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**碧生源控股有限公司**

**BESUNYEN HOLDINGS COMPANY LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 926)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**FINANCIAL HIGHLIGHTS**

The revenue from continuing operations of the Group for 2023 was RMB542.9 million, representing a decrease of 32.2% as compared with the revenue from continuing operations of RMB801.3 million for 2022.

The gross profit from continuing operations of the Group for 2023 was RMB346.2 million, representing a decrease of 29.7% as compared with the gross profit from continuing operations of RMB492.6 million for 2022. The gross profit margin from continuing operations of the Group for 2023 was 63.8%, representing an increase of 2.3 percentage points as compared with the gross profit margin from continuing operations of 61.5% for 2022.

The total operating expenses (including selling and marketing expenses, administrative expenses and research and development costs) from continuing operations of the Group for 2023 were RMB508.7 million, representing a decrease of 3.7% as compared with the total operating expenses from continuing operations of RMB528.5 million for 2022.

The total comprehensive loss of the Group for 2023 was RMB358.6 million (for 2022: the total comprehensive loss was RMB104.4 million), of which the total comprehensive loss from continuing operations was RMB160.2 million (for 2022: the total comprehensive loss from continuing operations was RMB76.6 million); and the total comprehensive loss from discontinued operations was RMB198.4 million (for 2022: the total comprehensive loss from discontinued operations was RMB27.8 million).

The total comprehensive loss attributable to owners of the Company for 2023 was RMB300.4 million, of which the total comprehensive loss from continuing operations was RMB160.2 million and the total comprehensive loss from discontinued operations was RMB140.2 million (for 2022: the total comprehensive loss attributable to owners of the Company was RMB99.1 million, of which the total comprehensive loss from continuing operations RMB76.6 million and the total comprehensive loss from discontinued operations was RMB22.5 million). The basic and diluted losses per share attributable to owners of the Company for 2023 were both RMB2.45, of which the basic and diluted losses per share attributable to owners of the Company from continuing operations were both RMB1.30 and the basic and diluted losses per share attributable to owners of the Company from discontinued operations were both RMB1.15 (for 2022: the basic and diluted losses per share attributable to owners of the Company were both RMB1.76, of which the basic and diluted losses per share attributable to owners of the Company from continuing operations were both RMB1.36 and the basic and diluted losses per share attributable to owners of the Company from discontinued operations were both RMB0.40).

#### **FINAL DIVIDEND**

The Board has resolved not to recommend for the declaration and payment of a final dividend for the year ended 31 December 2023.

The board (the “**Board**”) of directors (the “**Directors**”) of Besunyen Holdings Company Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022 as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2023	2022
	Note	RMB'000	RMB'000
<b>Continuing operations</b>			
Revenue	3	542,876	801,342
Cost of sales		<u>(196,656)</u>	<u>(308,751)</u>
<b>Gross profit</b>		<u>346,220</u>	<u>492,591</u>
Selling and marketing expenses		(320,704)	(378,850)
Administrative expenses		(153,050)	(115,749)
Research and development costs		(34,922)	(33,873)
Credit impairment losses		20	66
Fair value changes on financial assets measured at fair value through profit or loss		501	627
Other income		11,035	6,307
Other expenses		(62)	(299)
Other gains/(losses), net	4	<u>675</u>	<u>(2,197)</u>
<b>Operating loss</b>		<u>(150,287)</u>	<u>(31,377)</u>
Finance income		1,634	1,760
Finance costs		<u>(1,998)</u>	<u>(7,493)</u>
Finance costs, net		<u>(364)</u>	<u>(5,733)</u>
Share of profit/(loss) of investments accounted for using the equity method		<u>970</u>	<u>(10,450)</u>
<b>Loss before income tax</b>		<u>(149,681)</u>	<u>(47,560)</u>
Income tax expense	5	<u>(9,424)</u>	<u>(29,009)</u>
<b>Loss for the year from continuing operations</b>		<u>(159,105)</u>	<u>(76,569)</u>

		<b>Year ended 31 December</b>	
		<b>2023</b>	<b>2022</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Discontinued operations</b>			
Loss for the year from discontinued operations, net of tax	9	<u>(198,409)</u>	<u>(27,820)</u>
<b>Loss for the year</b>		<u><b>(357,514)</b></u>	<u><b>(104,389)</b></u>
<b>Loss attributable to:</b>			
<b>Owners of the Company</b>			
— Continuing operations		(159,105)	(76,569)
— Discontinued operations		<u>(140,138)</u>	<u>(22,520)</u>
		<u><b>(299,243)</b></u>	<u><b>(99,089)</b></u>
<b>Non-controlling interests</b>			
— Continuing operations		—	—
— Discontinued operations		<u>(58,271)</u>	<u>(5,300)</u>
		<u><b>(58,271)</b></u>	<u><b>(5,300)</b></u>
<b>Losses per share attributable to owners of the Company for the year (RMB):</b>			
<b>Basic losses per share</b>			
— Continuing operations	6	(1.30)	(1.36)
— Discontinued operations	6	<u>(1.15)</u>	<u>(0.40)</u>
		<u><b>(2.45)</b></u>	<u><b>(1.76)</b></u>
<b>Diluted losses per share</b>			
— Continuing operations	6	(1.30)	(1.36)
— Discontinued operations	6	<u>(1.15)</u>	<u>(0.40)</u>
		<u><b>(2.45)</b></u>	<u><b>(1.76)</b></u>

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
<i>Note</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Loss for the year</b>	<b>(357,514)</b>	<b>(104,389)</b>
<b>Other comprehensive loss</b>		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	<u>(1,124)</u>	<u>—</u>
<b>Total comprehensive loss for the year</b>	<b><u>(358,638)</u></b>	<b><u>(104,389)</u></b>
<b>Total comprehensive loss attributable to:</b>		
Owners of the Company	<u>(300,367)</u>	<u>(99,089)</u>
Non-controlling interests	<u>(58,271)</u>	<u>(5,300)</u>
	<b><u>(358,638)</u></b>	<b><u>(104,389)</u></b>
<b>Total comprehensive loss for the year attributable to owners of the Company:</b>		
— Continuing operations	<u>(160,229)</u>	<u>(76,569)</u>
— Discontinued operations	<u>(140,138)</u>	<u>(22,520)</u>
	<b><u>(300,367)</u></b>	<b><u>(99,089)</u></b>

## CONSOLIDATED BALANCE SHEET

	As at 31 December 2023	As at 31 December 2022
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	117,216	398,114
Right-of-use assets	22,128	78,219
Intangible assets	2,799	131,959
Investments accounted for using the equity method	14,788	29,196
Financial assets measured at fair value through profit or loss	68,947	47,283
Long-term bank deposits	—	40,000
Deferred income tax assets	41,927	55,509
Other non-current assets	9,268	14,086
<b>Total non-current assets</b>	<b>277,073</b>	<b>794,366</b>
<b>Current assets</b>		
Inventories	23,569	109,239
Trade receivables	48,195	104,163
Bills receivable	4,864	5,153
Deposits, prepayments and other receivables	41,577	80,426
Financial assets measured at fair value through profit or loss	21,130	—
Restricted bank deposits	56,877	5,801
Short-term bank deposits	62,576	207,670
Cash and cash equivalents	169,082	230,320
<b>Total current assets</b>	<b>427,870</b>	<b>742,772</b>
<b>Total assets</b>	<b>704,943</b>	<b>1,537,138</b>

		As at 31 December 2023	As at 31 December 2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>11</i>	288	288
Share premium		1,039,108	1,039,108
Other reserves		341,747	342,871
Accumulated losses		(827,173)	(527,930)
		<u>553,970</u>	<u>854,337</u>
Non-controlling interests		—	198,073
<b>Total equity</b>		<b><u>553,970</u></b>	<b><u>1,052,410</u></b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred government grants		2,187	41,679
Lease liabilities		1,875	8,289
Deferred income tax liabilities		1,250	32,070
Long-term borrowings		—	52,681
<b>Total non-current liabilities</b>		<b><u>5,312</u></b>	<b><u>134,719</u></b>
<b>Current liabilities</b>			
Trade and bills payables	<i>10</i>	16,547	20,559
Other payables and accrued expenses		120,004	169,863
Contract liabilities		5,052	24,945
Borrowings		—	124,890
Lease liabilities		3,239	9,027
Current income tax liabilities		819	725
<b>Total current liabilities</b>		<b><u>145,661</u></b>	<b><u>350,009</u></b>
<b>Total liabilities</b>		<b><u>150,973</u></b>	<b><u>484,728</u></b>
<b>Total equity and liabilities</b>		<b><u>704,943</u></b>	<b><u>1,537,138</u></b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

## 1. GENERAL INFORMATION

Besunyen Holdings Company Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company’s registered office is The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands.

The ultimate parent undertaking of the Company is Moonlight Family Trust which incorporated in the British Virgin Islands. The address of the Moonlight Family Trust’s principal place of business is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) are manufacturing and sales of therapeutic tea products, including Detox tea, Slimming tea, Fit tea, Relief tea and other tea products, and sales of weight-loss and other medicines.

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

The financial position and performance of the Group was particularly affected by the following events and transactions during the period.

### **Significant events**

#### *Strategic Adjustments*

In order to realise the co-creation and co-sharing incentive model, the Group has made strategic adjustments to the business operation model and staff structure (the “**Strategic Adjustments**”) by inviting the Group’s core personnels to jointly establish certain joint venture entities (the “**New Companies**”). Meanwhile, the Group has entered into series services/distribution agreements with the New Companies became customers/vendors of the Group to distribute the Group’s product offline or provide operational services related to OTC, e-commerce as well as marketing.

#### *Disposals of Subsidiaries*

On 5 May 2023, Tibet Qianruiwanfu Venture Investment Co., Ltd. (“**Qianruiwanfu**”) entered into an equity transfer agreement with Zhuhai Jiatai Chengzhang Investment Co., Ltd. (the “**Jiatai Chengzhang**”), which is controlled by Ms. Peng Wei (a substantial shareholder and/or a director of the subsidiaries of the Company), and three subsidiaries of the Group, Zhongshan Wanhan Pharmacy Co., Ltd. (“**Zhongshan Wanhan**”), Zhongshan Wanyuan New Medicine Research and Development Co., Ltd. (“**Zhongshan Wanyuan**”) and Zhongshan Wanhan Pharmaceutical Co., Ltd. (collectively the “**Target Companies**”), pursuant to which Qianruiwanfu has conditionally agreed to sell and Jiatai Chengzhang has conditionally agreed to acquire 51% equity interest in each of Target Companies at the total cash consideration of RMB137.7 million. On 30 June 2023, the disposals of Target Companies (the “**Major Transaction**”) was completed and resulted in a net loss of approximately RMB8.55 million.

Pursuant to an equity transfer agreement entered into by Qianruiwanfu and a third party, Tibet Jing Zhiyuan Trading Co., Ltd. (the “**Jing Zhiyuan**”) dated on 8 September 2023, Qianruiwanfu has agreed to dispose 100% equity interests in Henan Xueyinghua Pharmaceutical Co., Ltd. (“**Henan Xueyinghua**”), which is a wholly-owned subsidiary of Qianruiwanfu to Jing Zhiyuan, at a cash consideration of RMB14.8 million. On 19 September 2023, the disposal of Henan Xueyinghua was completed and resulted in a net loss of approximately RMB16.74 million.

Further details are described in Note 9.

### ***Subscription of Central China Dragon Global Opportunity Fund SP6 (“GOSP6”)***

On 5 October 2023, the Group subscribed the 100% participating shares of GOSP6 at HK\$100 million (equivalent to approximately RMB91,747,000) according with the subscription application form signed with Central China Dragon Global Opportunity Fund SPC (the “**Administrator**”) for the purpose of wealth management. As the Group is the only holder of participating shares of GOSP6, and the fee paid to Administrator is comparable to its service provided as an agent, the Group controls GOSP6. As a result, the directors of the Company consider that it is appropriate to consolidate the GOSP6.

## **2. BASIS OF PREPARATION**

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRS Accounting Standards**”) and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets which were measured at fair value either through other comprehensive income (“**FVOCI**”) or through profit or loss (“**FVPL**”).

### **(a) New and amended standards adopted by the Group**

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

- IFRS 17 Insurance Contracts 14
- Definition of Accounting Estimates — amendments to IAS 8
- International Tax Reform — Pillar Two Model Rules — amendments to IAS 12
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — amendments to IAS 12
- Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2

The new and amended standards listed above did not have any impact on the amounts recognised in prior periods and the current period, and are not expected to significantly affect future periods.

**(b) Amended standards not yet adopted**

Certain amended standards have been published that are not mandatory for 31 December 2023 reporting period and have not been early adopted by the Group.

		<b>Effective for annual periods beginning on or after</b>
Amendments to IAS 1	Classification of Liabilities as current or non-current	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
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 amendments are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

**3. REVENUE AND SEGMENT INFORMATION**

The executive director of the Company, identified as the chief decision maker (“CODM”), review the Group’s internal reporting in order to assess performance and allocate resources.

The CODM had identified the manufacturing and sales of tea products (including Detox tea, Slimming tea, Fit tea, Relief tea and others) and sales of 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 to allocate resources.

(a) Revenue

The revenue segment information from continuing operations reported to CODM for the years ended 31 December 2023 and 2022 is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Continuing operations</b>		
Tea products segment		
— Detox tea	103,034	137,512
— Slimming tea	109,072	135,783
— Fit tea	64,138	66,691
— Relief tea	13,162	18,435
— Others	81,713	165,354
	<u>371,119</u>	<u>523,775</u>
Weight-loss and other medicines segment		
— Weight-loss medicines	161,822	226,233
— Other medicines	9,935	51,334
	<u>171,757</u>	<u>277,567</u>
	<u><u>542,876</u></u>	<u><u>801,342</u></u>

For the year ended 31 December 2023, revenue of approximately RMB56,724,000 (2022: RMB87,598,000) was derived from a single external on-line sales platform, which accounted for 10.4% (2022: 10.9%) of the Group's total revenue and was primarily attributable to the weight-loss and other medicines segment. Other than the aforementioned customer, the revenue derived from any of the remaining external customers was less than 10% of the Group's total revenue.

(b) Segment information

The segment results from continuing operations for the year ended 31 December 2023 are as follows:

	Tea products segment RMB'000	Weight-loss and other medicines segment RMB'000	Total RMB'000
<b>Total revenue</b>	<u>371,119</u>	<u>171,757</u>	<u>542,876</u>
Revenue from external customers	371,119	171,757	542,876
Timing of revenue recognition			
At a point in time	371,119	171,757	542,876
Cost of sales	<u>(97,089)</u>	<u>(99,567)</u>	<u>(196,656)</u>
Gross profit	274,030	72,190	346,220
Selling and marketing expenses	(197,562)	(123,142)	(320,704)
Research and development costs	<u>(13,898)</u>	<u>(21,024)</u>	<u>(34,922)</u>
<b>Segment results</b>	<u>62,570</u>	<u>(71,976)</u>	<u>(9,406)</u>
Administrative expenses			(153,050)
Credit impairment losses			20
Fair value changes on financial assets measured at FVPL			501
Other income			11,035
Other expenses			(62)
Other gains, net			<u>675</u>
Operating loss			<u>(150,287)</u>
Finance income			1,634
Finance costs			<u>(1,998)</u>
Finance costs, net			<u>(364)</u>
Share of profit of investments accounted for using the equity method			<u>970</u>
Loss before income tax			(149,681)
Income tax expense			<u>(9,424)</u>
Loss for the year from continuing operations			<u><u>(159,105)</u></u>
Other segment information:			
Impairment loss on non-current assets	(3,000)	—	(3,000)
Depreciation	(20,501)	(2,405)	(22,906)
Amortisation	<u>(464)</u>	<u>(241)</u>	<u>(705)</u>

The segment results from continuing operations for the year ended 31 December 2022 are as follows:

	Tea products segment <i>RMB'000</i>	Weight-loss and other medicines segment <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Total revenue</b>	<u>523,775</u>	<u>277,567</u>	<u>801,342</u>
Revenue from external customers	523,775	277,567	801,342
Timing of revenue recognition			
At a point in time	523,775	277,567	801,342
Cost of sales	<u>(146,283)</u>	<u>(162,468)</u>	<u>(308,751)</u>
Gross profit	377,492	115,099	492,591
Selling and marketing expenses	(218,031)	(160,819)	(378,850)
Research and development costs	<u>(20,117)</u>	<u>(13,756)</u>	<u>(33,873)</u>
<b>Segment results</b>	<u>139,344</u>	<u>(59,476)</u>	<u>79,868</u>
Administrative expenses			(115,749)
Credit impairment losses			66
Fair value changes on financial assets measured at FVPL			627
Other income			6,307
Other expenses			(299)
Other losses, net			<u>(2,197)</u>
Operating loss			<u>(31,377)</u>
Finance income			1,760
Finance costs			<u>(7,493)</u>
Finance costs, net			<u>(5,733)</u>
Share of loss of investments accounted for using the equity method			<u>(10,450)</u>
Loss before income tax			(47,560)
Income tax expense			<u>(29,009)</u>
Loss for the year from continuing operations			<u><u>(76,569)</u></u>
Other segment information:			
Impairment loss on non-current assets	—	(5,144)	(5,144)
Depreciation	(28,547)	(2,143)	(30,690)
Amortisation	<u>(1,094)</u>	<u>(719)</u>	<u>(1,813)</u>

As at 31 December 2023, non-current assets of the Group except for financial assets measured at FVPL amounting to RMB46,967,000 (31 December 2022: RMB34,656,000) are all located in the PRC.

#### 4. OTHER GAINS/(LOSSES), NET

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Continuing operations</b>		
Change in fair value of short-term investments measured at FVPL	2,864	3,477
Donation	(2,080)	(1,996)
Net losses on disposals of property, plant and equipment	(59)	(289)
Net foreign exchange gains/(losses)	1,026	(851)
Others	(1,076)	(2,538)
	<u>675</u>	<u>(2,197)</u>

#### 5. INCOME TAX EXPENSE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Continuing operations</b>		
<b>Current income tax:</b>		
Corporate income tax	119	725
Prior year's tax adjustment	—	3
<b>Deferred income tax:</b>	<u>9,305</u>	<u>28,281</u>
<b>Income tax expense</b>	<u>9,424</u>	<u>29,009</u>

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

The Company is a Hong Kong tax resident and subject to Hong Kong profit tax.

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

Tibet Besunyen Trading Co., Ltd. and Qianruiwanfu established by the Group in February 2017, are entitled to the preferential policy of Encouraged Industries in the West Regions in Tibet from the established date to 31 December 2030, for which the applicable income tax rate is 15%.

In October 2023, Beijing Outsell Health Product Development Co., Ltd. obtained the High and New Technology Enterprise qualification for three years from 2023 to 2025, for which the applicable income tax rate is 15% (2022: 15%).

Jiangsu Besunyen Ecommerce Co., Ltd. which was established by the Group in May 2023, is entitled to the preferential policy of Small and Micro-sized enterprises from establish date to 31 December 2023, for which the applicable income tax rate is 5%.

All other PRC subsidiaries of the Group are subject to the statutory corporate income tax rate of 25% (2022: 25%).

## 6. LOSSES PER SHARE

### (a) Basic

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted-average number of ordinary shares in issue during the year.

	2023	2022
Loss attributable to owners of the Company ( <i>RMB'000</i> )		
— Continuing operations	(159,105)	(76,569)
— Discontinued operations	(140,138)	(22,520)
	<u>(299,243)</u>	<u>(99,089)</u>
Weighted-average number of ordinary shares in issue ( <i>thousands</i> )	<u>122,266</u>	<u>56,164</u>
Basic losses per share ( <i>RMB per share</i> )		
— Continuing operations	(1.30)	(1.36)
— Discontinued operations	(1.15)	(0.40)
	<u>(2.45)</u>	<u>(1.76)</u>

### (b) Diluted

There were no unvested restricted shares which would result in dilutive effect to the Group as at 31 December 2023 and 2022. Accordingly, the diluted losses per share is same as the basic losses per share for the years ended 31 December 2023 and 2022.

## 7. TRADE RECEIVABLES

	As at 31 December 2023 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>
Trade receivables	48,286	104,290
Less: Loss allowance	<u>(91)</u>	<u>(127)</u>
	<u>48,195</u>	<u>104,163</u>

The Group allows a credit period of 30–90 days to its customers. The following is an aging analysis of trade receivable (net of loss allowance) based on the dates of deliveries of the related goods to the customers, which are approximate to their invoice date:

	<b>As at 31 December 2023 RMB'000</b>	As at 31 December 2022 RMB'000
0–90 days	47,740	103,125
91–180 days	316	551
181–365 days	55	473
Over 365 days	84	14
	<u>48,195</u>	<u>104,163</u>

## 8. **BILLS RECEIVABLE**

As at 31 December 2023 and 2022, bills receivable amounted to RMB4,864,000 and RMB5,153,000 were all bank acceptance notes with maturity date within 6 months and are classified as financial assets measured at FVOCI.

## 9. **DISPOSALS OF SUBSIDIARIES**

### (a) **Disposals of Target Companies**

As mentioned in Note 1, the financial impact of Disposals of Target Companies was as below:

The associated assets and liabilities were 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 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 years then ended were presented as “discontinued operations” in the consolidated statement of comprehensive income.

(i) Loss for the year from discontinued operations of Target Companies was as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue	289,430	200,509
Cost of sales and expenses	(238,546)	(239,744)
Impairment loss ( <i>note (1)</i> )	(215,645)	—
Other income	3,155	14,979
Other expenses	(1,213)	(1,191)
Other gains, net	1,528	709
Finance costs, net	(986)	(389)
	<hr/>	<hr/>
Loss before income tax	(162,277)	(25,127)
Income tax (expense)/credit	(4,948)	14,310
	<hr/>	<hr/>
Loss for the year	(167,225)	(10,817)
Net loss on the disposals ( <i>note (2)</i> )	(8,547)	—
	<hr/>	<hr/>
	<b>(175,772)</b>	<b>(10,817)</b>
	<hr/>	<hr/>
Loss for the year from discontinued operations of Target Companies attributable to:		
— Owner of the Company	(117,501)	(5,517)
— Non-controlling interests	(58,271)	(5,300)
	<hr/>	<hr/>

*Notes:*

- (1) 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 costs 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 RMB52,337,000, RMB32,385,000, RMB114,232,000 and RMB16,691,000 respectively.
- (2) Details of net loss on the disposals were as follows:

	2023 <i>RMB'000</i>
Total consideration	137,700
Transaction costs	(741)
Carrying amount of the 51% of equity interests of Target Companies held by the Group at the date of disposals	<hr/> <b>(145,506)</b>
<b>Net loss on the disposals of Target Companies</b>	<hr/> <b>(8,547)</b> <hr/>

- (ii) The carrying amount of net assets of the Target Companies at the date of disposals was as follows:

	As at 30 June 2023 <i>RMB'000</i>
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 and bills receivables	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	<u>50,896</u>
<b>Total assets</b>	<u><b>567,552</b></u>
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	<u>(55,500)</u>
<b>Total liabilities</b>	<u><b>(282,244)</b></u>
<b>Net assets</b>	<u><b>285,308</b></u>
Carrying amount of the 51% of equity interests of Target Companies held by the Group at the date of disposals	<u><b>145,506</b></u>

- (iii) The cash flows from the disposals of Target Companies are as below:

	2023 <i>RMB'000</i>
Cash consideration received	137,700
Transaction costs paid	(431)
Cash and cash equivalents disposed	<u>(50,896)</u>
<b>Proceeds from disposals of Target Companies, net</b>	<u><b>86,373</b></u>

**(b) Disposal of Henan Xueyinghua**

As mentioned in Note 1, the financial impact of Disposals of Henan Xueyinghua was as below:

As Henan Xueyinghua is a single CGU of the Group, and is a separate line of the weight-loss and other medicines segment, the profit or loss of Henan Xueyinghua for years then ended were presented as “discontinued operations” in the consolidated statement of comprehensive income.

(i) Loss for the year from discontinued operations of Henan Xueyinghua was as follows:

	<b>2023</b> <b>RMB'000</b>	2022 <b>RMB'000</b>
Revenue	—	1,406
Cost of sales and expenses	<b>(6,675)</b>	(20,166)
Other income	<b>15</b>	—
Other gains, net	<b>324</b>	105
	<hr/>	<hr/>
Loss before income tax	<b>(6,336)</b>	(18,655)
Income tax credit	<b>442</b>	1,652
	<hr/>	<hr/>
Loss for the year	<b>(5,894)</b>	(17,003)
Net loss on the disposals ( <i>note (1)</i> )	<b>(16,743)</b>	—
	<hr/>	<hr/>
	<b>(22,637)</b>	(17,003)
	<hr/> <hr/>	<hr/> <hr/>

(1) Details of net loss on the disposal were as follows:

	<b>2023</b> <b>RMB'000</b>
Total cash consideration	<b>14,800</b>
Carrying amount of net assets of Henan Xueyinghua at the date of disposal	<b>(31,543)</b>
	<hr/>
<b>Net loss on the disposal of Henan Xueyinghua</b>	<b>(16,743)</b>
	<hr/> <hr/>

- (ii) The carrying amount of net assets of Henan Xueyinghua as at the date of disposal was as below:

	19 September 2023 <i>RMB'000</i>
Property, plant and equipment	20,095
Intangible assets	6,342
Right-of-use assets	8,299
Inventories	1,456
Deposits, prepayment and other receivables	579
Cash and cash equivalents	<u>2</u>
<b>Total assets</b>	<u>36,773</u>
Deferred income tax liabilities	(4,925)
Trade and bills payables	(33)
Contract liabilities	<u>(272)</u>
<b>Total liabilities</b>	<u>(5,230)</u>
<b>Carrying amount of net assets of Henan Xueyinghua at the date of disposal</b>	<u><u>31,543</u></u>

- (iii) The cash flows from the disposal of Henan Xueyinghua were as below:

	<b>2023</b> <b><i>RMB'000</i></b>
Cash received	<b>14,800</b>
Cash and cash equivalents disposed	<u><b>(2)</b></u>
<b>Proceeds from disposal of Henan Xueyinghua, net</b>	<u><u><b>14,798</b></u></u>

(c) **Re-presentation of comparative figures**

The comparative figures of this consolidated financial information have been re-presented in relation to abovementioned discontinued operations.

## 10. TRADE AND BILLS PAYABLES

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

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
0–90 days	15,925	19,175
91–180 days	12	998
Over 180 days	610	386
	<u>16,547</u>	<u>20,559</u>

## 11. SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of ordinary shares (thousands)	Nominal value of ordinary shares US\$	Equivalent nominal value of ordinary share RMB'000
<i>Authorised:</i>			
Ordinary shares of US\$0.0003333332 each (Note)			
<b>At 1 January 2022, 31 December 2022 and 2023</b> (Note)	<u>150,000,000</u>	<u>50,000</u>	<u>341</u>
<i>Issued and fully paid:</i>			
<b>At 1 January 2022</b>	<u>40,755,195</u>	<u>13,585</u>	<u>94</u>
Issuance of ordinary shares upon Rights Issue (Note)	<u>81,510,390</u>	<u>27,170</u>	<u>194</u>
<b>At 31 December 2022, 1 January 2023 and 31 December 2023</b>	<u>122,265,585</u>	<u>40,755</u>	<u>288</u>

*Note:*

On 18 March 2022, the Board proposed a share consolidation on the basis that every 40 ordinary shares of US\$0.00000833333 each in the issued and unissued share capital of the Company be consolidated into 1 ordinary share of US\$0.0003333332 each (the “Share Consolidation”). The Share Consolidation was subsequently approved by the shareholders of the Company on 13 April 2022, and was completed on 19 April 2022.

On 24 October 2022, the Company issued 81,510,390 shares based on the subscription price of HK\$1.75 per share to the qualifying shareholders (“**Rights Issue**”). The net proceeds from the Rights Issue after expenses are approximately HK\$138.8 million (equivalent to RMB125,909,000). Share issuance costs related to the Rights Issue mainly include share underwriting commissions, lawyers’ fees, reporting accountant’s fee and other costs. Incremental costs that are directly attributable to the issue of the new shares amounting to approximately RMB3,248,000 were treated as a deduction against the share premium arising from the issuance.

## **12. DIVIDENDS**

The Board has proposed not to declare and pay any dividend for the year ended 31 December 2023 (2022: Nil).

## **13. EVENT OCCURRING AFTER THE BALANCE SHEET DATE**

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

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2023 in this annual results announcement as set out above have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the annual results announcement.

## **BUSINESS REVIEW AND PROSPECTS**

### **OVERVIEW**

The revenue of the Group for the Reporting Period was RMB542.9 million, representing a decrease of 32.2% from RMB801.3 million for the same period of last year. The Group recorded a total comprehensive loss of RMB358.6 million, representing a decrease of 243.5% from a total comprehensive loss of RMB104.4 million for the same period of last year. Total comprehensive loss attributable to owners of the Company amounted to RMB300.4 million, representing a decrease of 203.1% from a total comprehensive loss of RMB99.1 million for the same period of last year.

In 2023, under the complex and severe international environment and the arduous task of domestic reform, development and stability, the State adhered to the keynote of seeking progress while maintaining stability, and the economic development rebounded and demonstrated an upward trend, with the GDP of 2023 exceeding RMB126 trillion, representing a year-on-year increase of 5.2%. Meanwhile, as the external environment was becoming more complex, severe and uncertain, and the economic development was still faced with difficulties and challenges, the triple pressure of shrinking demand, supply shocks and weakening expectations remained relatively high. In the face of many economic development and market uncertainties, the Group made significant adjustments to its operation and management strategies.

At the beginning of 2023, on the basis of proactively sorting out and summarizing its operating conditions, the Group conducted in-depth analysis of the internal and external environment, proactively responded to new situations, seized new opportunities, and put forward its operating principles of “stabilizing operation, adjusting structure, reducing costs, and improving quality and efficiency”. By strengthening the management foundation, improving and optimizing the marketing strategy, innovating the marketing means, adjusting the product structure, establishing a flexible supply chain to reduce costs and increase efficiency, and streamlining and integrating departments to enhance efficiency, we made every effort to optimize the Group’s operation quality and asset quality.

Since September 2023, the Group has conducted in-depth research and analysis of the economic environment and business status of the enterprise and implemented reforms of the Group's business system, operation model and organizational management system. Many employees went out of the Group and they invested in and established various new marketing and management service companies (the “**New Companies**”) in another capacity. As the owners and managers of the New Companies, the employees who went out greatly stimulated their own autonomy, innovative senses and rapid response ability. Meanwhile, the New Companies have become the business partners (the “**New Business Partners**”) of the Group that provide the Group with business operating services related to OTC, e-commerce and marketing as well as service guarantee. The New Business Partners continue to sell, distribute and serve Besunyen products. The personnel of the New Business Partners are familiar with the Group's products and business, as well as the market and consumer demand for the relevant products, and they can directly access the customer resources of distributors and sub-distributors, which serve as the basis for the continuous development of the Group's business and lay a solid foundation for the better expansion of the Group's business and enhancement of the operation quality. During the year, the Group furthered its business focus by reorganizing its operations and divesting business segments such as 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**”), Zhongshan Wanhan Pharmaceutical Co., Ltd. (中山萬漢醫藥有限公司) (“**Wanhan Pharmaceutical**”) and Henan Xueyinghua Pharmaceutical Co., Ltd. (河南雪櫻花製藥有限公司) (“**Henan Xueyinghua**”). The above changes and business reorganization have allowed the Group to focus on its core business and stimulated the vitality of the organization and its individuals, thereby providing assurance for the sustainable development of the Group.

In 2024, the Group will actively embrace market changes and continue to promote the brand building and rejuvenation of Besunyen. It will utilize multi-channel marketing strategies to increase brand awareness and influence, including social media marketing, content marketing, etc., with a focus on enhancing the visibility and appeal of the brand through communication channels such as elevator media. The Group will continue to promote product innovation and enhance consumer experience, increase its investment in research and development to develop new products or improve existing products based on market demand and consumer feedback. The Group will optimize the online shopping experience, customer service, after-sales support and others. The Group will leverage the flexibility and advantages of the New Business Partners to consolidate the foundation of its offline business, strengthen its deep strategic cooperation and services with commercial companies, NKA and LKA, focus on developing partnerships with the top 100 national chain stores and conducting various forms of marketing activities and shop assistant training in order to continuously improve terminal distribution rate and turnover rate. The e-commerce business aims to improve quality and efficiency, reduce operating costs and logistics expenses, and continuously enhance the business model with profitability as the core objective. The Group will continue to explore and develop new e-commerce models such as O2O business, B2C business, live streaming, short videos, and interest-based e-commerce to adapt to the changing consumer purchasing scenarios.

In 2024, the Group will enhance the efficiency of its operation and management and carry out the works of functional transformation and service guarantee. It will improve its data processing capabilities, strengthen staff training and quality improvement, and improve the performance management system of management department. It will also continue to make good use of its internal newsletter for better teamwork and establishing a good communication and feedback mechanism.

In 2024, on a new journey with the same original intention, Besunyen will continue to contribute more high-quality products to the development of the big health market and the well-being of Chinese people, and be a part to make China's health dream come true.

## **OVERVIEW OF THE INDUSTRY WHERE THE GROUP OPERATED DURING THE REPORTING PERIOD — INDUSTRY POLICIES AND DEVELOPMENT**

### **1. Overview of the industry where the Group operated**

The Group was principally engaged in the production of health food and sales of food products and medicines.

In broad terms, health food refers to the food, drugs and other devices and supplies that people need in their daily life and have the protection and health benefits for human body. Health product is a colloquial term in China for health food. According to China Healthcare Association and the Interpretations of the Food Safety Law of the People's Republic of China, health food is defined as food that have specific health functions or supplement vitamins and minerals intake, which is suitable for consumption by specific groups of people and regulates human body functions, but is not used for the purpose of treating diseases, and should not pose any acute, sub-acute or chronic hazard to the human body.

### **2. Policies of the health food industry**

During the "12th Five-Year" period (2011–2015), the "nutrition and health food manufacturing industry" was included in the national development plan for the first time. In June 2017, the State Council issued the National Nutrition Plan (2017–2030), which proposed to focus on the development of new nutrition and health food such as health food, nutrient-fortified food and double protein food. The "14th Five-Year" Plan for the Development of Traditional Chinese Medicine was issued in 2022, which proposed to vigorously develop the Chinese medicine health products, and advocated to vigorously develop the Chinese medicine health products at the national level.

In April 2020, seven ministries and commissions including the State Administration for Market Regulation jointly issued the Special Action Plan for Clean-up and Rectification of Health Food Industry (2020–2021).

On 17 January 2022, the State Administration for Market Regulation issued public solicitation documents such as the Announcement on the Publication of Non-nutrient Supplements in the Catalog of Healthcare Functions that Health Foods Are Permitted to Claim to Possess (2022 Edition) and Supporting Documents (Draft for Comments), and the Interpretations of Function Claims for Health Foods (2022 Edition) (Draft for Comments).

On 28 August 2023, the State Administration for Market Regulation issued the Implementation Rules for Technical Evaluation of New Functions and Products of Health Foods (Trial), and on 31 August 2023, three ministries and commissions, namely the State Administration for Market Regulation, the National Health Commission and the National Administration of Traditional Chinese Medicine, issued the Non-nutrient Supplements in the Catalog of Healthcare Functions that Health Foods Are Permitted to Claim to Possess (2023 Edition) and the supporting documents. Seeing that the market supervision becomes more stringent in the context of stricter regulation, the brand reputation and product quality of enterprises will become the key to competition. Enterprises need to win the trust of consumers by improving product quality, strengthening brand building and improving marketing strategies, and the development of the entire industry will be more standardized and orderly.

### **3. Development of the health product industry**

China's big health industry has an important position and potential globally, especially in the consumer health product industry. In October 2022, the 20th National Congress Report clearly stated that it is necessary to advance the Healthy China initiative, give strategic priority to ensuring the people's health and improve policies on promoting people's health. The big health industry was one of the important industries to advance the Healthy China initiative. China has attached great importance to people-oriented concept, and the government has proposed a feasible new medical reform proposal and the healthy development strategy of "Healthy China 2030". This policy has lifted the basic national policy of being a "healthy strong country" to a national strategic level, in which the government will further increase its investment in medical health industry. Favorable policies have also become an important driving force for the development of the big health industry. The COVID-19 pandemic has increased people's health awareness and accelerated the growth of consumer demand for health products. This trend is prevalent globally, creating new growth opportunities for the consumer health product industry. It is forecasted that, by 2025, the size of China's consumer health product industry will reach US\$62.401 billion and will maintain at a growth rate of over 6%. This indicates that the Chinese market has great potential and will be an important growth point for the global health product industry.

#### 4. Position of the Group’s principal activities in the industry

The Group has focused on the research and development, production, sale and promotion of therapeutic teas for more than 24 years. Long-term focus and experience accumulation give the Group significant advantages in product development and market insight. We always adhere to the product strategy of “One Focus and Two Dimensions”, focusing on core products including Besunyen Detox Tea, Besunyen Slimming Tea, Besunyen Fit Tea and Besunyen Relief Tea (the “**Four Health Teas of Besunyen**”), etc., and actively expanding the market of innovative products such as Orlistat capsules. Through continuous optimization of product structure, rapid upgrade of products and services, and continuous launch of products that meet diversified health needs, we have gained recognition and trust from consumers. According to the statistics of Tmall and JD.com platforms, the sales of Besunyen brand products ranked among the top of health food and weight-loss and slimming categories.

The Group currently owns 25 approvals for health food (13 for teas, 7 for granules and 5 for capsules) with therapeutic functions covering weight loss, laxative relief, physical fatigue relief, sleep improvement, reduction of skin age spots, immunity enhancement, assistance in lowering blood sugar level and so on. As one of the largest therapeutic tea enterprises in China, the Company has 18 health tea production lines equipped with the state-of-the-art IMA-C24 fully automatic tea bag machine from Italy, and it also has the strongest production capacity. All the products of the Company have passed the certifications of ISO9001, ISO22000 and HACCP.

#### **BUSINESS OPERATION AND MANAGEMENT REVIEW**

At the beginning of 2023, the Group put forward the operating strategy of “stabilizing operation, adjusting structure, reducing costs, and improving quality and efficiency” to achieve high-quality development, and consolidate the foundation and capability. In terms of business, it enhanced sales growth by consolidating the fundamentals of offline business and strengthening OTC business and chain cooperation. It optimized its e-commerce business, in which the business and product structure were optimized and the operation quality of e-commerce business was improved in a profit-driven manner. At the same time, it tried emerging platforms such as Douyin and Kuaishou to find new growth points. In the fourth quarter, on organization and management, the Group actively promoted the reform of operating system, merged departments to improve efficiency, and improved incentive system to enhance organizational vitality.

During the Reporting Period, the operation and management of the Group focused on the following aspects:

**1. Expanding terminal network coverage, strengthening commercial chain cooperation and improving channel efficiency for offline business**

As the pandemic comes to an end, in view of the impact on the OTC drug market as affected by the O2O market and the adjustment of the national medical insurance policy, the Company has taken a series of measures.

In the first three quarters, the offline business team carried out regional organization management and services for OTC business through four business groups, 16 business regions and 64 subordinate regional offices. In the fourth quarter, the Group reformed the business operation model of the OTC system, and the former core staff became the New Business Partners of the Group. Their enthusiasm and initiative were greatly stimulated, and the business management was more refined, with the service scope covering 218 distributors and sub-distributors across the country. In response to the different characteristics of NKA, LKA and the like, effective development and management were conducted, focusing on the development of partnerships with the top 100 national chain stores, covering 290,000 pharmacies and pharmaceutical third terminals in China. They supported each other in product training, business negotiation, terminal construction and marketing strategy formulation to ensure service quality and efficiency.

In terms of marketing model, the Company made attempts in various aspects, strengthened cooperation with terminal businesses, and enhanced in-depth interaction with chain stores and commercial companies. Utilising O2O, live streaming and other sales models, it conducted consumer education by utilising customers' own platforms and member resources, and increased offline consumer experience through online and offline interactive communication, so as to attract customers and increase the number of new market channels.

**2. Continuously optimizing product lines and promotion tools and strategies for e-commerce business**

In the first three quarters of 2023, various e-commerce platform businesses were vertically operated in the e-commerce sector. In the fourth quarter, strategic adjustments were made to the operation model of the e-commerce business, and some of the New Business Partners have provided the Group with business operation services related to the e-commerce business, and cooperated with Douyin and Kuaishou. The refined operations continuously optimized products, supply chains, channels and logistics, thereby reducing costs and optimizing efficiency.

In 2023, facing changes in the pharmaceutical e-commerce market of Orlistat, the Group quickly adjusted its marketing strategy. It stabilized the market price of products, optimized the layout of market investment, adjusted the promotion direction in a targeted manner, and paid close attention to the cost effectiveness, ensuring the stable market share and the input-output effect.

In terms of platform e-commerce, the Group continued to optimize the product lines of the Four Teas represented by Fit Tea. In order to enhance the market recognition of the brand and products, a comprehensive update on the packaging of the Four Tea products was made in early 2023, which has gained the favor of more young consumers. In terms of marketing strategy, the Group carried out in-depth cooperation with major e-commerce platforms, adjusted the specifications of the main promotion products, and optimized the promotion tools and strategies.

The online and offline teams worked closely to optimize the channel environment and jointly maintain market price stability and market order.

### **3. Continuously exploring the operation model of new retail businesses including Douyin and Kuaishou**

With the rapid development of short video platforms such as Douyin and Kuaishou, the Group continued to explore the operation cooperation model in the new business field on Douyin and Kuaishou platforms in 2023, which established a self-broadcast team, strengthened its own live-streaming capabilities, and developed proprietary live-streaming items. By exploring short-video operation model and learning from experience, a set of effective operation methods and marketing strategies were gradually formed. In the fourth quarter, the New Business Partners provided the Group with operation services in relation to new retail businesses, including Douyin, Kuaishou and data marketing.

### **4. Continuously enhancing brand image and facilitating in-depth cooperation and win-win cooperation with marketing channels and platforms**

In 2023, the Group expanded and upgraded its channels through close cooperation with the top 100 chain stores in China, and expanded the coverage of its products across the country with the extensive influence and popularity of the chain stores. At the same time, the Group launched large-scale annual activities such as “Detox and Control, Faster Weight Loss” (一排一控、減肥加速) which focused on the weight-loss market and attracted a large number of weight-watchers, thereby increasing the brand’s attention in the market.

**5. Adapting to the development and changes of the complex socio-economic environment, and quickly implementing the reforms of business system, operation model and organizational management system**

In response to changes in market environment, the Group made comprehensive adjustments and reforms from the business system, operation model to the organizational management system to stimulate the vitality of the organization and personnel.

1. Changing the business system: Since October 2023, many employees went out of the Group and they invested in and established the New Companies in another capacity, which have become the business partners of the Group that sell the Company's products and provide relevant operation services as distributors and agencies. They changed their identity from the Company's employees to shareholders of the New Companies and business partners of the Group. This change has not only stimulated the enthusiasm and creativity of the New Business Partners, but on this basis, we have further deepened this model and applied it to more business areas.
2. Reshaping the operation model: The Group's former offline sales personnel went out of the Company and they invested in and established the New Companies to become the agencies of the Group's products. The former online e-commerce team established companies to become the e-commerce business operation service provider of the Group. IT and other New Companies have become new service companies of the Group.
3. Optimizing the organizational management system: In order to improve efficiency and flexibility and better adapt to business development, we optimized the organizational structure. By streamlining staffing and merging departments, we optimized business processes to make work faster and more efficient. Through the optimization of the organizational structure, including the transformation of the IT department into a partnership and the outsourcing of non-core business departments (such as logistics, cleaning, security, canteen, etc.), the Group has achieved efficiency improvement in various aspects.

These reforms helped the Group maintain flexibility and efficiency in the fierce market competition while reducing operating pressure and maintaining a healthy financial position.

## **6. Establishing and improving the quality system to achieve quality objectives**

The CPC Central Committee attaches great importance to food safety, which adheres to the four strictest requirements in food safety, namely “the strictest standards, the strictest supervision, the strictest penalties and the strictest accountability”, to ensure the food safety of the general public. The Group has been adhering to the principle of quality first, and established a complete production quality management system in accordance with the laws and regulations including the Food Safety Law, the National Food Safety Standards — Good Manufacturing Practices for Health Food (GB17405), the Rules for the Examination of Production Permits for Health Food, the National Food Safety Standards — Health Food (GB16740), the Regulations on the Labeling of Health Food (Wei Jian Fa [1996] No. 38), and the Guidelines for Warning Words on the Labeling of Health Food. On this basis, the Group has passed the ISO9001 quality management system, ISO22000 food safety management system and HACCP key control point system certification, providing a strong guarantee for the Group’s high-quality products, and laying a solid foundation for products to gain full trust from consumers and enhance market competitiveness.

## **ANALYSIS OF COMPETITIVENESS DURING THE REPORTING PERIOD**

### **1. Focusing on precise communication, content marketing and scenario-based marketing to continuously enhance brand influence**

In 2023, the Company continued to enhance its brand influence by focusing on precise communication, content marketing and scenario-based marketing.

#### ***(1) Targeting the demand of business people precisely to achieve the precise communication***

By precisely targeting the business groups’ demand for weight-loss products and leveraging the power of Tikin Media (梯影傳媒), the full coverage of elevators in commercial office buildings in first-tier cities and the prime position advantage of large projection screens were achieved. This strategy is ingeniously integrated into the daily work and life of white-collar groups, ensuring efficient dissemination of advertisements and precise reach to target audience. The strong coverage of large projection screens perfectly matched the core audience of Besunyen, and through the key scenario of elevator in office buildings, the audience and products were deeply bound. This in-depth binding enabled the high-frequency dissemination of advertising information, ensured the effective reach of advertisements, and built a precise scenario-based marketing portal for the brand.

***(2) Accurately targeting family groups in the new retail era and seizing the second growth curve of the lower-tier markets***

The Company joined hands with Xiping elevator advertisement to deeply deploy the third- and fourth-tier markets in 209 cities across the country by virtue of the outstanding strength and accurate big data analysis of Xiping Media (喜屏傳媒), perfectly integrating the quality products and services of the Company into consumers' daily life. Through the big data analysis and life media value of Xiping Media, the Group was tightly bound up with the pharmacy channels near the community, so that the Company's quality products and services were accurately and effectively integrated into the daily life of consumers. Consumers' health needs were emphasized to accelerate consumption decision-making process, and a full range of online and offline marketing channels allowed more people to experience the excellent quality of Besunyen products. Relying on the unique media advantages of Xiping Media, we have successfully delivered the health concept of "Detox and Control" to thousands of households and realized zero-distance communication with consumers.

***(3) Applying product placement within films and TV dramas, using content marketing and scenario-based marketing to promote brand***

In 2023, the Group continued to make efforts in content marketing, product concepts were promoted and usage scenarios were strengthened through soft product placement. Life is a Long Quiet River (《心居》), a family emotion drama series starring Hai Qing, Tong Yao, Zhang Songwen and Feng Shaofeng, was broadcast on Dragon TV and Zhejiang Satellite TV in March; 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 in May; and 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.

***(4) Rejuvenating brand and laying out a young brand ecology with the power of the Gen-Z youth***

With the increase in the consumption power of young consumers and the increasingly popular youth marketing among brands, the influence and consumption potential of young people in the market are increasing. In order to tap into the consumption market of young people, it is fundamental to fully understand their consumption concepts and psychology, and is key to grasp the consumption preferences of young people. In 2023, keeping pace with the Academy Award for two seasons, 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 6,000+ offline fans. The cooperation with the Academy Award continued to empower brand rejuvenation, and the brand’s in-depth implantation in the university classrooms provided them with practical topics and enriched the practical teaching content. 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 joined hands with the Academy Award to create emotional resonance with university students through the publication of questions on the whole network, creative presentations, advertising festival summits, and multiple rounds of public relation and publicity events for national accreditation, further enhancing Besunyen’s awareness among young people. In two seasons’ time, the creative staff of the brand visited 21 well-known universities and held 20 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 200,000+ creative teachers and students across the country. It aimed at attracting young students and conveying the new national trendy culture of Besunyen brand with national trendy’s beauty of Hanfu. With the use of trendy language, the brand became widely known and entered a new stage of brand rejuvenation.

**(5) *Carrying out the annual theme activity of “Detox and Control, Faster Weight Loss”***

In 2023, the marketing department of Besunyen planned the annual theme activity of “Detox and Control, Faster Weight Loss”. In order to better promote Besunyen products in the national OTC market and convey the concept of keeping fit healthily, Besunyen has carried out extensive publicity on major media platforms. Through on-site training activities, shop assistants could better understand the advantages and the correct use of products. In a few months, nearly a thousand training sessions were conducted across the country. This theme activity not only enhanced the influence of Besunyen brand, but also established a healthy and professional image among shop assistants and consumers, laying a solid foundation for the long-term development of the brand.

**2. *Strengthening the internal driving force of innovation and research and development and accelerating the transformation of scientific and technological achievements***

**(1) *Deepening cooperation among the industry, universities and research institutes and successfully completing the special project under the key research and development plan of the Ministry of Science and Technology***

In 2023, the Group actively carried out cooperation among the industry, universities and research institutes. As the responsible unit of the “Modernization of Chinese Medicine Project”, a key research and development plan of the Ministry of Science and Technology, the Company cooperated with well-known universities and research institutes in China for conducting collaborative research, and completed the building of platforms for “Demonstration Research Office for Trial Production and Research of Traditional Chinese Medicine and Compound Health Products”, “Demonstration Research Office for Mass Production of Traditional Chinese Medicine and Compound Health Products”, and “Demonstration Research Office for Comprehensive Evaluation of the Efficacy of Large Samples of Traditional Chinese Medicine and Compound Health Products”. Focusing on “Besunyen Detox Tea”, a demonstration research product with good modern research foundation and application prospect, the Company 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 the 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.

***(2) Accelerating the cultivation of new products and stimulating the endogenous power of innovation and research and development***

In 2023, a series of new regulations for the health food industry were implemented to encourage enterprises to innovate and develop and stimulate the endogenous power of the industry. Focusing on the “One Focus and Two Dimensions” product development strategy, the research and development department accelerated the process of development of new health products, promoted the establishment of new product development projects, and completed a number of safety evaluation studies and registration inspections of new health products.

***(3) Strengthening the secondary development of products to open up a new path for innovation and development of enterprise***

The Group deepened the collation of health food approvals and secondary development of health food, completed quality research and production review, and facilitated the successful completion of technical upgrade and conversion of the new health products, namely Besunyen Lingzhi Ginseng Granules (碧生源牌靈芝人參顆粒) and Besunyen Lingzhi Goji Berry Poria Tea (碧生源牌靈芝枸杞茯苓茶), effectively expanding the market of healthcare functions such as liver protection, sleeping aid and immunity enhancement, so as to better meet the diversified health needs of consumers.

**3. Continuously facilitating modern production management and creating high-quality products from the source**

The Group always adheres to the concept of innovation and excellence, and is committed to providing consumers with high-quality products and actively promoting modern production management. By continuously learning and introducing international advanced production management concepts and tools, the Company controlled the whole process of production, and continuously optimized the production and quality management process. It applied international advanced production processes and procedures according to product conditions, combined with self-developed technologies to ensure product uniqueness and superiority.

***(1) Implementing full life cycle management of products***

Before the product is launched, strict control is carried out in terms of process route design, supplier selection, acceptance of raw materials, production process control, product inspection, packaging label compliance, product storage and transportation, recycling and disposal, etc., to ensure that the production and quality management system can safeguard the safety and quality of the products produced.

***(2) Improving the intelligent technology route continuously***

The automated intelligent production workshop adopts advanced digital technology and industrial Internet technology to monitor the whole process of production in real time, and production data is collected and analyzed in real time to ensure that high-quality products are provided to consumers.

***(3) Controlling and improving product quality parameters***

The Group strictly controlled various quality parameters of products and adopted a combination of manual and equipment monitoring to control quality parameters. The product packing data can be collected and monitored in real time, and unqualified products will be automatically removed and alarmed. It established product quality files, controlled and analyzed various product quality data to ensure and continuously improve product quality.

**4. Continuously upgrading data analysis capabilities and further optimizing the BI system**

Following the rapid growth of business data, the management department of the Group has carried out comprehensive function optimization and performance upgrade of the BI (business intelligence) system to further strengthen data security and ensure that data analysis tools can better cope with the increasing volume of data and provide more accurate real-time analysis results. At the same time, in order to better support business decisions, the Group continued to update and iterate various business analysis reports to provide comprehensive and in-depth data insights for business decisions and facilitate the efficient development of the Group's various businesses.

**FULFILMENT OF SOCIAL RESPONSIBILITIES DURING THE REPORTING PERIOD**

Since its establishment, the Group has been firmly fulfilling its social responsibilities and focusing on the win-win situation between economic benefits and social benefits while advancing production and operation. It carried out several special public welfare activities in environmental protection, poverty alleviation, education, youth entrepreneurship and other aspects.

## 1. Social welfare activities

In 2014, Besunyen partnered with Beijing Charity Association to establish the “Besunyen Special Charity Fund”. Such fund was connected to the platform of the Beijing Municipal Government and actively carried out social assistance activities to provide services to the underprivileged. In 2022, the “Besunyen Special Charity Fund” was applied in carrying out social assistance activities, providing various charity assistance to the underprivileged, and optimizing the path for the Group to participate in public welfare activities. It was an effective platform for Besunyen to participate in public welfare and charity undertakings in recent years.

Since 2015, Besunyen has cooperated with environmental protection and public welfare organizations such as China Green Carbon Foundation and Beijing Green Sunshine Environmental Protection Public Welfare Foundation, and has donated more than RMB3.5 million in total to initiate the establishment of the “Special Fund for Combating Illegal Trade in Endangered Wildlife”, which has raised public awareness of and participation in the protection of wildlife.

In 2022, Besunyen cooperated with China Foundation for Youth Entrepreneurship and Employment with a donation of RMB800,000, and carried out public welfare activities such as youth entrepreneurship and creativity competitions, skills trainings, social practices, exhibitions and forums to discover and cultivate professional talents and improve the entrepreneurial and employment ability of the youth, especially college students.

In 2023, Besunyen teamed up with Shanghai Charity Foundation to establish a special public welfare fund. With the objectives of “caring for the elderly and children and helping students and the needy”, it developed public welfare and charity undertakings and promoted social civilization and advancement. Since the establishment of the project fund, it has repeatedly contributed to charity activities such as target aids, caring for the elderly and children, and helping students and the needy. It has also participated in the “Zhengtong Xieli Love Special Fund” (政通協力愛心專項基金) set up by the Beijing Fangshan District Committee of the Chinese People’s Political Consultative Conference to solve the practical problems of people in need in the Beijing-Hebei region.

In addition, Besunyen also participated in public welfare activities such as environmental protection and health promotion to advocate a healthy lifestyle. Over the years, Besunyen was always dedicated to public welfare and charity undertakings, and pragmatically fulfilled its corporate social responsibilities.

## **2. Contributing to rural revitalization and participating in poverty alleviation and agricultural assistance**

In terms of rural revitalization, Besunyen has participated in the “Ten Thousand Enterprises Revitalize Ten Thousand Villages“, “Ten Thousand Enterprises Help Ten Thousand Villages” and other special poverty alleviation public welfare activities for consecutive years. It supported rural development with the public welfare model of project entry into villages, product sales assistance and targeted education assistance. It has successively supported the construction of farmers’ breeding bases in Budaxiaheleke Village (布達夏合勒克村) and Kule’airike Village (庫勒艾日克村) in Karakax County, Xinjiang; the assistance for low-income people in Yangchanggou Village, Ulanhayesumu Town, Chayouzhongqi County, Inner Mongolia; and actively participated in special actions such as paired assistance in Putaokou Village, Fanjiazhuang Town, Quyang County, Baoding City, Hebei Province. It expanded the sales channels of agricultural sideline products and local specialties, solved urgent problems and worries, and encouraged and drove the enthusiasm and initiative of local farmers to carry out agricultural production.

## **FUTURE DEVELOPMENT OUTLOOK**

The 20th National Congress Report of the Communist Party of China pointed out that it is necessary to adhere to the theme of promoting high-quality development, and organically combine the implementation of the strategy of expanding domestic demand with deepening the supply-side structural reform. The Outline of the “Healthy China 2030” Plan also emphasizes the establishment of a complete and optimized-structure health industry system.

Besunyen will take consumers’ health needs as the driving force of innovation, adhere to the concept of “herbal, healthy, and quality functional tea”, deepen the fields of “weight loss and weight management” and “laxative and gastrointestinal health”, continue to build a parallel development pattern of multiple categories of “OTC drugs + health food + general food”, and realize the promotion of marketing strategy from selling products to building brand value.

The Group believes that it will seize the opportunities of the development of the big health industry. For the Group, it will continue to adhere to the goal of profit and positive cash flow in 2024, achieve high-quality development with its operating policy, consolidate the foundation and capability, and create a new pattern of high-quality development.

We will implement the following tasks in order to achieve the Group’s business objectives for 2024.

### **Firstly, further developing channels and consolidating market foundation**

After years of development, the Group's products have a good market foundation. Benefitting from the operating system reform, the Group teams up with the New Business Partners to further develop the channels, enhance the development of distributors and sub-distributors' channels and third terminals, make good use of the resources of merchants and platforms, increase the investment in advertisements and increase the activities of stores, thereby increasing the sales of the Four Teas products. The Group will also pay attention to the market trend and explore new marketable products. Terminals and distributors' service system will be enhanced, creating innovations and upgrades including brand communication, in-depth consumer interaction and optimization of product experience.

### **Secondly, coordinating and managing the business partnership with the New Business Partners, controlling channels and prices, and creating a good operating environment**

In 2024, the Group completed the strategic adjustments to its business operation model. Through strengthening the cooperation with the New Business Partners, the Group will further improve the management and control of sales channels, control the price systems of all channels and levels, continuously strengthen the market supervision and terminal maintenance capabilities, create a good sales environment, and meet the product needs of all parties in the market. The Group will continue to develop the multi-faceted value of new media channels, incubate large distributors and social e-commerce platforms, and jointly promote brand influence through products and channels.

### **Thirdly, advancing new retail business continuously**

As the fastest-growing consumer market in the world, the big health industry has a large number of sub-categories, and the consumption trend changes rapidly. With the increasing penetration rate of new marketing platforms such as Xiaohongshu, Douyin and Kuaishou, and the growing influence of KOLs on consumers' purchasing decisions, the Group will continue to increase investment in exploring emerging marketing platforms represented by Douyin and Kuaishou, enhance channel cooperation and expand marketing activities, so as to expand its market share on Douyin and Kuaishou. The Company will continue to expand the number of stores on Douyin, improve the advertising efficiency on Douyin and other emerging marketing platforms, form a good interaction with Douyin and other emerging marketing platforms, and improve the closed loop of traffic and transactions to lay a solid foundation for long-term sustainable growth.

**Fourthly, leveraging the advantages of content marketing to consolidate the market position of the brand**

During the year, the Group will continue to enhance the professionalism and attractiveness of the promotion content, and improve the effectiveness of communication through high-quality content. In terms of communication channels, it will make full use of media platforms such as elevator media to accurately reach target customer groups and consolidate the brand's leading position in the weight loss and laxative fields. By giving full play to its brand influence and actively utilizing media resources, the Group will deeply cooperate with chain stores and other sales channels, and launch integrated brand promotion and promotional activities, in a bid to facilitate interaction with consumers and meet their increasing demand for healthy life.

**Fifthly, strengthening supply chain management and adapting to the rapidly changing needs of the market to build an agile supply chain system and improve the rapid response capability of the supply chain**

In 2024, the Company will continue to follow the marketing concepts of “one product, one strategy” and “one product, multiple specifications” in deploying different products and specifications in different regions and markets. In order to adapt to the requirements of selling small batch of products and making rapid response in the market, the Company will further strengthen supply chain management, select and reserve more high-quality suppliers, so that the rapid connection from product selection to design, sampling, production and launching, and a quick, agile and small-batch supply mechanism can be achieved for adapting to the needs of the market.

**Sixthly, insisting on technological innovation and strengthening research and development of new products**

In 2024, the Group will persist in promoting process improvement, technological innovation, development and research of new products, and construction and investment arrangements. Through technological improvement, the unit cost of products will be reduced to a certain extent and the economic benefits will be improved. Meanwhile, the Group will pay close attention to the development of the big health industry, and focus on the development and future according to market demand, technological research and development, company strategies, etc. The Group will actively expand new products and new channels, develop and explore core single major product, and continuously try new marketing models to provide subsequent products and operation capabilities for the future development of the Group.

## **Seventhly, continuously facilitating cost reduction and efficiency improvement, and improving operation quality**

In 2024, the Group will continue to facilitate the gross margin management of products, reduce various costs and expenses, improve the turnover rate of inventories and accounts receivable, improve the input-output efficiency, and enhance the operation quality, thereby laying a solid foundation for the long-term development of the Group.

Besunyen will continue to adhere to the brand concept to provide consumers with more diversified products and services, provide Besunyen wisdom for the development of the big health industry, and contribute Besunyen power to the China big health!

## **FINANCIAL REVIEW**

### **REVENUE**

	<b>For the year ended 31 December</b>			
	<b>2023</b>		<b>2022</b>	
	<i><b>RMB'000</b></i>	<i><b>Percentage of revenue</b></i>	<i><b>RMB'000</b></i>	<i><b>Percentage of revenue</b></i>
Revenue:				
Besunyen Detox Tea	<b>103,034</b>	<b>19.0%</b>	137,512	17.2%
Besunyen Slimming Tea	<b>109,072</b>	<b>20.1%</b>	135,783	17.0%
Besunyen Fit Tea	<b>64,138</b>	<b>11.8%</b>	66,691	8.3%
Besunyen Relief Tea	<b>13,162</b>	<b>2.4%</b>	18,435	2.3%
Weight-loss medicines	<b>161,822</b>	<b>29.8%</b>	226,233	28.2%
Other health food	<b>81,713</b>	<b>15.1%</b>	165,354	20.6%
Other medicines	<b>9,935</b>	<b>1.8%</b>	51,334	6.4%
Total	<b>542,876</b>	<b>100%</b>	<b>801,342</b>	<b>100%</b>

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

The revenue of the Group was RMB542.9 million in 2023, representing a decrease of 32.2% from RMB801.3 million in 2022. In particular, revenue from the Four Health Teas of Besunyen decreased by 19.3% to RMB289.4 million in 2023 from RMB358.4 million in 2022; revenue from weight-loss medicines decreased by 28.5% to RMB161.8 million in 2023 from RMB226.2 million in 2022; revenue from other health food decreased by 50.6% to RMB81.7 million in 2023 from RMB165.4 million in 2022; and revenue from other medicines decreased by 80.5% to RMB10.0 million in 2023 from RMB51.3 million in 2022.

The decrease in revenue in 2023 as compared with 2022 was primarily due to (i) the impact of market changes and price competition, which led to a 22.8% year-over-year decrease in revenue from the Group's core products, therapeutic teas and weight-loss medicines, for the year ended 31 December 2023; and (ii) the adjustment of the Group's strategy by optimizing original equipment manufacturer (OEM) products and trading products with small volume and no profit prospects, which led to a 57.7% year-over-year decrease in revenue from other health food and other medicines for the year ended 31 December 2023.

## **COST OF SALES, GROSS PROFIT AND GROSS PROFIT MARGIN**

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Cost of sales	<b>196,656</b>	308,751
Gross profit	<b>346,220</b>	492,591
Gross profit margin	<b>63.8%</b>	61.5%

The Group's cost of sales decreased by 36.3% from RMB308.8 million in 2022 to RMB196.7 million in 2023, while the gross profit margin increased by 2.3 percentage points from 61.5% in 2022 to 63.8% in 2023, which was mainly due to (i) the increase in the proportion of revenue from the Four Health Teas of Besunyen 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 2023 as compared to 2022.

## **OTHER INCOME**

In 2023, the Group's other income was RMB11.0 million (2022: RMB6.3 million), which mainly comprised interest income of RMB4.2 million (2022: RMB26,000) and government grants of RMB4.4 million (2022: RMB3.6 million) provided by the PRC government to support the Group's operation of business.

## SELLING AND MARKETING EXPENSES

	For the year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>Percentage of revenue</i>	<i>RMB'000</i>	<i>Percentage of revenue</i>
Advertising costs	67,472	12.4%	46,469	5.8%
Marketing and promotional expenses	124,616	23.0%	160,405	20.0%
Employee benefit expenses	91,101	16.8%	123,273	15.4%
Impairment losses on non-current assets	—	—	4,117	0.5%
Others	37,515	6.9%	44,586	5.6%
Total	<u>320,704</u>	<u>59.1%</u>	<u>378,850</u>	<u>47.3%</u>

The selling and marketing expenses of the Group were RMB320.7 million in 2023, representing a decrease of 15.4% from that of RMB378.9 million in 2022.

The advertising costs in 2023 increased by RMB21.0 million as compared to 2022, mainly due to the increase in expenditure on advertising activities.

The marketing and promotional expenses in 2023 decreased by RMB35.8 million as compared to 2022, mainly due to the decrease in expenditure of marketing and promotion via e-commerce platforms.

The employee benefit expenses in 2023 decreased by RMB32.2 million as compared to 2022, mainly due to the decrease in the number of sales personnel.

Impairment losses on non-current assets were RMB4.1 million in 2022, representing the impairment losses on goodwill of the cash-generating unit containing the wholly-owned subsidiaries of the Company, namely Zhuhai Kangbaina Pharmaceutical Co., Ltd. and Zhuhai Aolixin Pharmaceutical Co., Ltd.

## ADMINISTRATIVE EXPENSES

	For the year ended 31 December		2022	
	2023	Percentage of	RMB'000	Percentage of
	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>
Employee benefit expenses	100,618	18.5%	52,421	6.5%
Office expenses	3,880	0.7%	3,910	0.5%
Professional and consultation service fees	22,242	4.1%	26,711	3.3%
Entertainment and travelling expenses	4,881	0.9%	6,176	0.8%
Impairment losses on non- current assets	3,000	0.6%	1,028	0.1%
Others	18,429	3.4%	25,503	3.2%
Total	<u>153,050</u>	<u>28.2%</u>	<u>115,749</u>	<u>14.4%</u>

The administrative expenses of the Group were RMB153.1 million in 2023, representing an increase of 32.3% from that of RMB115.7 million in 2022. This was mainly due to the Group's strategic adjustments of its business system, operation model and organizational management system, which led to a significant reduction in the number of employees. As such, the Group paid one-off severance payment to the relevant employees, resulting in a significant increase of employee benefit expenses. The Group's overall strategic planning for cost reduction and efficiency improvement contributed to an optimized organizational structure, leading to decreases in office expenses, professional and consultation service fees, and entertainment and travelling expenses.

## RESEARCH AND DEVELOPMENT COSTS

	For the year ended 31 December		2022	
	2023	Percentage of	RMB'000	Percentage of
	<i>RMB'000</i>	<i>revenue</i>	<i>RMB'000</i>	<i>revenue</i>
Research and development costs	<u>34,922</u>	<u>6.4%</u>	<u>33,873</u>	<u>4.2%</u>

Research and development costs amounted to RMB34.9 million in 2023, which remained basically stable as compared to RMB33.9 million in 2022.

## OTHER GAINS/(LOSSES), NET

	For the year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Other gains/(losses), net	<u>675</u>	<u>(2,197)</u>

In 2023, other gains, net amounted to RMB0.7 million (2022: other losses, net of RMB2.2 million), mainly included gains on short-term investments measured at fair value through profit or loss of RMB2.9 million (2022: RMB3.5 million) and donation expenses of RMB2.1 million (2022: RMB2.0 million).

## SHARE OF PROFITS OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Group's share of profits of investments accounted for using the equity method for 2023 was RMB1.0 million, which was mainly comprised of the profit of RMB0.6 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.

## TAXATION

The income tax expense of the Group in 2023 was RMB9.4 million, while the income tax expense in 2022 was RMB29.0 million. The decrease in income tax expense was due to significant decrease of taxable profit generated by certain subsidiaries during the year as compared to 2022.

## TOTAL COMPREHENSIVE LOSS FOR THE YEAR OF THE GROUP

Due to the factors set out above, the Group recorded a total comprehensive loss of RMB358.6 million in 2023 (2022: total comprehensive loss of RMB104.4 million). In 2023, loss attributable to owners of the Company amounted to RMB299.2 million (2022: loss attributable to owners of the Company of RMB99.1 million). Total loss was widened by approximately RMB21.7 million as compared with the possible net loss attributable to owners of the Company of approximately RMB237.5 million to RMB277.5 million as disclosed in the Company's announcement dated 20 October 2023, which was mainly due to the decrease in revenue from weight-loss medicines and other medicines of the Group and the increase in marketing and promotional expenses.

## LIQUIDITY AND CAPITAL RESOURCES

In 2023, the capital required for the Group's operation and capital expenditure was mainly derived from the cash flows generated from operating activities, 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 indicated years ended 31 December:

	For the year ended	
	31 December	
	2023	2022
	RMB'000	RMB'000
<b>Continuing Operations:</b>		
Net cash outflow from operating activities	(33,003)	(46,732)
Net cash inflow/(outflow) from investing activities	66,759	(61,849)
Net cash (outflow)/inflow from financing activities	(94,915)	88,881
	<hr/>	<hr/>
<b>Discontinued Operations:</b>		
Net cash inflow from operating activities	42,988	84,845
Net cash (outflow)/inflow from investing activities	(58,366)	26,358
Net cash inflow/(outflow) from financing activities	13,799	(76,391)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(62,738)	15,112
Exchange gains/(losses) on cash and cash equivalents	1,500	(834)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	<u>(61,238)</u>	<u>14,278</u>

In 2023, the Group's net cash outflow from operating activities of continuing operations was RMB33.0 million (2022: net cash outflow of RMB46.7 million), which was mainly attributable to the operating activities during the year. In 2023, the Group's net cash inflow from investing activities of continuing operations was RMB66.8 million, which was mainly due to the disposal of the Company's indirect subsidiaries, namely Wanhan, Wanyuan and Wanhan Pharmaceutical and Henan Xueyinghua (2022: net cash outflow of RMB61.8 million, which was mainly due to the Group's placement of term deposits). In 2023, the net cash outflow from financing activities of continuing operations was RMB94.9 million, which was mainly due to the repayment of borrowings (2022: net cash inflow of RMB88.9 million, which was mainly due to the proceeds from rights issue and partial repayment of borrowings).

#### **FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS**

As at 31 December 2023, the Group's financial assets measured at fair value through profit or loss amounted to RMB90.1 million (31 December 2022: RMB47.3 million), which mainly include:

- (i) The Group's investment in Vstar Investment Fund Limited Partnership amounted to approximately RMB13.9 million.
- (ii) The Group's investment in ERX Pharmaceuticals Inc. amounted to approximately RMB19.4 million.
- (iii) The Group's investment in Nanjing Jinbi Venture Capital Partnership (Limited Partnership) amounted to approximately RMB22.5 million.
- (iv) The Company has subscribed the participating shares of Central China Dragon Global Opportunity Fund SP6 (中州龍騰環球機會六號基金) for approximately RMB91.8 million by signing a subscription application form on 5 October 2023. Given that the Company is the only holder of participating shares in Central China Dragon Global Opportunity Fund SP6, the Group treats Central China Dragon Global Opportunity Fund SP6 as a controlled structured entity under IFRS Accounting Standards. As at 31 December 2023, the fair value of the underlying assets invested by Central China Dragon Global Opportunity Fund SP6 was approximately RMB33.9 million, and the cash and cash equivalents held for investment purpose were presented as restricted bank deposits of the Group, which were approximately RMB56.9 million.

## BANK BALANCES AND CASH

The Group's bank balances and cash, comprising cash and cash equivalents, term deposits and restricted bank deposits, amounted to RMB288.5 million as at 31 December 2023 (31 December 2022: RMB483.8 million).

## BORROWINGS AND PLEDGE OF ASSETS

As at 31 December 2023, the Group had no bank borrowings (31 December 2022: RMB177.6 million, bearing interest rates ranging from 2.03% to 6.00%).

As at 31 December 2023, the Group had no pledge of assets (as at 31 December 2022, the Group had bank borrowings of RMB133.6 million pledged by properties with total net book value of RMB120.9 million and land use rights with total net 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).

## 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 31 December 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 31 December 2023:

		Amount utilized as at	Amount utilized during the 12 months ended	Amount utilized as at
	Net proceeds from rights issue	31 December 2022	31 December 2023	31 December 2023
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
For settlement of the outstanding indebtedness	61.4	44.1	17.3	61.4
For advertising and marketing expenses	29.7	23.9	5.8	29.7
For development of the new retail business division	20.3	10.2	10.1	20.3
As working capital and for other general corporate purposes (including research and development expenses)	14.5	14.5	0.0	14.5
Total	<u>125.9</u>	<u>92.7</u>	<u>33.2</u>	<u>125.9</u>

## CAPITAL EXPENDITURE

In 2023, the capital expenditure of the Group's continuing operations amounted to RMB6.8 million (2022: RMB28.3 million). The following table sets forth the capital expenditure paid by the Group for the indicated years ended 31 December:

	For the year ended	
	31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	(6,542)	(26,065)
Intangible assets	<u>(256)</u>	<u>(2,250)</u>
Total	<u><b>(6,798)</b></u>	<u><b>(28,315)</b></u>

## INVENTORIES

The Group's inventories include raw materials and packaging materials, work in progress and finished goods. The inventory analysis of the Group as at the dates indicated is presented in the table below:

	For the year ended	
	31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and packaging materials	5,111	41,297
Work in progress	1,765	8,919
Finished goods	<u>16,693</u>	<u>59,762</u>
	<b>23,569</b>	109,978
Less: Provision for impairment	<u>—</u>	<u>(739)</u>
	<u><b>23,569</b></u>	<u><b>109,239</b></u>

The turnover of the Group's inventories in 2023 (calculated by dividing the average inventory balances at the beginning and the end of the period by the cost of sales of the period, then multiplying by the number of days during the year) was 123 days (2022: 119 days).

## **RISK 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, restricted bank deposits and financial assets measured at fair value through profit or loss 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.

As at 31 December 2023, the Group did not purchase any foreign exchange, interest rate derivative products or hedging instruments (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.

Save as disclosed above, the Group had no other material acquisitions and disposals of subsidiaries, associates and joint ventures in 2023.

## **SIGNIFICANT INVESTMENTS AND PLANS**

Save as disclosed in this announcement, as at 31 December 2023, the Group had no single significant investment with a carrying amount of 5% or more of the Group’s total assets.

As at the date of this announcement, the Board has not approved any plan for significant investments or acquisition of capital assets.

## **GEARING RATIO**

As at 31 December 2023, the Group's gearing ratio (total liabilities divided by total assets, in percentage) was 21.4% (31 December 2022: 31.5%).

## **CONTINGENT LIABILITIES AND GUARANTEES**

As at 31 December 2023, the Group had no material contingent liability and guarantee (31 December 2022: Nil).

## **CAPITAL COMMITMENTS**

As at 31 December 2023, capital commitments for property, plant and equipment as contracted for but not yet incurred amounted to RMB2.4 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 products 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.

In 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.

## **RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS**

The Group endeavored 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 understood that employees are its valuable assets, and the realization and enhancement of employees' values will facilitate the achievement of the Group's overall goals. As at 31 December 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. As at 31 December 2023, there was no significant or material dispute between the Group and its suppliers and/or customers.

## **HUMAN RESOURCES MANAGEMENT**

As at 31 December 2023, the Group had 179 employees in mainland China and Hong Kong (31 December 2022: 913 employees). The staff costs of the Group's continuing operations (including remunerations of the Directors) were RMB210.9 million as at 31 December 2023 (2022: RMB196.2 million). Employee remuneration was determined with reference to individual performance, work experience, qualification and current 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.

## **FINAL DIVIDEND**

The Board has resolved not to recommend for declaration and payment of a final dividend for the year ended 31 December 2023.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 21 May 2024 to 24 May 2024, both days inclusive. During such period, no transfer of shares of the Company (the "Shares") will be registered. The record date for determining the eligibility to attend the forthcoming annual general meeting (the "AGM") to be held on 24 May 2024 will be 24 May 2024. In order to be eligible for attending the AGM, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 20 May 2024.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining high standards of corporate governance in order to safeguard the interests of shareholders and to enhance corporate value and accountability.

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 C1 of The Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the year ended 31 December 2023, except for code provision C.2.1 of the CG Code.

The Directors are committed to upholding the corporate governance and good corporate culture of the Company to ensure that formal and transparent procedures are in place to protect and maximise the interests of the shareholders.

### **CODE PROVISION C.2.1 UNDER THE CG CODE**

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 34 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 Board is of the view that as all major decisions are made in consultation with members of the Board which comprises experienced and professional individuals (including three independent non-executive Directors), a balance of power and authority is adequately ensured. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

### **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 of the Listing Rules as its own securities dealing code for the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they complied with the required standard as set out in the Model Code during the year ended 31 December 2023.

As designated staff, including the senior management, may be aware of inside information from time to time, the Company has further extended the scope of the Model Code to those staff.

## **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 year ended 31 December 2023.

## **AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS**

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. Shi Xiangxin and Mr. Feng Bing. The Audit Committee has reviewed the consolidated financial statements and this annual results announcement of the Group for the year ended 31 December 2023, reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters.

## **SUBSEQUENT EVENT**

On 8 March 2024, the Board has approved the proposed adoption of a share option scheme. The scheme is subject to shareholders' approval.

Save as disclosed above, no significant event affecting the Group has occurred subsequent to 31 December 2023 and up to the date of this announcement.

## **PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE**

This announcement is published on the websites of the Company (<http://ir.besunyen.com>) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report of the Company for the year ended 31 December 2023 will be sent to the Shareholders and available on the above websites in due course.

By order of the Board  
**Besunyen Holdings Company Limited**  
**Zhao Yihong**  
*Chairman and Chief Executive Officer*

Hong Kong, 8 March 2024

*As at the date of this announcement, the executive Directors are Mr. Zhao Yihong (Chairman and Chief Executive Officer), Ms. Gao Yan (Vice Chairman) and Mr. Yu Hongjiang (Executive Vice President, Chief Operating Officer and Chief Financial Officer); and the independent non-executive Directors are Mr. He Yuanping, Mr. Shi Xiangxin and Mr. Feng Bing.*