23,604)
Net cash outflow from financing activities		(71,313)	(49,463)

Interim Condensed Consolidated Statement of Cash Flows

	Note	Unaudited	
		Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
Net increase in cash and cash equivalents		34,897	45,058
Cash and cash equivalent at beginning of period		230,320	216,042
Exchange (losses)/gains on cash and cash equivalents		(256)	559
Cash and cash equivalents at end of period		264,961	261,659
Representing:			
— Cash at bank and on hand		264,961	261,659

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

Notes to the Interim Condensed Consolidated Financial Information

1. GENERAL INFORMATION

Besunyen Holdings Company Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands. The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) are manufacturing and sales of therapeutic tea products and weight-loss and other medicines.

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

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

This interim condensed consolidated financial information for the six months ended 30 June 2023 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 28 August 2023.

2. SIGNIFICANT EVENT

On 30 June 2023, the Group completed the disposals of three subsidiaries, which resulted in an after-tax loss for the period from discontinued operations amounting to approximately RMB175,772,000. Further details are disclosed in Note 11.

3. BASIS OF PREPARATION

The Group’s interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard 34 (“**IAS 34**”) “Interim Financial Reporting”. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2022 (the “**2022 Annual Financial Statements**”), which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), and any public announcement made by the Company during the current period and up to date of approval of this unaudited interim condensed consolidated financial information.

The accounting policies adopted are consistent with those of 2022 Annual Financial Statements, except for the adoption of new and amended standards as set out below.

Notes to the Interim Condensed Consolidated Financial Information

3. BASIS OF PREPARATION *(Continued)*

(a) New and amended standards

The Group has applied the following new and amended standards for the first time to financial reporting periods commencing 1 January 2023:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates — Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to IAS 12

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

(b) Amended standards not yet adopted

Certain amended standards as below have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendment to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendment to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IFRS 16	Lease liability in sale and leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

These amended standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Notes to the Interim Condensed Consolidated Financial Information

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 2022 Annual Financial Statements.

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 (primarily foreign exchange risk), credit risk, liquidity risk and fair value risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2022 Annual Financial Statements.

There have been no significant changes in the risk management policies since 31 December 2022.

5.2 Liquidity risk

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

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

5.3 Fair value risk

The Group has two types of financial assets that are measured at fair value as at 30 June 2023, which are the financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. The financial assets measured at fair value through other comprehensive income represent the Group's bills receivable, while the financial assets measured at fair value through profit or loss represent Group's wealth management products purchased from bank and equity investments. The Group does not have any financial liabilities that are measured at fair value.

Notes to the Interim Condensed Consolidated Financial Information

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)***5.3 Fair value risk** *(Continued)*

The following table presents the Group's financial assets that are measured at fair value as at 30 June 2023:

	Level 3 RMB'000
At 30 June 2023	
Assets	
Financial assets measured at fair value through other comprehensive income	1,936
Financial assets measured at fair value through profit or loss	55,562

The following table presents the Group's financial assets that are measured at fair values for the six months ended 30 June 2023:

	Financial assets measured at fair value through profit or loss RMB'000	Financial assets measured at fair value through other comprehensive income RMB'000
1 January 2023	47,283	5,153
Additions	270,000	83,018
Changes in fair value	279	—
Disposals	(263,170)	(86,235)
Gains recognised in 'other gains/(losses), net' (Note 8)	1,170	—
30 June 2023	55,562	1,936
Includes unrealised gains during the period recognised in profit or loss under 'other gains/(losses), net' (Note 8)	—	—

6. REVENUE AND SEGMENT INFORMATION

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

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

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

Notes to the Interim Condensed Consolidated Financial Information

6. REVENUE AND SEGMENT INFORMATION (Continued)

The segment results from continuing operations for the six months ended 30 June 2023 are as follows:

	Tea products segment RMB'000	Weight-loss and other medicines segment RMB'000	Total RMB'000
Total revenue	217,694	125,293	342,987
Inter-segment revenue	—	—	—
Revenue from external customers	217,694	125,293	342,987
Timing of revenue recognition at a point in time	217,694	125,293	342,987
Cost of sales	(56,264)	(64,563)	(120,827)
Gross profit	161,430	60,730	222,160
Selling and marketing expenses	(99,496)	(62,631)	(162,127)
Research and development costs	(8,353)	(10,256)	(18,609)
Segment results	53,581	(12,157)	41,424
Other income			5,345
Other gains, net			4,706
Administrative expenses			(41,823)
Credit impairment losses			(487)
Fair value changes on financial assets measured at fair value through profit or loss			279
Other expenses			(25)
Operating profit			9,419
Finance income			537
Finance costs			(1,754)
Finance costs, net			(1,217)
Share of losses of investments accounted for using the equity method			(1,173)
Profit before income tax			7,029
Income tax expenses			(5,747)
Profit for the period from continuing operations			1,282
Other segment information:			
Depreciation	(12,305)	(3,070)	(15,375)
Amortisation	(271)	(655)	(926)

Notes to the Interim Condensed Consolidated Financial Information

6. REVENUE AND SEGMENT INFORMATION (Continued)

The segment results from continuing operations for the six months ended 30 June 2022 are as follows:

	Tea products segment RMB'000	Weight-loss and other medicines segment RMB'000	Total RMB'000
Total revenue	246,309	157,465	403,774
Inter-segment revenue	—	—	—
Revenue from external customers	246,309	157,465	403,774
Timing of revenue recognition at a point in time	246,309	157,465	403,774
Cost of sales	(65,872)	(95,615)	(161,487)
Gross profit	180,437	61,850	242,287
Selling and marketing expenses	(105,872)	(56,524)	(162,396)
Research and development costs	(4,177)	—	(4,177)
Segment results	70,388	5,326	75,714
Other income			2,398
Other losses, net			(1,499)
Administrative expenses			(59,167)
Credit impairment losses			(549)
Fair value changes on financial assets measured at fair value through profit or loss			403
Other expenses			(242)
Operating profit			17,058
Finance income			1,042
Finance costs			(4,383)
Finance costs, net			(3,341)
Share of losses of investments accounted for using the equity method			(4,329)
Profit before income tax			9,388
Income tax expenses			(13,418)
Loss for the period from continuing operations			(4,030)
Other segment information:			
Depreciation	(17,067)	(3,079)	(20,146)
Amortisation	(987)	(722)	(1,709)

Notes to the Interim Condensed Consolidated Financial Information

6. REVENUE AND SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2023, the revenue of approximately RMB62,747,000 (six months ended 30 June 2022: RMB85,846,000) was derived from an e-commerce platform (“**Customer A**”), which took 18.3% (six months ended 30 June 2022: 21.3%) of the Group’s total revenue from continuing operations and was primarily attributable to the weight-loss and other medicines segment. Other than Customer A, the revenue derived from any of the remaining external customers were less than 10% of the Group’s total revenue from continuing operations.

7. EXPENSES BY NATURE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Continuing operations		
Changes in inventories of finished goods and work in progress	12,060	22,765
Raw materials and consumables used	93,879	126,079
Employee benefit expenses	81,760	95,425
Marketing and promotion expenses	66,251	76,977
Advertising costs	21,788	3,056
Depreciation and amortisation	16,301	21,855
Researching and development outsource expenses	13,672	—
Professional and consulting service fees	6,639	9,046
Logistics expenses	7,779	10,182
Entertainment and travelling expenses	7,049	6,009
Rental expenses (Note)	790	895
Maintenance and testing costs	2,835	3,064
Office expenses	1,111	1,447
Stamp duties, property and other taxes	1,280	1,803
Others	10,217	8,866
Total cost of sales, selling and marketing expenses, administrative expenses, research and development costs and other expenses	343,411	387,469

Note:

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

Notes to the Interim Condensed Consolidated Financial Information

8. OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Continuing operations		
Net foreign exchange gains	3,527	563
Change in fair value of financial assets measured at fair value through profit or loss (Note 5.3)	1,170	1,898
Net (losses)/gains on disposals of property, plant and equipment	(29)	57
Donation	(400)	(1,231)
Others	438	(2,786)
	4,706	(1,499)

9. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Continuing operations		
Interest income from financial assets held for cash management purpose	537	1,042
Finance income	537	1,042
Interest expenses:		
— for borrowings	(1,118)	(3,100)
— for lease liabilities	(398)	(575)
Guarantee fee for bank borrowings	(238)	(719)
	(1,754)	(4,394)
Less: Amount capitalised	—	11
Finance costs	(1,754)	(4,383)
Finance costs, net	(1,217)	(3,341)

10. INCOME TAX EXPENSES

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Continuing operations		
Current income tax		
— Current income tax for the period	95	268
	95	268
Deferred income tax	5,652	13,150
	5,747	13,418

Notes to the Interim Condensed Consolidated Financial Information

10. INCOME TAX EXPENSES *(Continued)*

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

Hong Kong profit tax is subject to the two-tiered profits tax regime, under which the tax rate is 8.25% for assessable profits in the first HK\$2 million and 16.5% for any assessable profits in excess.

In July 2020, Beijing Outsell Health Product Development Co., Ltd. ("**Beijing Outsell**") obtained the High and New Technology Enterprise qualification for the three years from 2020 to 2022, the applicable income tax rate for the approved period is 15%.

Tibet Besunyen Trading Co., Ltd. and Tibet Qianruiwanfu Venture Investment Co., Ltd. ("**Qianruiwanfu**"), two subsidiaries established by the Group in February 2017, are entitled to the preferential policy of Encouraged Industries in the West Regions in Tibet from establishment date to 31 December 2030, for which the applicable income tax during the approved period is 15%.

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

11. DISPOSALS OF SUBSIDIARIES

On 5 May 2023, Qianruiwanfu entered into an equity transfer agreement with Zhuhai Jiatai Chengzhang Investment Co., Ltd. (the "**Purchaser**"), which is controlled by Ms. Peng Wei (a substantial shareholder of the Company) and Zhongshan Wanhan Pharmacy Co., Ltd., Zhongshan Wanyuan New Medicine Research and Development Co., Ltd. and Zhongshan Wanhan Pharmaceutical Co., Ltd. (collectively the "**Target Companies**"), which are subsidiaries of the Group, pursuant to which Qianruiwanfu has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire 51% equity interest in each of the Target Companies at the total cash consideration of RMB137,700,000.

The associated assets and liabilities were consequently classified to assets classified as held for sale and liabilities associated with assets classified as held for sales respectively as at 5 May 2023. As the Target Companies are a single cash generating unit (the "**CGU**") of the Group, and is a separate major line of the weight-loss and other medicines segment, the profit or loss of the Target Companies for period then ended were presented as "discontinued operations" in the interim condensed consolidated statement of comprehensive income. The comparative information relating to the discontinued operations has been re-presented to conform to the current period's presentation.

On 30 June 2023, the disposals of the Target Companies was completed.

Notes to the Interim Condensed Consolidated Financial Information

11. DISPOSALS OF SUBSIDIARIES *(Continued)*

(a) Loss for the period from discontinued operations was as below:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Revenue	289,430	84,308
Cost of sales, selling and marketing expenses, administrative expenses and research and development costs	(238,546)	(96,249)
Impairment loss (note i)	(215,645)	—
Other income	3,155	4,157
Other expenses	(1,213)	(572)
Other gains, net	1,528	1,062
Finance (costs)/income, net	(986)	2,845
Loss before income tax	(162,277)	(4,449)
Income tax expenses	(4,948)	(631)
Loss for the period	(167,225)	(5,080)
Net loss on the disposals (note ii)	(8,547)	—
	(175,772)	(5,080)
Loss for the period from discontinued operations attributable to		
— Owner of the Company	(117,501)	(2,591)
— Non-controlling interests	(58,271)	(2,489)

(i) As at 5 May 2023, the carrying amount of the 51% equity interests of Target Companies to be disposed was approximately RMB272,583,000 meanwhile the related cash consideration less transaction cost was approximately RMB136,959,000. Given the assets classified as held for sale are stated at lower of the carrying value and the fair value less cost to sell, an impairment loss of approximately of RMB215,645,000 was recognised. Such impairment was allocated to goodwill, other intangible assets, property, plant and equipment and right-of-use assets amounting to approximately RMB52,337,000, RMB32,385,000, RMB114,232,000 and RMB16,691,000 respectively.

(ii) Details of net loss on the disposals were as below:

	30 June 2023 RMB'000
Total consideration	137,700
Transaction costs	(741)
Carrying amount of the 51% of equity interests held by the Group at the date of disposals (Note b)	(145,506)
Net loss on disposals	(8,547)

Notes to the Interim Condensed Consolidated Financial Information

11. DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) The carrying amount of net assets of the Target Companies at the date of disposals was as below:

	30 June 2023 RMB'000
Property, plant and equipment	124,434
Intangible assets	34,560
Right-of-use assets	19,424
Other non-current assets	5,507
Inventories	91,848
Trade receivables and bills receivable	22,422
Deposits, prepayments and other receivables	10,891
Restricted bank deposits	1,305
Short-term bank deposits	206,007
Short-term investment	258
Cash and cash equivalents	50,896
Total assets	567,552
Deferred government grants	(38,525)
Lease liabilities	(1,796)
Deferred income tax liabilities	(26,125)
Long-term borrowings	(52,328)
Trade and bills payables	(26,377)
Other payables and accrued expenses	(61,529)
Contract liabilities	(20,064)
Borrowings	(55,500)
Total liabilities	(282,244)
Net assets	285,308
Carrying amount of the 51% of equity interests of the Target Companies held by the Group at the date of disposals	145,506

(c) The cash flows from the disposals of subsidiaries were as below:

	30 June 2023 RMB'000
Cash consideration received	137,700
Transaction costs paid	(431)
Cash and cash equivalents disposed (Note b)	(50,896)
Proceeds from disposals of subsidiaries, net	86,373

Notes to the Interim Condensed Consolidated Financial Information

11. DISPOSALS OF SUBSIDIARIES *(Continued)***(d) Re-presentation of comparative figures:**

The comparative figures of this interim condensed consolidated financial information have been re-presented.

12. EARNINGS PER SHARE**(a) Basic**

Basic earnings/(losses) per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2023	2022
Profit/(Loss) attributable to owners of the Company (RMB'000)		
— Continuing operations	1,282	(4,030)
— Discontinued operations	(117,501)	(2,591)
	(116,219)	(6,621)
Weighted-average number of ordinary shares in issue	56,164,008	40,755,195
Basic earnings/(losses) per share (RMB cents per share)		
— Continuing operations	2.28	(9.89)
— Discontinued operations	(209.21)	(6.36)
	(206.93)	(16.25)

(b) Diluted

There were no unvested restricted shares or share options which would result in dilutive effect to the Group as at 30 June 2023 and 2022. Accordingly, the diluted earnings/(losses) per share is same as the basic earnings/(losses) per share for the six months ended 30 June 2023 and 2022.

Notes to the Interim Condensed Consolidated Financial Information

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	Plant and machinery RMB'000	Furniture and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2022					
Cost	335,249	354,688	92,742	5,826	788,505
Accumulated depreciation	(103,413)	(211,663)	(61,050)	—	(376,126)
Accumulated impairment	(2,658)	(11,607)	—	—	(14,265)
Net Book Value	229,178	131,418	31,692	5,826	398,114
Six months ended 30 June 2023					
Opening net book amount	229,178	131,418	31,692	5,826	398,114
Additions	—	2,097	66	1,692	3,855
Transfers	—	2,230	74	(2,304)	—
Disposals/write-off	—	—	(317)	—	(317)
Depreciation charges	(9,225)	(6,288)	(5,711)	—	(21,224)
Impairment charge (Note 11(a)(i))	(87,095)	(18,531)	(6,083)	(2,523)	(114,232)
Disposals of subsidiaries (Note 11)	(27,660)	(89,339)	(2,213)	(2,691)	(121,903)
Closing net book amount	105,198	21,587	17,508	—	144,293
At 30 June 2023					
Cost	184,714	226,645	54,314	—	465,673
Accumulated depreciation	(76,858)	(193,451)	(36,806)	—	(307,115)
Accumulated impairment	(2,658)	(11,607)	—	—	(14,265)
Net Book Value	105,198	21,587	17,508	—	144,293

Notes to the Interim Condensed Consolidated Financial Information

14. INTANGIBLE ASSETS

	Goodwill	Trade- marks and brand name	Computer software	Exclusive medicine distribution right	Medicine production licenses	Patents and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022							
Cost	60,253	15,548	11,994	7,740	126,000	17,971	239,506
Accumulated amortisation	—	(13,422)	(10,856)	(2,938)	(42,839)	(5,788)	(75,843)
Accumulated impairment	(7,916)	—	—	(4,802)	(15,161)	(3,825)	(31,704)
Net book amount	52,337	2,126	1,138	—	68,000	8,358	131,959
Six months ended 30 June 2023							
Opening net book amount	52,337	2,126	1,138	—	68,000	8,358	131,959
Additions	—	—	21	—	—	—	21
Amortisation charges	—	(258)	(258)	—	(2,456)	(483)	(3,455)
Impairment charges (Note 11(a)(i))	(52,337)	—	—	—	(32,385)	—	(84,722)
Disposals of subsidiaries (Note 11)	—	(4)	(45)	—	(33,159)	(1,352)	(34,560)
Closing net book amount	—	1,864	856	—	—	6,523	9,243
At 30 June 2023							
Cost	7,916	15,529	11,577	7,740	—	14,463	57,225
Accumulated amortisation	—	(13,665)	(10,721)	(2,938)	—	(4,115)	(31,439)
Accumulated impairment	(7,916)	—	—	(4,802)	—	(3,825)	(16,543)
Net book amount	—	1,864	856	—	—	6,523	9,243

15. OTHER NON-CURRENT ASSETS

	As at	
	30 June 2023	31 December 2022
	RMB'000	RMB'000
Prepayment for purchases of intangible assets	3,000	3,000
Prepayment for construction of property, plant and equipment	9,369	11,086
	12,369	14,086

Notes to the Interim Condensed Consolidated Financial Information

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	As at	
	30 June 2023 RMB'000	31 December 2022 RMB'000
Joint ventures	28,023	29,196

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

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Joint ventures	(1,173)	(4,329)

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

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Beginning of the period	29,196	44,971
Disposals	—	(4,790)
Loss for the period	(1,173)	(4,329)
End of the period	28,023	35,852

Notes to the Interim Condensed Consolidated Financial Information

17. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	30 June 2023 RMB'000	31 December 2022 RMB'000
Financial assets measured at fair value through profit or loss		
— wealth management products and structured deposits (a)	—	—
— equity investment in a private company (b)	19,380	19,380
— investment in funds (c)	36,182	27,903
	55,562	47,283

Notes:

- (a) The Group's wealth management products and structured deposit purchased from commercial financial institutes are denominated in RMB. The principals and returns of the wealth management products are not guaranteed, while the principles of the structured deposit are protected with the returns not guaranteed. The contractual cash flows of wealth management products and structured deposit do not qualify for solely payments of principal and interest, accordingly, they are measured at fair value through profit or loss, and there are no balance amount as at 30 June 2022 and 2023.

The fair values are based on discounted cash flow using the expected return based on management estimation and are within level 3 of the fair value hierarchy (Note 5.3).

- (b) The Group acquired 3.732% equity interests of ERX Pharmaceuticals Inc. (the "ERX") at a cash consideration of US\$3.0 million (equivalent to RMB19,380,000) on 30 April 2021. Considering that the Group can neither control nor exercise significant influence on ERX, the management recognised this investment as financial assets measured at fair value through profit or loss.
- (c) Out of US\$2.3505 million total investment commitment based on the agreement signed by the Group and Vstar Partners Limited on 26 February 2021, the Group invested US\$2.0609 million (equivalent to approximately RMB13,297,000) to Vstar Investment Fund Limited Partnership (the "Vstar") on 17 May 2021. Considering that the Group can neither control nor exercise significant influence on Vstar, the management recognised this investment as financial assets measured at fair value through profit or loss.

As at 30 June 2023, the Group had invested RMB20,000,000 to Nanjing Jinbi Venture Capital Partnership (the "Jinbi") based on the agreement signed by the Group and Nanjing Jinming Venture Capital Management Partnership (Limited Partnership). Considering that the Group can neither control nor exercise significant influence on Jinbi, the management recognised this investment as financial assets measured at fair value through profit or loss.

The fair value changes of the investments in Vstar and ERX and Jinbi for the period ended 30 June 2023 was insignificant.

Notes to the Interim Condensed Consolidated Financial Information

18. INVENTORIES

	As at	
	30 June 2023 RMB'000	31 December 2022 RMB'000
Raw materials and packaging materials	5,615	41,297
Work in progress	1,644	8,919
Finished goods	28,780	59,762
	36,039	109,978
Less: Provision for impairment	(739)	(739)
	35,300	109,239

19. TRADE RECEIVABLES AND BILLS RECEIVABLES

	As at	
	30 June 2023 RMB'000	31 December 2022 RMB'000
Trade receivables	108,319	104,290
Less: Loss allowance	(218)	(127)
	108,101	104,163

- (a) The Group normally allows a credit period of 30–90 days to its customers. The following is an aging analysis of trade receivables (net of loss allowance) based on the goods delivery dates, which approximated to their invoice dates:

	As at	
	30 June 2023 RMB'000	31 December 2022 RMB'000
0 to 90 days	107,584	103,125
91 to 180 days	227	551
Over 180 days	290	487
	108,101	104,163

- (b) As of 30 June 2023, bills receivable amounted to RMB1,936,000 (31 December 2022: RMB5,153,000) were all bank acceptance notes with maturity date within 6 months and are classified as financial assets measured at fair value through other comprehensive income, included in "Trade receivables and bills receivable".

Notes to the Interim Condensed Consolidated Financial Information

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 June 2023 RMB'000	31 December 2022 RMB'000
Prepayments for advertisement expenses	10,917	9,257
Prepayments to suppliers	22,896	29,831
Other receivables	17,535	37,676
Others	2,388	3,662
	53,736	80,426

21. TERM BANK DEPOSITS

	As at	
	30 June 2023 RMB'000	31 December 2022 RMB'000
Long-term bank deposits	—	40,000
Short-term bank deposits	112,915	207,670
	112,915	247,670

22. RIGHT-OF-USE ASSETS

	As at	
	30 June 2023 RMB'000	31 December 2022 RMB'000
Land use rights (Note)	25,456	60,569
Office premises and staff quarters	13,133	17,650
	38,589	78,219

Note:

As disclosed in Note 11, the Target Companies' land use rights of approximately RMB34,503,000 were impaired and disposed in the six month ended 30 June 2023.

Notes to the Interim Condensed Consolidated Financial Information

23. SHARE CAPITAL

	Number of shares	Amount US\$	Share capital RMB'000
Ordinary shares of US\$0.0003333332 each (Note 12)			
Authorised:			
At 30 June 2023 and 31 December 2022	150,000,000	50,000	341
Issued and fully paid:			
At 30 June 2023 and 31 December 2022	122,265,585	40,755	288

24. BORROWINGS

As at 30 June 2023, the Group's borrowings were as follows:

	As at	
	30 June 2023 RMB'000	31 December 2022 RMB'000
Included in current liabilities		
Bank borrowing, secured	—	112,378
Bank borrowing, unsecured	5,000	10,013
Other borrowing (Note)	—	2,499
	5,000	124,890
Included in non-current liabilities		
Bank borrowing, secured	—	52,460
Other borrowing (Note)	—	221
	—	52,681

Note:

On 14 January 2022, Beijing Outsell signed a financial leasing contract with a third-party financial leasing company, pursuant to which Beijing Outsell agreed to transfer a machine with carrying amount of RMB483,000 to an independent financial leasing company at a consideration of approximately RMB4,790,000 and lease the machine back at approximately RMB224,000 per month for 24 months from January 2022 to January 2024. As the transfer of the machine does not satisfy the requirement to be accounted for as a sale of the asset, the Group continues to recognise the transferred machine and recognise a financial liability of borrowing equal to the transfer proceeds. This financial liability was recognised as a borrowing mortgaged by Beijing Outsell with the machine and guaranteed by Zhao Yizhen (the legal representative of Beijing Outsell) and Zhao Lixia (one of the management personnel of Beijing Outsell). All principals of the borrowing has been repaid in 15 June 2023.

Notes to the Interim Condensed Consolidated Financial Information

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
At beginning of period	73,098	98,266
Charged to profit or loss	(6,081)	(13,796)
Disposals of subsidiaries (Note 11)	(19,173)	—
At end of period	47,844	84,470

Deferred income tax liabilities

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
At beginning of period	49,659	62,635
Credited/(charged) to profit or loss	4,519	(3,623)
Disposals of subsidiaries (Note 11)	(45,298)	—
At end of period	8,880	59,012

Note:

The net balance of deferred income tax assets and liabilities is RMB1,672,000 as at 30 June 2023 (31 December 2022: RMB17,589,000).

26. TRADE AND BILLS PAYABLES

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

	As at	
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
0 to 90 days	3,051	19,175
91 to 180 days	330	998
Over 180 days	151	386
	3,532	20,559

Notes to the Interim Condensed Consolidated Financial Information

27. OTHER PAYABLES AND ACCRUED EXPENSES

	As at	
	30 June 2023 RMB'000	31 December 2022 RMB'000
Accrued expenses	25,135	34,270
Indirect taxes and surcharge payable	7,178	20,719
Payroll and welfare payable	21,997	30,788
Accrued sales rebate	17,000	15,475
Payables to suppliers for:		
— purchases of property, plant and equipment	5,650	11,516
— advertisement	3,296	690
— marketing and promotion expenses	19,310	14,248
Payables to fund management fees	8,900	8,010
Other guarantee deposits received	2,612	10,010
Others	24,568	24,137
	135,646	169,863

28. LEASE LIABILITIES

	As at	
	30 June 2023 RMB'000	31 December 2022 RMB'000
Current lease liabilities	8,151	9,027
Non-current lease liabilities	4,190	8,289
Total lease liabilities	12,341	17,316

For the six months ended 30 June 2023, the weighted-average lessee's incremental borrowing rate applied to the recognition of lease liabilities was 5.59% (2022: 5.59%).

Notes to the Interim Condensed Consolidated Financial Information

29. SHARE-BASED PAYMENTS**Share option scheme**

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

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

	Pre-IPO Share Option Scheme		Post-IPO Share Option Scheme		Total number of options
	Average exercise price (RMB)	Number of options	Average exercise price (HK\$)	Number of options	
At 1 January 2022	—	—	1.01	18,520,000	18,520,000
Granted	—	—	—	—	—
Lapsed	—	—	—	—	—
Effect of Share Consolidation	—	—	1.01	(18,057,000)	(18,057,000)
At 30 June 2022	—	—	40.00	463,000	463,000
Exercisable as at 30 June 2022	—	—	40.00	463,000	463,000

As at 31 December 2022, all share options have been expired.

30 DIVIDEND

The Board has resolved not to declare any dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

Notes to the Interim Condensed Consolidated Financial Information

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

As at 30 June 2023, capital expenditure for property, plant and equipment as contracted for but not yet incurred amounted to RMB7,211,000 (31 December 2022: RMB12,621,000).

(b) Operating lease commitments

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

	As at	
	30 June 2023 RMB'000	31 December 2022 RMB'000
No later than 1 year	142	342
1–5 years	—	17
	142	359

32. RELATED PARTY TRANSACTIONS**Key management compensation**

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

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Salaries, bonus and other allowances	4,687	5,407
Pension cost — defined contribution plan	143	150
	4,830	5,557

Other than the key management compensation stated above and the transaction described in Note 11, there are no other related party transactions during the six months ended 30 June 2023.

33. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There is no significant event occurred after the balance sheet date, which has material impact to the consolidated financial statements of the Group.

Other Information

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

As at 30 June 2023, so far as known to the Directors, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”):

Name of Director/ Chief Executive	Nature of interest	Number of Shares	Approximate percentage of total issued Shares (%) ⁽⁴⁾
Mr. ZHAO Yihong	Beneficial owner, interest of his spouse, founder of a discretionary trust and interest of corporation controlled by the Director ⁽¹⁾⁽³⁾	62,775,657 ^{(1)(L)}	51.34%
Ms. GAO Yan	Beneficial owner and interest of her spouse ⁽²⁾⁽³⁾	62,775,657 ^{(2)(L)}	51.34%
Mr. YU Hongjiang	Beneficial owner	58,025 ^(L)	0.05%
Mr. HE Yuanping	—	—	—
Mr. FU Shula	Beneficial owner	15,000 ^(L)	0.01%
Mr. SHI Xiangxin	—	—	—

Other Information

- (1) Mr. Zhao Yihong, executive Director, beneficially owns 313,017 Shares directly. Mr. Zhao is the sole director of Foreshore Holding Group Limited and Better Day Holdings Limited. Mr. Zhao is also deemed or taken to be interested in the following Shares for the purposes of the SFO:
 - (i) 61,219,437 Shares which are beneficially owned by Foreshore Holding Group Limited, a company which is controlled by Mr. Zhao;
 - (ii) 1,069,128 Shares which are beneficially owned by Better Day Holdings Limited, a company which is controlled by Mr. Zhao; and
 - (iii) 174,075 Shares which are beneficially owned by Ms. Gao Yan, Mr. Zhao's spouse.
 - (2) Ms. Gao Yan, executive Director, beneficially owns 174,075 Shares directly. Ms. Gao is also deemed or taken to be interested in the following Shares for the purposes of the SFO:
 - (i) 313,017 Shares which are beneficially owned by Mr. Zhao Yihong, Ms. Gao's spouse;
 - (ii) 61,219,437 Shares which are deemed to be beneficially owned by Mr. Zhao as controlling shareholder of Foreshore Holding Group Limited; and
 - (iii) 1,069,128 Shares which are deemed to be beneficially owned by Mr. Zhao as controlling shareholder of Better Day Holdings Limited.
 - (3) The entire issued share capital of Foreshore Holding Group Limited is directly owned by Sea Network Holdings Limited. The entire issued share capital of Sea Network Holdings Limited is held by TMF Trust (HK) Limited, in its capacity as the trustee of a family trust established by Mr. Zhao Yihong as the settlor for the benefit of himself and his family members.
 - (4) This is calculated based on 122,265,585 Shares, being the number of Shares in issue as at 30 June 2023.
- * The letter "L" denotes the person's long position in such Shares.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, 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⁾	61,219,437 ^(L)	50.07%
Sea Network Holdings Limited ⁽¹⁾	61,219,437 ^(L)	50.07%
TMF Trust (HK) Limited ⁽¹⁾	61,219,437 ^(L)	50.07%
Ms. PENG Wei ⁽²⁾	10,279,150 ^(L)	8.41%
Everyoung Investment Holdings Limited ⁽²⁾	9,281,250 ^(L)	7.59%

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

(2) The entire issued share capital of Everyoung Investment Holdings Limited is directly owned by Ms. Peng Wei. Ms. Peng beneficially owns 997,900 Shares.

(3) This is calculated based on 122,265,585 Shares, being the number of Shares in issue as at 30 June 2023.

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

Save as disclosed above, as at 30 June 2023, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

Other Information

CORPORATE GOVERNANCE

For the six months ended 30 June 2023, the Company has applied the principles and complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules, except for code provision C.2.1 of the CG Code.

CODE PROVISION C.2.1

Under code provision C.2.1 of the CG Code, 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 33 years of experience in food and beverage industry in the PRC. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group’s business strategies currently and in the foreseeable future. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

AUDIT COMMITTEE

As at the date of this interim report, the audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. He Yuanping, a Director with the appropriate professional qualifications and serving as the chairman of the Audit Committee, Mr. Fu Shula and Mr. Shi Xiangxin. The Audit Committee has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2023 and this interim report, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters.

REVIEW OF INTERIM RESULTS

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2023 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 2023.

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

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the six months ended 30 June 2023.

Other Information

CHANGES IN THE INFORMATION OF DIRECTORS

The changes in the information of the Directors from the date of the 2022 annual report to the date of this interim report that is required to be disclosed under Rule 13.51B(1) of the Listing Rules are as follows:

Name of Director	Details of Changes
He Yuanping	Bescient Technologies Co., Ltd., which he is the chairman, was listed on the Shanghai Stock Exchange STAR Market on 9 August 2023 with the stock code of 688671.

INTERIM DIVIDEND

The Board has resolved not to declare and pay any interim dividend for the six months ended 30 June 2023.

SUBSEQUENT EVENTS

No significant event affecting the Group has occurred subsequent to 30 June 2023 and up to the date of this interim condensed consolidated financial information.

On behalf of the Board

ZHAO Yihong
Chairman

Hong Kong, 28 August 2023