碧生源控股有限公司
Besunyen Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 926

2023 ANNUAL REPORT

Corporate Profile

Besunyen Holdings Company Limited (the "**Company**") was established in September 2000 and listed on the Main Board of the Hong Kong Stock Exchange in September 2010 (stock code: HK00926). Besunyen Holdings Company Limited together with its subsidiaries (the "**Group**") is a leading provider of therapeutic teas in the People's Republic of China (the "**PRC**"), mainly engaging in the research and development and production of health products and the sale and promotion of medicines and food products. The Group applies "One Focus and Two Dimensions" as its guiding principle: "One Focus" means focusing on herbs and health regimen; and "Two Dimensions" means expanding new businesses in the areas of "weight loss and weight management" as well as "laxative and gastrointestinal health". By tagging along with the concept of "herbal, healthy, and quality functional tea", the Group has produced and sold Besunyen Detox Tea (碧生源牌常潤茶) and Besunyen Slimming Tea (碧生源牌常菁茶) (previously known as "碧生源牌減肥茶") (collectively, the "**Two Teas**") for more than twenty years. The Group has dedicated itself to further developing the Two Teas and successively launching its product series of functional teas such as Besunyen Fit Tea (碧生源牌纖纖茶) and Besunyen Relief Tea (碧生源牌清源茶) (together with the Two Teas, the "**Four Teas**"). In recent years, the Group has also launched Besunyen Orlistat weight-loss medicines and a series of products that meet the needs of consumers, such as nutrition meal replacements, probiotics and enzymes.

The Group uses natural Chinese herbs and tea leaves as raw materials to research, develop, formulate and produce the Four Teas, providing safe, effective, convenient-to-use and affordable health products for those who have needs in aspects such as laxative and weight management or who are mildly affected by such problems.

The production base of the Group's Four Teas is located in Fangshan District, Beijing. Its production plant and production process are in compliance with the national GMP standards. Its production facilities undergo closed-ended management, and its pelleting facilities and inner packing facilities are class 100,000 clean areas. The Group's Four Teas have passed the certifications of ISO9001, ISO22000 and HACCP. Introduced from IMA, an Italian company, its main production equipment is C24 tea bag high-speed machine with specially designed "cotton thread sailor's knot" connecting the tea bag and the hangtag, so that the inner and outer bags and the outer box can be shaped up at the same time and whole packaging process can be completed automatically.

The Group's "Besunyen and Device" trademark was identified as a "China Well-known Trademark" (中國馳名商標) by the former Trademark Office of the State Administration for Industry & Commerce of the PRC in 2013, and its Besunyen brand has been rated as one of the top ten credible brands of health products in China by China Healthcare Association for five consecutive years. The Group obtained the "High-Tech Enterprise Certificate" issued by Beijing Municipal Science and Technology Commission, and was granted the title of "Leading Enterprise in Beijing" issued by Beijing Municipal Bureau of Agriculture and Rural Affairs as well as the titles of "'Innovative' Small and Medium-Sized Enterprise in Beijing" and "'Specialized, Refined, Unique and Innovative' Small and Medium-Sized Enterprise in Beijing" issued by Beijing Municipal Bureau of Economy and Information Technology. The Group has 25 approvals for health food issued by China Food and Drug Administration, and it has possessed 113 patented technologies awarded by China National Intellectual Property Administration, including 19 invention patents.

As at the end of 2023, the Group's offline sales business covered about 290,000 over-the-counter ("**OTC**") pharmacies and pharmaceutical third-party terminals, spanning across 31 provinces, autonomous regions and municipalities across the country, through 218 distributors and sub-distributors. The Group's online e-commerce business has established 85 shops on 18 e-commerce platforms to conduct the sales of the Four Teas, Orlistat and other products of the Group. In proactively adapting to the development of new sales trend, the Group made repeated attempts in respect of new retail including Douyin, Kuaishou, O2O and B2C. The above mature and innovative channels enabled the Group to launch its new products to the market more quickly, thereby maintaining the industrial leading position of the Group in terms of sales of products.

The Group will continue its market-oriented approach while pursuing continuous innovation in terms of technology and quality, strive to provide consumers with more high-quality health products and services, and become a leader in the health industry.

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Corporate Information

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. He Yuanping
Mr. Shi Xiangxin
Mr. Feng Bing

AUDIT COMMITTEE

Mr. He Yuanping *(Chairman)*
Mr. Shi Xiangxin
Mr. Feng Bing

REMUNERATION COMMITTEE

Mr. Feng Bing *(Chairman)*
Mr. Zhao Yihong
Mr. Yu Hongjiang
Mr. He Yuanping
Mr. Shi Xiangxin

NOMINATION COMMITTEE

Mr. Shi Xiangxin *(Chairman)*
Mr. Zhao Yihong
Mr. Yu Hongjiang
Mr. He Yuanping
Mr. Feng Bing

STRATEGIC INVESTMENT COMMITTEE

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

COMPANY SECRETARY

Mr. Yu Hongjiang

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Chairman and CEO's Report

ZHAO Yihong
Chairman and CEO

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of the Company, I hereby present to you the audited annual results report of the Group for the year ended 31 December 2023 (the "**Reporting Period**").

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.

Chairman and CEO's Report

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 teamplay 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.

Chairman and CEO's Report

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!

ZHAO Yihong
Chairman and CEO

Hong Kong, 8 March 2024

Management Discussion and Analysis

FINANCIAL REVIEW

The following table sets forth the operating results of the Group for the indicated years ended 31 December:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Revenue	**542,876**	801,342
Cost of sales	**(196,656)**	(308,751)
Gross profit	**346,220**	492,591
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	**675**	(2,197)
Operating loss	**(150,287)**	(31,377)
Finance income	**1,634**	1,760
Finance costs	**(1,998)**	(7,493)
Finance costs, net	**(364)**	(5,733)
Share of profits/(losses) of investments accounted for using the equity method	**970**	(10,450)
Loss before income tax	**(149,681)**	(47,560)
Income tax expense	**(9,424)**	(29,009)
Loss for the year from continuing operations	**(159,105)**	(76,569)
Loss for the year from discontinued operations, net of tax	**(198,409)**	(27,820)
Loss for the year	**(357,514)**	(104,389)
Total loss for the year attributable to:		
Owners of the Company		
— Continuing operations	**(159,105)**	(76,569)
— Discontinued operations	**(140,138)**	(22,520)
	(299,243)	(99,089)
Non-controlling interests		
— Continuing operations	**—**	—
— Discontinued operations	**(58,271)**	(5,300)
	(58,271)	(5,300)

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss per share attributable to owners of the Company for the year (RMB)		
Basic losses per share		
— Continuing operations	**(1.30)**	(1.36)
— Discontinued operations	**(1.15)**	(0.40)
	(2.45)	(1.76)
Diluted losses per share		
— Continuing operations	**(1.30)**	(1.36)
— Discontinued operations	**(1.15)**	(0.40)
	(2.45)	(1.76)
Loss for the year	**(357,514)**	(104,389)
Other comprehensive loss		
Items that may be subsequently reclassified to profit or loss		
Currency translation differences	**(1,124)**	—
Total comprehensive loss for the year	**(358,638)**	(104,389)
Total comprehensive loss attributable to:		
Owners of the Company	**(300,367)**	(99,089)
Non-controlling interests	**(58,271)**	(5,300)
	(358,638)	(104,389)
Total comprehensive loss for the year attributable to owners of the Company:		
— Continuing operations	**(160,229)**	(76,569)
— Discontinued operations	**(140,138)**	(22,520)
	(300,367)	(99,089)

REVENUE

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

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

	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Cost of sales	**196,656**	308,751
Gross profit	**346,220**	492,591
Gross profit margin	**63.8%**	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	
	RMB'000	**Percentage of revenue**	RMB'000	Percentage of revenue
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	**320,704**	**59.1%**	378,850	47.3%

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			
	2023		2022	
	RMB'000	**Percentage of revenue**	RMB'000	Percentage of revenue
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	**153,050**	**28.2%**	115,749	14.4%

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			
	2023		2022	
	RMB'000	**Percentage of revenue**	RMB'000	Percentage of revenue
Research and development costs	**34,922**	**6.4%**	33,873	4.2%

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
	RMB'000	RMB'000
Other gains/(losses), net	**675**	(2,197)

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 RMB'000	2022 RMB'000
Continuing Operations:		
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
Discontinued Operations:		
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)
Net (decrease)/increase in cash and cash equivalents	**(62,738)**	15,112
Exchange gains/(losses) on cash and cash equivalents	**1,500**	(834)
Net (decrease)/increase in cash and cash equivalents	**(61,238)**	14,278

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:

	Net proceeds from rights issue	**Amount utilized as at 31 December 2022**	**Amount utilized during the 12 months ended 31 December 2023**	**Amount utilized as at 31 December 2023**
	RMB million	RMB million	RMB million	RMB million
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	125.9	92.7	33.2	125.9

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
	RMB'000	RMB'000
Property, plant and equipment	**(6,542)**	(26,065)
Intangible assets	**(256)**	(2,250)
Total	**(6,798)**	(28,315)

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
	RMB'000	RMB'000
Raw materials and packaging materials	**5,111**	41,297
Work in progress	**1,765**	8,919
Finished goods	**16,693**	59,762
	23,569	109,978
Less: Provision for impairment	**—**	(739)
	23,569	109,239

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 report, 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 report, 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.

Directors and Senior Management Profile

DIRECTORS

Executive Directors

Mr. ZHAO Yihong, aged 57, is our co-founder, Chairman and Chief Executive Officer and was appointed as an executive Director of our Company in August 2009. Mr. Zhao is also a member of the remuneration committee, the nomination committee and the strategic investment committee of our Company and a director of several subsidiaries of our Group. Mr. Zhao is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Mr. Zhao established Beijing Outsell in 2000 and embarked on the business of production and sale of therapeutic tea products, and has played a vital role in the development of our Group. Mr. Zhao has 34 years of experience in food and beverage industry in the PRC. Between 1988 and 1991, Mr. Zhao has served as an officer at the Jinan Municipal Bureau of Grain of the Shandong Province. Between 1991 and 2000, Mr. Zhao served in various positions, including a sales and a vice manager, responsible for the beverage business in the Northern China region, at Ting Hsin International Group, a food conglomerate in the PRC. Mr. Zhao graduated from China Coal Economic College, now known as Shandong Technology and Business University, in 1988 with a bachelor's degree in economics. He completed the China New Entrepreneur Development Program, a joint program organised by the Enterprise Research Institution, DRC-ERI and the Stanford Center for Professional Development, in 2006 and obtained an executive master of business administration degree from The Hong Kong University of Science and Technology in 2012. Mr. Zhao is currently a council member and an adjunct professor of Shandong University of Science and Technology. Mr. Zhao is the spouse of Ms. Gao Yan, our Vice Chairman and executive Director.

Ms. GAO Yan, aged 55, is our co-founder, Vice Chairman and Vice President and was appointed as an executive Director of our Company in October 2009. Ms. Gao is also a director of several subsidiaries of our Group. Ms. Gao has served as the vice chairman of Beijing Outsell since 2000. Between 1997 and 2000, Ms. Gao worked as a director at Beijing Ruipule Commerce and Trade Co., Ltd., a private trading company. Ms. Gao is the spouse of Mr. Zhao Yihong, our Chairman, Chief Executive Officer and executive Director.

Mr. YU Hongjiang, aged 59, is our Executive Vice President, Chief Operating Officer, Chief Financial Officer and Company Secretary and was appointed as an executive Director of our Company in November 2022. Mr. Yu is also the chairman of the strategic investment committee, a member of the remuneration committee and the nomination committee and a director, a supervisor and the legal representative of several subsidiaries of our Group. Mr. Yu joined our Group in July 2000 and has more than 33 years of experience in the field of finance. Between 1987 and 1989, Mr. Yu served as a manager of the finance department at Tianjin Binhai Company Limited (now known as Tianjing Zhongxin Pharm. Binhai Corp., Ltd.). Between 1997 and 2000, Mr. Yu worked at Beijing Green World Nutrition Health Products Co., Ltd., a health food manufacturer, as the chief financial officer. Mr. Yu graduated from Shanxi University of Finance and Economics in 1987 and obtained a bachelor's degree in economics with a major focus in accounting. He completed the Advanced Workshop on Private Equity Funds organised by the School of Continuing Education of Tsinghua University in July 2009 and obtained an Executive MBA degree from the National School of Development at Peking University in 2013. Mr. Yu obtained the qualification as an Accountant in Accounting (Corporate) conferred by Ministry of Finance of the People's Republic of China in November 1993, obtained the certificate as an International Registered Internal Control Specialist in December 2010 and passed the AMAC (Asset Management Association of China) Fund Practitioner Qualification Examination organised by Asset Management Association of China in October 2017.

Independent Non-executive Directors

Mr. HE Yuanping, aged 57, was appointed as an independent non-executive Director of our Company in October 2016. He is the chairman of the audit committee and a member of the remuneration committee, the nomination committee and the strategic investment committee of our Company. Mr. He has years of experience in senior operation and management, with rich theoretical knowledge and practical experience in investment and financing, business management, industrial operations, finance and other fields. Since August 2018, Mr. He is the director and the chairman of Bescient Technologies Co. Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 688671). Mr. He served as a director, deputy general manager, chief financial officer and board secretary of Beijing OriginWater Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300070) ("**Beijing OriginWater**") from June 2007 to March 2018. He worked as a director, deputy general manager and chief financial officer of Beijing OriginWater Science and Technology Development Co., Ltd. (predecessor of Beijing OriginWater) from September 2005 to June 2007. Mr. He worked as a deputy general manager and the chief investment officer of Beijing Allianz Investment Co. Ltd. from April 2003 to August 2005. Mr. He has served as a director of Wuhan Sanzhen Industry Holding Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600168). Mr. He assumes several social positions, including a member of the Fixed Income Committee of the Securities Association of China, an expert in the Public-Private Partnership (PPP) Expert Database of the National Development and Reform Commission, a vice president of Western Returned Scholars Association ANZ branch and a guest teacher of the School of Accountancy of Central University of Finance and Economics. He has won several prizes and social recognitions, including China CFO of the Year 2015 by New Fortune Magazine, The Most Popular CFO among Investors of the Year 2012 by the Chartered Institute of Management Accountants and Golden Shield Award for Excellent Board Secretary of China's Listed Companies of the Year 2014. Mr. He received a bachelor's degree in engineering from Nanjing University of Science and Technology in July 1987, a master's degree in engineering from University of Science and Technology Beijing in March 1992 and a master's degree in financial mathematics from Victoria University of Wellington in New Zealand in June 2000.

Mr. SHI Xiangxin, aged 67, was appointed as an independent non-executive Director of our Company in May 2023. He is the chairman of the nomination committee and a member of the audit committee and the remuneration committee of our Company. Mr. Shi is the chairman of Beijing Daston Science Co., Ltd. since July 2005. Between May 1995 and December 2005, he served as a vice president of Beijing Huaxun Group. Mr. Shi is an independent director of Goodwill E-Health Info Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 688246) and Bescient Technologies Co. Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 688671). He has served as an independent director of Nancal Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603859), Jiangsu Yunyong Electronics and Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 688060) and Beijing Hisign Technology Co., Ltd. (a company listed on the National Equities Exchange and Quotations, stock code: 430021). Mr. Shi obtained a MBA degree from the National School of Development at Peking University in 2002.

Mr. FENG Bing, aged 56, was appointed as an independent non-executive Director of our Company in October 2023. He is the chairman of the remuneration committee and a member of the audit committee and the nomination committee of our Company. Mr. Feng has more than 30 years of experience in corporate management and consulting. Since March 2019, Mr. Feng is the chief executive officer of Create World Real Estate Inc. in Seattle. Between June 1996 and January 2005, he worked for Deloitte Consulting in New York and lastly as a partner. Between January 2005 and January 2009, he was the managing partner of 中華財務管理諮詢公司 (China Financial Management and Consulting Company*) in Beijing. Between February 2009 and January 2015, Mr. Feng successively served as the executive president, the chief strategy officer and the chairman of the investment committee of 大亞科技集團有限公司 (DareGlobal Technologies Group Co., Ltd.*) in Shanghai. Between January 2014 and March 2019, he served as the chief executive officer of Home Legend Inc. in Atlanta. Between July 2017 and March 2019, he served as the chief executive officer of PowerDekor North America in Montreal. Mr. Feng has served as an independent non-executive director of IRICO Group New Energy Company Limited (a company listed on The Stock Exchange of Hong Kong Limited, stock code: 438). He is an executive member of China Mergers & Acquisitions Association. Mr. Feng graduated from Northwestern Polytechnical University in 1989 with a bachelor's degree in computer software. He obtained a master's degree in computer engineering from Institute of Computing Technology, Chinese Academy of Sciences in 1992 and a master's degree in finance from Syracuse University in 1996.

SENIOR MANAGEMENT

Mr. ZHAO Yihong is our Chief Executive Officer. His profile is shown in the directors' profile above.

Ms. GAO Yan is our Vice President. Her profile is shown in the directors' profile above.

Mr. YU Hongjiang is our Executive Vice President, Chief Operating Officer and Chief Financial Officer. His profile is shown in the directors' profile above.

Mr. LIN Ruhai, aged 55, is our Vice President principally in charge of our public relationships. Mr. Lin joined our Group in September 2012 and has over 34 years of experience in the media and health industry. He has served as a manager of China Optoelectro Industries Co., Ltd. and a TV program producer in Hunan TV & Broadcast Intermediary since 1998. Between 2002 and 2005, Mr. Lin served as the Deputy Managing Director of Beijing Orient Power Advertising Co., Ltd. Between 2006 and 2012, he served as a vice secretary-general of the Healthcare Consultancy Services Working Committee under the China Health Care Association. Mr. Lin has been serving as a part-time vice secretary-general of the China Health Care Association after joining our Group. Since December 2018, Mr. Lin was appointed as the Vice Chairman of the Big Health Committee under the Pharmaceutical Division of All-China Federation of Industry and Commerce.

Mr. LIU Jian, aged 56, is our Vice President principally in charge of our supply chain and CEO office. Mr. Liu joined our Group in August 2018 and has more than 31 years of experience in pharmaceutical production and corporate management. Between September 1986 and July 1990, Mr. Liu worked in China Otsuka Pharmaceutical Co., Ltd. for pharmaceutical production and management. Between August 1990 and December 2009, he served as a production manager in 中美天津史克製藥有限公司 (Tianjin Smith Kline & French Laboratories Ltd.*). Between January 2010 and September 2013, Mr. Liu served as the operation director of Yabao Pharmaceutical Co., Ltd. Beijing. Between October 2013 and July 2018, he served as the director of the pharmaceutical factories (Beijing and Cangzhou) of Beijing Beilu Pharmaceutical Co., Ltd.

Mr. YANG Ming, aged 51, is our Vice President principally in charge of our operation management division of marketing department and OTC business division. Mr. Yang joined our Group in 2000 till June 2021, re-joined our Group in April 2023 and has more than 20 years of experience in marketing and corporate management. From 1996 to 2000, Mr. Yang served in Beijing Green World Nutrition Health Products Co., Ltd., a health food manufacturer, as a sales manager responsible for regional sales. He held various senior positions in our Group, including assistant to the Chairman, director of North Region and consultant. Mr. Yang graduated from Xi'an Geological Institute in 1994 with a bachelor's degree in engineering survey.

* *for identification purpose only*

Environmental, Social and Governance Report

ABOUT THIS REPORT

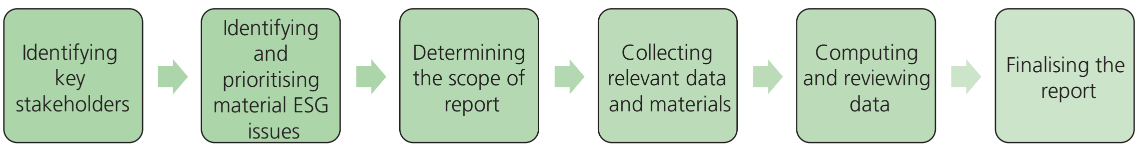
This report aims to summarise the performance of the Group in environmental, social and governance aspects during the reporting period (the "**ESG Report**"). This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") set out in Appendix C2 to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "**Listing Rules**") and the mandatory disclosure requirements and the "comply or explain" provisions contained therein, and has complied with all "comply or explain" provisions in the ESG Reporting Guide.

Scope of report

The scope of this report includes Besunyen Holdings Company Limited (the "**Company**") and its subsidiaries as at the end of the reporting period, excluding the four subsidiaries that were disposed of during the reporting period, namely Zhongshan Wanhan Pharmaceutical Co., Ltd., Zhongshan Wanyuan New Medicine Research and Development Co., Ltd., Zhongshan Wanhan Pharmacy Co., Ltd. and Henan Xueyinghua Pharmaceutical Co., Ltd. As such, the figures for 2022 have been restated accordingly to ensure that the comparative figures are comparable.

Procedures for preparation of report

This report has been prepared in accordance with the ESG Reporting Guide set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The procedures are as follows:



Reporting principles

In the preparation of this report, the Group has complied with the reporting principles in the ESG Reporting Guide:

Materiality: Stakeholder engagement and materiality assessment have been conducted regularly to identify and determine material ESG issues, and to ensure that these issues are addressed in this report.

Quantitative: Data presented in this report have been collected prudently and quantitative disclosures on the environmental and social indicators have been made wherever possible. Please refer to the environmental and social performance data for standards and methodologies used for calculation of key performance indicators.

Balance: This report has been prepared in an objective manner to ensure that the information disclosed give a full and unbiased picture of the overall performance of the Group in environmental, social and governance aspects.

Consistency: The disclosures, data collection and calculation methods have remained consistent throughout the years to facilitate comparability over time. We will explain in notes for any changes in the methodologies and reporting scope adopted.

Data collection and assurance

The data and other information in this report are derived from the relevant documents, reports and statistical results of the Group. The Board and all the Directors of the Group commit that there is no false statement, misleading statement or material omission in the content of this ESG Report, and shall assume individual and joint liability for the truthfulness, accuracy and completeness of such content.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT APPROACH AND STRATEGY OF THE BOARD

The Group implements a top-down management approach for its environmental, social and governance management, and has established suitable and effective environmental, social and governance management system and process. Environmental, social and governance issues are managed in a systematic manner based on the three ranks of "decision-making", "coordination" and "execution".

The Board is the "decision-making" rank of the Group's ESG management work, which is responsible for deciding the environmental, social and governance strategy of the Group, assessing the risk and opportunity in environmental, social and governance aspects, and monitoring the overall environmental, social and governance performance of the Group, which includes environmental management issues, staff relationship, community involvement, corporate governance and others. The ESG leading group is mainly responsible for the "coordination" of the ESG management work, with the Group's chief executive officer as the group leader and the chief operating officer, heads of tier-one departments at the headquarter level and other persons with ESG risk identification and management capabilities as members. The leading group strictly abides by the relevant guidelines, identifies the ESG risks, regularly reviews the effectiveness of the Group's ESG-related management system, regularly reports to the Board on the current status of the ESG management, and prepares the environmental, social and governance reports. The management departments and subsidiaries are responsible for "executing" the environmental, social and governance management, implementing the ESG management policies, achieving the ESG management objectives, collecting the relevant environmental, social and governance data, and reporting the relevant work results to the ESG leading group on a regular basis.

The Group maintains effective communication with its stakeholders in its daily operation to understand and identify their needs, anticipation and concern on the environmental, social and governance factors of the Group, thereby assessing the materiality of the environmental, social and governance aspects and formulating a long-term development approach and strategy. The Board reviews and approves the environmental, social and governance report annually, so as to ensure that the environmental, social and governance report presents all the material environmental, social and governance issues of the Group and their impacts on sustainable development in a fair manner.

STAKEHOLDER ENGAGEMENT

The Group fully understands that keeping a close communication with stakeholders is an integral part of the sustainable development of an enterprise. As such, the Group continues to adopt proactive measures to facilitate the close communication with stakeholders. Opinions and anticipation from different stakeholders are collected through different channels for the purpose of assisting the Group in formulating strategy for sustainable development. The diversified methods of participation below are applied by the Group for understanding the anticipation of stakeholders:

Key stakeholders	Areas of concern	Communication methods
Shareholders and investors	• Returns on investment • Information disclosure • Protection of shareholders' interest and equal treatment • Corporate governance system • Business strategy and performance	• Annual general meetings and other shareholders' meetings • Annual reports, announcements and corporate communications • Disclosures on the websites of the Company and the Stock Exchange • E-mails • Meetings with senior management
Clients and suppliers	• Product and service quality • Condition on contract compliance • Genuine cooperation	• Satisfaction surveys • Phone and e-mail communications • Business visits
Employees	• Salary and welfare • Training and development • Health and safety • Protection of employees' interest • Working environment	• Regular meetings • Employee trainings and regular employee activities • Suggestion boxes for employees • Employee representative meetings
Consumers	• Product quality • Pre-sales services • After-sales services • Protection of consumers' interest	• Company website • Customer service center • Client satisfaction surveys • Phone and e-mail communications
Government	• Compliance with laws and regulations • Implementation of policies • Social welfare	• Consultations and visits • Meetings • Annual and interim reports
Media	• Corporate governance system • Community investment	• Company website • Meetings with media • Forums

MATERIALITY ASSESSMENT

The ESG leading group and staff from key functions of the execution rank of the Group participate in the preparation of the environmental, social and governance report. They assist the Group in reviewing business, identifying key environmental, social and governance issues, and assessing the materiality of such issues to the business and stakeholders of the Group. Through understanding the key environmental, social and governance issues that are material to the business of the Group, the Group has adopted the principle of materiality in the ESG Report. All the key environmental, social and governance issues and the key performance indicators (the "**KPIs**") have been reported in this report as suggested in the ESG Reporting Guide.

The Group has assessed the significance and materiality of the environmental, social and governance aspects through the following steps:

Step 1: Identification — Identifying material issues

- Through reviewing the Sustainable Development Goals: 17 Goals to Transform our World (SDGs) duly approved by the United Nations in September 2015, the Group identifies the relevant environmental, social and governance aspects.

- Through internal discussion among the management and by referencing the suggestion contained in the ESG Reporting Guide, environmental, social and governance issues are determined based on the significance of each environmental, social and governance aspect to the Group.

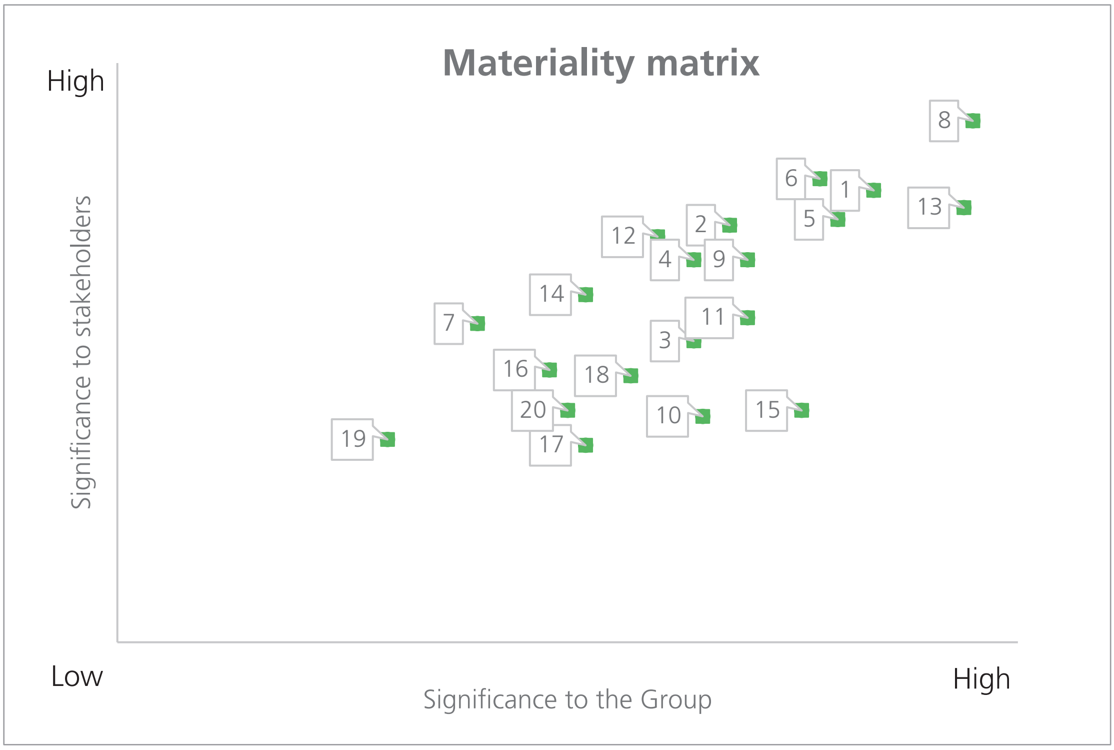
Step 2: Sorting — Stakeholder engagement

- The Group invites internal and external stakeholders to rate and comment on each environmental, social and governance issue through questionnaire.

Step 3: Confirmation — Determining issues with significance

- Based on the discussion with key stakeholders and the internal discussion among the management, the management of the Group ensures that every environmental, social and governance aspect that is critical and significant to the business development is reported and complied with the ESG Reporting Guide.

Significant environmental, social and governance issues of the Group are summarised in the following matrix:



The following five significant issues are identified in accordance with the scoring results from the stakeholder survey:

Number	Issue
1	Air pollutants and greenhouse gas emission management
5	Supply chain management
6	Business strategy and performance
8	Quality inspection on products
13	Employee benefit

TABLE OF ISSUES

Environmental protection and green operation	Operation management	Products and services	Quality on working environment	Social contribution
1. Air pollutants and greenhouse gas emission management 2. Water discharge and waste management 3. Management on water consumption 4. Other energy management (including packaging materials, paper consumption)	5. Supply chain management 6. Business strategy and performance 7. Anti-corruption system	8. Quality inspection on products 9. Protection of intellectual property rights 10. After-sales services of products 11. Protection of privacy of clients	12. Employment practices (including procedures on recruitment, promotion and dismissal) 13. Employee benefit (including remuneration, number of working hours, holiday and welfare) 14. Occupational safety and health 15. Development and training 16. Prevention of child and forced labour 17. Diversification and equal opportunities with anti-discrimination 18. Green working environment	19. Participation in volunteer activity 20. Charity donation

The Group implemented the above procedures during the reporting period, and significant areas of environmental, social and governance have been discussed in this report.

A. ENVIRONMENTAL

A1. Emissions

Policies relating to exhaust gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste

Environmental protection has become one of the important standards for measuring the operation and management level of the Group. The Group continued to push forward its plans such as "lean production" and "clean production", and through optimising its production process, upgrading its machinery and equipment and eliminating its obsolete production capacity, the Group continued to improve its efficiency of energy use and reduce emissions, so as to facilitate the sustainable development and enhance the environmental performance of the business.

During the reporting period, the Group continued to push forward its "lean production" plan, including: (i) continuously carrying out the joint coordination system of production and sales, and efficiently coordinating the sales forecast and production plan; (ii) achieving centralised production, formulating production cycle and production plan through the production scheduling system, arranging small orders for centralised production, directly reducing single or small-process production arrangements in multiple periods, and improving production efficiency to reduce emissions; and (iii) efficiently coordinating with each department and workshop by the production department to centralise the use of water, electricity and gas to improve energy efficiency. The other functional departments effectively ensured the materials used in production by facilitating the material procurement plan, timely inspection and acceptance, and arranging materials preparation in advance, and ensured that the production plan was carried out efficiently through the normal operation of equipment in a timely manner by adopting the procurement plan of spare parts and the equipment maintenance plan. The Group was also committed to educating its employees to enhance their awareness of environmental protection and to comply with the relevant environmental laws and regulations.

During the reporting period, the Group was not aware of any serious violations of environment-related laws and regulations that have a significant impact on the Group. The environment-related laws and regulations include but are not limited to the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Cleaner Production Promotion Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, and the Integrated Emission Standard of Air Pollutants.

Key performance indicator

1. *Exhaust gas emission*

The industrial exhaust gas generated during the production process of products, the heating boiler and the oily fumes from staff canteen are the main sources of exhaust gas produced by the Group. The Group has adopted various measures to reduce its exhaust gas emission, including but not limited to:

1) exhaust gas generated during the production process are filtered by using dust removal equipment in production workshops;

2) low nitrogen combustion is maintained for the heating boiler, the inlet water temperature for normal heating is controlled stably at around 40 degrees celsius during daytime, while during the period without production arrangement, the boiler is operated in low temperature, and the inlet water temperature is controlled at around 25 degrees celsius; and

3) oily fumes from staff canteen are emitted through the professional purification device after treatment.

Types of exhaust gas	Units	For the year ended 31 December 2023	For the year ended 31 December 2022
Nitrogen oxides	kg	112.67	134.00
Sulfur oxides	kg	2.94	3.50
Industrial exhaust gas	m^3	820,933.00	978,697.00
Intensity of industrial exhaust gas[Note 1]	m^3/million revenue	1,512.13	1,221.39

Note 1: Calculated based on the revenue of the Group of RMB801.3 million in 2022 and RMB542.9 million in 2023. Same below.

Compared to 2022, the Group's exhaust gas emissions decreased in 2023, mainly due to the more refined management and flexible control of boiler temperatures in accordance with weather conditions, which reduced the consumption of natural gas during the year and, in turn, reduced the exhaust gas emissions.

2. *Greenhouse gas emission*

The Group emits greenhouse gas mainly during its daily activities, such as fuel consumed by vehicles, natural gas consumed during the operation of staff canteen (scope one), electricity bought from external sources (scope two), etc. The Group has adopted the following measures during its daily operation to reduce greenhouse gas emission, including but not limited to:

1) regularly inspecting and maintaining the purification device for oily fumes in canteen to ensure its efficient operation;

2) flexibly controlling the outlet water temperature of the heating boiler; and

3) strictly controlling the use of vehicles to minimise the unnecessary usage and wastage.

Indicators		Units	For the year ended 31 December 2023	For the year ended 31 December 2022
Scope one: direct emission	Amount of emission of greenhouse gas	tCO_2e	356.37	404.98
	Greenhouse gas emission intensity	tCO_2e/million revenue	0.66	0.51
Scope two: indirect emission	Amount of emission of greenhouse gas	tCO_2e	1,331.90	1,382.80
	Greenhouse gas emission intensity	tCO_2e/million revenue	2.45	1.73

Compared to 2022, the Group's direct greenhouse gas emissions decreased in 2023 due to the reduction in annual electricity and natural gas consumption, resulting in a decrease in greenhouse gas emissions.

3. *Hazardous and non-hazardous waste*

The Group's wastes are mainly generated from its production workshops, offices, staff canteens and laboratories, which are mainly scrapped raw materials and non-hazardous wastes such as damaged packaging materials, office wastes and after-meal wastes, as well as a small amount of hazardous wastes such as laboratory testing reagents and those substances generated during the pharmaceutical production.

The Group has adopted the following measures to reduce the emission of wastes and hazardous substances:

1) counting the number of people for meal accurately that meals are prepared by staff canteen in accordance with the actual meal consumption, and staff are encouraged to take food for a number of turns, with less quantity of food in each turn, to eliminate wastage;

2) encouraging staff to work paperless, use both sides of paper, recycle double-sided printed paper and use reusable cups and tableware to reduce the amount of waste generated in office operation;

3) promoting waste classification by setting up various recycling bins with different waste classification labels in its offices and production areas;

4) strengthening the reuse of packaging materials such as cartons in order to advocate resource conservation;

5) separating hazardous waste for collection and storage, strengthening daily management and maintenance for equipment and facility at storage to avoid the leakage of hazardous waste; and

6) entering into waste transportation and disposal contracts with qualified third party companies for the unified collection and disposal of waste, and strictly implementing waste transferal procedure.

Indicators		Units	For the year ended 31 December 2023	For the year ended 31 December 2022
Hazardous waste	Total emissions	T	10.35	20.72
	Emission intensity	T/million revenue	0.02	0.03
Non-hazardous waste	Total emissions	T	140	140
	Emission intensity	T/million revenue	0.26	0.17

4. *Sewage management*

The Group's sewage is mainly generated from product production and daily office operation. The sewage is discharged to special sewage treatment companies through municipal pipeline network for centralised sewage treatment, ensuring the compliant treatment of sewage.

The Group has adopted various measures to reduce sewage discharge and ensure that the sewage treatment meets the requirement:

1) conducting regular inspections on the sewage discharge equipment to avoid leakage of sewage;

2) promoting the "multi-use of water" plan by improving the recycling and reuse of water resources; and

3) organising environmental protection and energy conservation production trainings regularly to improve its employees' operational skills and environmental awareness.

A2. Use of Resources

Policies on efficient use of resources

The Group fully understands the importance of efficient use of resources, energy saving and emission reduction management to sustainable development. The Group has formulated the policies and procedures relating to the use of resources, in order to enhance the efficiency on use of energy and water resources and reduce unnecessary use of resources. The Group implements "4R" strategy on use of resources, which focuses on "replace, reuse, reduce and recycle". The Group also reminds its staff to implement 4R strategy throughout the entire operational process of the Group, make every effort in resource conservation, and minimise the ecological footprint related to our consumption of resources.

Key performance indicator

1. Energy consumption and management

The energy consumed by the Group is mainly electricity, natural gas and fuel. The Group has minimised the impact of the operation on the environment through identifying and applying suitable measures. The Group has formulated energy policies, measures and practices to further minimise the energy consumption:

1) purchasing equipment and machinery with high energy efficiency when replacing equipment;

2) encouraging staff to use public transportation when travelling, and the capacity of vehicles shall be fully leveraged to its greatest extent;

3) posting notice near the switches and electrical appliances, in order to remind employees to reduce electricity consumption; and

4) expressly requiring staff to switch off all electrical appliances in idle and unnecessary lighting when leaving office, and executives will carry out inspection everyday to ensure that the electrical appliances in idle are switched off.

Indicators		Units	For the year ended 31 December 2023	For the year ended 31 December 2022
Electricity	Total consumption	kWh	1,493,900.00	1,557,700.00
	Total consumption intensity	kWh/million revenue	2,751.70	1,943.97
Natural Gas	Total consumption	m^3	60,252.00	71,831.00
	Total consumption intensity	m^3/million revenue	110.98	89.64
Fuel	Total consumption	L	38,118.00	48,610.00
	Total consumption intensity	L/million revenue	70.21	60.66

Compared to 2022, the Group's electricity consumption decreased in 2023 due to the decrease in the production volume of products, resulting in a decrease in energy consumption.

2. *Water consumption and management*

Apart from energy conservation, the Group makes every effort to cultivate a culture of water conservation with staff together. Unnecessary water resource consumption is reduced by adopting the relevant measures, including: (i) adopting the "multi-use of water" system; (ii) fixing the bathing time for staff, and measuring the amount of bathing water consumed by tapping card; and (iii) installing separate water meter in each water consumption unit for separate measurement. The Group will also conduct regular inspections on the water consumption equipment to avoid leakage and wastage.

Through the implementation of strict policy, each department of the Group formulates water conversation measures by integrating the actual operational condition, which include upgrading and retrofitting water consumption equipment, placing emphasis on the daily repair and maintenance of water consumption equipment, in order to strengthen the conservation and management on water resources. The Group relies on water supply from the government, and has no and does not expect to encounter problems in sourcing water in its operation.

Indicators	Units	For the year ended 31 December 2023	For the year ended 31 December 2022
Water consumption	T	15,068.00	15,968.00
Water consumption intensity	T/million revenue	27.75	19.93

Compared to 2022, the Group's water consumption decreased in 2023 due to the decrease in water consumption caused by the decrease in production volume of products.

3. *Packaging materials*

The packaging materials consumed by the Group during its production are mainly cartons, packaging boxes, iron boxes, and PE films. The Group continuously regulates the management of packaging material procurement, warehousing after inspection and acceptance, production material collection and usage and recycling so as to reduce consumption of packaging materials. Through measures such as upgrading and transforming production line equipment, repairing and maintaining packaging equipment regularly, promoting machine automation and recycling of outer packaging boxes, the Group has achieved its dual management goals of improving production efficiency and reducing the damage rate of packaging materials. The Group also holds regular operational training for staff in order to minimise the consumption of packaging materials caused by abnormal or unfamiliar operation. It no longer provides the manual inside the packaging boxes of therapeutic teas in order to minimise the consumption of paper packaging materials.

Indicators	Units	For the year ended 31 December 2023	For the year ended 31 December 2022
Packaging materials	T	585.00	613.00
Packaging material intensity	T/million revenue	1.08	0.77

Environmental goals

Through the measures for minimising impacts on the environment described in sections A1. Emissions and A2. Use of Resources, the Group controls the emission of exhaust gas and greenhouse gas, and minimises the generation of hazardous and non-hazardous wastes, thus achieving the continuous commitment on environmental protection.

The Group has set certain goals for the financial year ending 31 December 2024 ("**Year 2024**"), which constitute a target plan that lasts for three years.

The table below summarizes the sustainable development goals that are planning to be achieved by the Group by Year 2024. The Group will continue to review the progress of the goals set in every reporting period before Year 2024, and will strive for achieving the goals set continuously.

Key performance indicators for environment	Goals on emission reduction	Benchmark year	Status
Exhaust gas emission intensity	A 3% decrease in exhaust gas emission intensity for 2024 as compared to 2021	2021	In progress
Greenhouse gas emission intensity	A 3% decrease in greenhouse gas emission intensity for 2024 as compared to 2021	2021	In progress
Intensity of hazardous wastes generated	A 3% decrease in intensity of hazardous wastes generated for 2024 as compared to 2021	2021	In progress
Intensity of non-hazardous wastes generated	A 2% decrease in intensity of non-hazardous wastes generated for 2024 as compared to 2021	2021	In progress
Energy consumption (electricity) intensity	A 2% decrease in electricity consumption intensity for 2024 as compared to 2021	2021	In progress
Energy consumption (natural gas) intensity	A 2% decrease in natural gas consumption intensity for 2024 as compared to 2021	2021	In progress
Energy consumption (fuel) intensity	A 3% decrease in fuel consumption intensity for 2024 as compared to 2021	2021	In progress
Water resource consumption intensity	A 1% decrease in water consumption intensity for 2024 as compared to 2021	2021	In progress

A3. The Environment and Natural Resources

Policies on minimising the Group's significant impacts on the environment and natural resources

The Group devotes itself to contributing to environmental protection, and minimising the impact of its business activity on environment. The Group assesses the environmental risk of its business model regularly, and minimises the direct or indirect impacts on environment and natural resources through policy management, which includes (i) ensuring its business operation complying with the environmental laws and regulations of the PRC; (ii) monitoring and minimising the emission of air pollutants and greenhouse gas, and the generation of hazardous and non-hazardous wastes; and (iii) making every effort in its daily business operation to conserve energy, water and other raw materials.

The Group continues to carry out a number of promotional activities to strengthen the awareness on environmental protection of its employees, including (i) a comprehensive promotion on environmental protection and waste management is being carried out in workplace; (ii) sufficient and suitable labels of environmental protection management are being posted and staff are being encouraged to participate in environmental protection activities; and (iii) the operational management rationale of "Green office and low-carbon lifestyle" is being advocated, and the smart office is vigorously promoted by adopting various systems, including OA system, cloud home system, and video conference system to reduce energy consumption.

Key performance indicator

Due to the continuous production and operation activities, the indirect emission of greenhouse gases resulting from significant consumption of electricity and natural gas may have an impact on the environment and natural resources. The Group is committed to adopting and implementing policies on minimising the significant impacts on the environment and natural resources set out in the environmental, social and governance report, so as to ensure the protection of environment and natural resources.

A4. Climate Change

Policies on identification and mitigation of significant climate-related issues

Climate change is a global issue faced by mankind. In September 2020, China announced to the world the long-term goal of achieving carbon peak by 2030 and carbon neutrality by 2060 at the United Nations General Assembly. It will also actively respond to climate change as an important direction in the national "14th Five-Year Plan". The Group believes that energy conservation, emission reduction, consumption reduction and carbon reduction will inevitably become a new development direction for enterprises, bringing new challenges and opportunities.

The Group will review its environmental protection policies from time to time, hold discussion on new environmental, social and governance issues and climate-related risks, and carry out effective governance over the integration of and solution to environmental, social and governance issues (including climate change) within our business scope. The Group pays close attention to changes in relevant laws and regulations, which have significant impact on our operational and environmental protection policies, identifies the risk and opportunity related to climate change, and explores measures in addressing climate change and new knowledge and technology that can provide assistance to our measures on environmental protection. The Group prioritises identified risks based on their potential impact on or relevance to business development, and accordingly adjusts and updates business contingency plans to improve business stability.

Key performance indicator

Physical risks

Extreme weather like flooding and storm is very common in recent years, and it can cause gridlock and severe disruption to transportation and road system, shortage of water or other resources, and ultimately results in disruption or even halt to business, or cause the Group to face risks relating to non-performance and delay in performance. In order to minimise the potential risks and damages, the Group has flexible working arrangement and preventive measures in place under bad or extreme weather conditions.

The following measures are adopted by the Group to minimise the climate-related risks of its business operation: (i) keeping close communication with suppliers to formulate contingency plan together, in order to prevent the disruption of supply chain or other problems; (ii) continuously expanding the supplier base so that the Group could procure from alternative suppliers if a supplier is being affected by extreme weather conditions; and (iii) since electricity consumption may increase under prolonged high temperature, leading to an increase in operational cost, the Group has implemented zonal lighting control and used energy-saving lightings in the office, and posted notices on energy conservation to remind employees to switch off electrical appliances in idle. Extreme weather conditions and earthquake may affect our properties and operation, thus the Group has formulated internal safety guidelines for employees to address major disasters and emergencies correctly, and such guidelines are being reviewed and improved regularly.

Transitional risks

More stringent laws and regulations on environment may expose enterprises to greater risks on claim and litigation. The reputation of an enterprise may also be downgraded if it fails to fulfil the compliance requirement related to climate change. To address policy, legal and reputational risks, the Group regularly monitors the existing and newly emerged trends, policies and regulations related to climate, and is well-prepared to remind the management when necessary, in order to avoid the increase in cost, paying the penalty for violating regulation, or the reputational risk arising from our delay in response.

B. SOCIAL

B1. Employment

Recruitment, promotion and dismissal

The Group devotes to providing a working environment that staff are being respected and satisfied with. The Group complies with the Employment Ordinance and the Mandatory Provident Fund Schemes Ordinance of Hong Kong, the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Employment Promotion Law of the People's Republic of China, and other relevant labour laws and regulations. Recruitment, probation, promotion, award, penalty and welfare are being carried out according to the principles of fairness and justice. All staff are provided with the Staff Manual on entry which sets out the policies of our employment terms, remuneration package, number of working hours, rest period and holiday, termination of employment, confidentiality, etc.

A recruitment management system is set up by the Group, and the principle of openness and fairness is adhered to during the recruitment process. Staff are recruited by the Group through professional headhunting companies, recruitment websites, job fairs, etc. Assessment on candidates has been carried out based on the candidate's suitability to the post, working experience, working skills and ability, but not their ethnics, gender, religion, marital status, etc.

The Group has formulated the Staff Promotion Management System to offer promotion and development opportunities to outstanding employees through an open and fair system of assessment, in order to explore the potentials of employees. Annual review on employee's performance is held by the Group and employees are provided with an opportunity to discuss their performance and career development with their supervisors. Results on performance review are used to review the remuneration of employees and for considering their promotion.

The Group does not tolerate any unreasonable dismissal, and the termination of any employment contract should be made on a reasonable and legal basis. The Group handles dismissal in accordance with the standard procedure under the relevant labour laws, and will provide reasonable compensation to staff being dismissed. The provisions related to the termination of employment relationship are contained in the employment contracts with each staff member.

Work-life balance

The Group has always been committed to creating a balanced environment between work and life, and has formulated policies in compliance with the relevant regulations to manage the working hours and holiday of employees. The Group has developed standardised working hour system (7.5 working hours per day) and flexible working system for its employees in different positions, and has ensured that its employees have adequate entitlements to annual leave, compensatory leave, personal leave, sick leave, marriage leave, maternity leave, compassionate leave, nursing leave, breastfeeding leave and various national statutory holidays.

Policies on remuneration and welfare

The Group provides competitive remuneration to employees, including but not limited to basic salary, performance-based bonus, piece-rated salary, incentive package and profit sharing, while the remuneration and promotion are being linked to the competence in working and performance. Each department grants "white list" incentives and provides reasonable promotion opportunities and bonuses in accordance with the contribution to business from staff.

The Group strictly complies with the national social insurance policy to contribute to social insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance, housing provident fund, pension, etc. In addition, meal subsidy, travel subsidy, high temperature subsidy, festival welfare fund, team building, body check, birthday party and other welfare are provided to employees in order to enhance their cohesion.

Equal opportunity, policies on diversification and anti-discrimination

The Group regards staff as its most valuable and core asset, and high-calibre talents are recruited in accordance with the fair employment principles with fairness, justice and openness, so as to develop a talent pool for the business operation of the Group. Discrimination by nationality, age, gender, religion, disability, marital status or any other forms is prohibited by the Group, and the Group has zero tolerance for any discriminatory behaviour. The Group ensures that its employees can succeed and grow in a working environment that promotes diversity and inclusion.

Key performance indicator

1. *Total number of workers*

For the year ended 31 December 2023, the total number of workers by gender, employment type, age group and region are as follows:

		For the year ended 31 December 2023 (Number of people)
Gender	— Male	88
	— Female	91
Employment type	— Full-time	179
	— Part-time	0
Age group	— Below 30	22
	— 30 to 50	118
	— Above 50	39
Region	— Hong Kong	4
	— Mainland	175

2. *Employee turnover rate*[Note 2]

For the year ended 31 December 2023, the employee turnover rates by gender, age group and region are as follows:

		For the year ended 31 December 2023 (%)
Gender	— Male	122.29%
	— Female	118.57%
Age group	— Below 30	168.49%
	— 30 to 50	115.33%
	— Above 50	66.51%
Region	— Hong Kong	0.00%
	— Mainland	121.18%

Note 2: Employee turnover rate = Number of resigned employees in a category/monthly average number of employees in that category for the 12 months ended 31 December 2023 × 100%.

B2. Health and Safety

The Group devotes to providing a safe, happy and healthy working environment to its employees. The Group strictly complies with the laws and regulations including the Production Safety Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases. The Group has formulated and issued the Occupational Safety and Health Guideline to create a safe working environment and to protect employees from occupational hazards.

The Group has formulated safety measures such as the Management Measures for Production Safety and the Accountability System for Production Safety for the daily production activity and addressing emergency. Safety supervisor monitors each stage of production process to ensure such measures are being complied with. The Group regularly inspects the production machinery and equipment to identify the potential safety hazards. In the meantime, through regular internal safety training, the Group actively enhances the occupational safety awareness of its employees. The Group plans its office layout in accordance with the relevant safety requirements to ensure no blockage to fire escape route and the office being kept clean regularly.

Key performance indicator

1. Number and rate of work-related fatalities and lost days due to work injury

	For the year ended 31 December 2023	For the year ended 31 December 2022	For the year ended 31 December 2021
Number of work-related fatalities	0	0	0
Rate of work-related fatalities	0%	0%	0%
Lost days due to work injury	0	0	0

2. Occupational health and safety measures

The Group advocates the idea of "work-life balance" and provides care to staff on health, welfare and continuous education. The Group has also appointed an environment, health and safety officer (the "**EHS Officer**") who is responsible for maintaining a clear communication between senior management and employees. In addition, the EHS Officer is responsible for overseeing the Group's environment, health and safety goals and employee safety and for identifying any potential hazard that may emerge during the daily operating procedures. During the reporting period, the EHS Officer was not aware of any adverse issues that would affect the Group's EHS and employee safety. The Group also provides a medical insurance plan to its employees to protect their health and safety.

B3. Development and Training

Skills and knowledge of employees are essential to the continuous growth and success of the business of the Group. By encouraging employees to participate in training courses, the Group pays effort to enhance the working performance, individual development and promotion opportunity of employees. The Group provides induction training to all new employees, as well as regular on-the-job training to all the employees of the Group. The induction training covers the corporate culture, code of conduct for all staff, corporate management policy, etc. The on-the-job training includes the business knowledge and skills required for the designated position, and aims to enhance the working performance of employees. The Group also encourages its employees to join suitable external training courses or seminars that relate to their working responsibility during office hours. If employees are taking an external examination related to their working responsibility, they may be granted a day off on the examination day. The Group makes every effort to ensure that all employees comply with the relevant job requirements in terms of education, training, skills and working experience.

Key performance indicator

1. *Percentage of employees trained[Note 3]*

		For the year ended 31 December 2023 (%)
Gender	— Male	53.27%
	— Female	45.31%
Employee category	— Senior management	5.80%
	— Middle management	27.70%
	— Junior employees	73.70%

Note 3: Percentage of employees trained = Number of employees trained in a category ÷ total number of employees trained × 100%.

2. *Average training hours completed per employee*

		For the year ended 31 December 2023 (hours)
Gender	— Male	142
	— Female	136
Employee category	— Senior management	64
	— Middle management	108
	— Junior employees	124

B4. Labour Standards

The Group strictly complies with the Employment Ordinance (Cap. 57 of the laws of Hong Kong), the Regulations on Labour Security Supervision issued by the State Council of the PRC and the relevant laws and regulations in order to eliminate child and forced labour. It is the rule of the Group that the age of employee must meet the minimum statutory working age requirement, and the candidate must provide academic certification and documentation of working experience for verification. Candidate who is suspected of providing false academic certification and working experience will not be recruited.

Key performance indicator

Avoid child and forced labour

The recruitment procedures of the Group must comply with the strict internal verification procedures, which include verifying the identity documentation of candidate, in order to ensure that the age of candidate meets the legal requirement. The Group prohibits the employment of child and forced labour, and during the reporting period, all the employees attained 18 years of age. If any non-compliance is found, the Group will immediately make rectifications to ensure compliance operations. During the reporting period, the Group was not aware of any non-compliance of laws and regulations related to recruitment of child and forced labour.

B5. Supply Chain Management

Suppliers' ability to fulfill the contract and the safety of materials supplied have a significant impact on the sustainable development of the Group. The Group has formulated its management guidance including the Supplier Management Procedures, the Procurement Management Measures, the List of Qualified Suppliers and the Supplier File Management Procedures, and has established a mature mechanism on procurement and bidding. The Group carries out strict appraisal and control over different aspects of suppliers, including their production capability, product quality and stability in product supply. The Group also carries out random quality inspection and performs tracking and recording on products supplied, in order to maintain a high-level supply chain management.

In order to promote the sustainable development of supply chain, the Group attaches great importance to the environmental risks and integrity operation of suppliers, assists suppliers in fulfilling their responsibilities and promotes the common progress of suppliers with the Group, including: (i) conducting environmental assessment during the supplier review process, requiring suppliers to make improvement commitments in areas such as reduction of packaging materials, energy conservation and emission reduction, chemical management, and product transportation; and (ii) putting forward integrity requirements and conducting disciplinary management on the integrity operation of suppliers, requiring suppliers to sign integrity clauses, including integrity and self-discipline and integrity operation, and strictly prohibiting any bribery in the procurement process.

Key performance indicator

1. *Suppliers by geographical region*

   For the year ended 31 December 2023, the Group made procurement from a total of 68 suppliers located in 14 provinces and 3 municipalities in China, of which 10 are located in Guangdong Province, seven from Zhejiang Province, eight from Anhui Province, seven from Jiangsu Province, three from Fujian Province, one from Henan Province, six from Hebei Province, five from Shandong Province, two from Hainan Province, three from Hubei Province, one from Jiangxi Province, one from Shanxi Province, two from Shaanxi Province, one from Yunnan Province, two from Shanghai, two from Tianjin and seven from Beijing.

2. *Practices relating to supplier engagement*

   The Group implements supplier management in strict accordance with the Supplier Management Procedures. It strictly examines each license and qualification of all suppliers before engaging, which includes production license, business license, qualification standard and quality control system. The Group regards the sustainability commitment of all suppliers as an important factor for consideration, and strongly emphasises their ability to adopt effective measures in reducing the adverse impacts of operation on the society and environment. The Group closely monitors the performance of all existing suppliers, and strict assessment is done on their performance in performing the liabilities under procurement contract, including cost, quality of product and service, delivery time, and stability in product supply. The Group also carries out irregular supervision and random inspection on the production or service process of all existing suppliers. Suppliers who failed to meet the standard will be disqualified, and claims will be made to any loss arising from failing in performing the contract.

3. *Practices used to identify environmental and social risks along the supply chain*

The Group assesses the environmental and social risks of its suppliers on an annual basis. Qualifications of suppliers like environmental impact assessment report and pollutant discharge permit are rigid qualifications for the Group in selecting suppliers, whereas industry-related requirements such as environmental system certification and safety production license are considered as supporting qualifications. The Group regularly monitors the environmental conditions of suppliers, including the sanitary condition of the production zone, the transfer and disposal of garbage produced, the maintenance and usage conditions of dangerous chemical goods, the recycle and disposal of waste, while their social conditions, including the award and penalty from industry and commerce administrative department, taxation and indebtedness condition and litigation, are also being regularly reviewed.

4. *Practices used to promote environmentally friendly products and services when selecting suppliers*

The Group supports the purchase of environmentally friendly products in order to minimise the impact caused by business operation on the environment. The Group keeps close communication with suppliers through teleconferencing, site visit and e-mail, to ensure that they meet the Group's environmental standards in all aspects. The Group also concerns about the environmental protection awareness of its suppliers, and promotes good environmental protection performance and governance measures among its suppliers. For products that fulfil the relevant condition, the Group will suggest suppliers to use packaging materials that are environmentally friendly, degradable and recyclable.

B6. Product Responsibility

Maintaining product safety and service quality is crucial to the sustainable development of the Group. The Group strictly complies with the requirements of relevant laws and regulations such as the Food Safety Law of the People's Republic of China and the Drug Administration Law of the People's Republic of China, and has formulated different standards, mechanisms for quality inspection and management for products, in order to ensure that its products fulfil the quality requirement. The Group also implements the Service Quality Management Mechanism to enhance the service quality by providing training to its employees, monitoring the progress and formulating action plan.

The Group strictly complies with the relevant policies and regulations such as the Advertising Law of the People's Republic of China and the Interim Measures for the Administration of Internet Advertisements, to ensure all relevant marketing and promotion complying with all relevant laws and regulations formulated by government and the industry. The Group forms a designated department and its personnel are responsible for reviewing the information to be disseminated in advertisement, and eliminating any exaggerated and untrue promotional information. The Group regulates the choice of words in advertisement and prohibits any information that is deceptive or misleading to consumers in the advertisement. If there is any complaint from client, the Group will address and investigate in time, thus ensuring the continuous enhancement in satisfaction from client to our service and product quality. During the reporting period, the Group was not aware of any violation of laws and regulations on advertisement, label and privacy that is related to product and service provided, which have significant impact on the Group.

Key performance indicator

1. *Products sold or shipped subject to recalls for safety and health reasons*

   During the reporting period, the Group had no products shipped subject to recalls for safety and health reasons.

2. *Product and service related complaints*

   The Group has established a professional customer services centre and set up a consumer consultation hotline, as well as formulated and strictly implemented the Consumer Complaint Management System to ensure that consumers can enjoy the rights under the Law of the People's Republic of China on the Protection of Consumer Rights and Interests and other applicable laws.

   The Consumer Complaint Management System explicitly sets out procedures and measures on handling complaint, in order to ensure that complaints can be accepted, communicated, handled and tracked in a timely manner, and to prevent such issues to occur again. If it is confirmed that complaint related to product quality is caused by supplier, the Group will terminate the relevant agreement with such supplier, and may take suitable legal action if necessary.

   During the reporting period, no material complaint and litigation on product quality and service against the Group arose. A total of 2 complaints from consumers were received by the 400 consumer consultation hotlines, and such complaints were mainly related to logistics express delivery time and packaging damage. For complaints related to express delivery time, the customer service team proactively communicated with consumers through WeChat, and a certain amount of compensation was provided. For complaints related to packaging damage, the customer service team replaced well-packaged products in a timely manner.

3. *Practices relating to observing and protecting intellectual property rights*

   The Group sets up and protects intellectual property rights, and has registered a number of brands and trademarks. The Group strictly complies with the relevant laws and regulations, including the Trademark Law of the People's Republic of China, the Copyright Law of the People's Republic of China and the Patent Law of the People's Republic of China, and has formulated and implemented systems like the Intellectual Property Rights Management Approach, the Measures for Trademark Management and the Measures for Patent Management. The Group has formulated clear management procedures on the application, renewal, licensing management and use of licensing of trademark, and the use of trademark must pass a prescribed process for review and a written agreement must be signed. Licensees are required to use the trademark only in the scope authorised in the agreement. If any intellectual property right infringement is found, the Group will take legal action in a timely manner. In addition, the Group holds the promotion for common legal knowledge and training in relation to intellectual property rights, such that the legal knowledge on using and protecting intellectual property rights of staff is enhanced.

4. *Quality assurance processes and recall procedures*

The Group insists on providing quality products, and devotes to reducing or preventing product quality problem. The Group has formulated systems and regulations on management and control related to quality standard and inspection for raw and other materials, packaging materials, semi-finished products and finished products, while the quality inspection process is strictly implemented so as to reduce the risk of unqualified products. The Group inspects and examines laboratory equipment every year, and organises inspection training for laboratory personnel, so as to ensure the accuracy of results on inspection and examination. In the meantime, the Group implements a strict product inspection system, inspection record and delivery inspection report, and samples from each batch of products delivered are kept for tracking and inspection in the future.

The Group establishes and implements the Return and Replacement Management System, which uniformly recalls the sub-standard products, unqualifiedly packaged products, near-expiration (including expired) and unsaleable products. Each business division submits the return application for products that fulfil return requirement, and the sales management department is responsible for reviewing and approving the documentation for product return. After the return procedures are approved, the products shall be returned to the factory for centralised scrap disposal, so as to prevent the circulation and sale of defective products in the market.

5. *Consumer data protection and privacy policies*

The Group strictly complies with the relevant laws and regulations including the Cybersecurity Law of the People's Republic of China and the Provisions on the Protection of Personal Information of Telecommunication and Internet Users, and has formulated the Administrative Measures for Protection of User Information Security to set up strict management process on personal information of consumer collected, in order to ensure that such personal information will not be disclosed. The Group explains to consumers on how personal information is collected and used, how technologies like Cookie, Beacon, Proxy are used, in order to provide a transparent privacy policy and way of protection, paving a way for the implementation and monitoring of privacy protection policy.

B7. Anti-corruption

The Group emphasises incorruptible and honest corporate environment, and devotes to preventing any form of corruptive behaviours, as well as holds a zero tolerance stand towards such behaviours. The Group strictly complies with the laws and regulations related to corruption, bribery, extortion and money laundering, including the Criminal Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China and the Interim Provisions on Banning Commercial Bribery. The Group continuously improves its management policies and controlling measures related to anti-bribery, extortion, deception, and money laundering in accordance with the latest related laws and regulations, and formulated the anti-corruption system. Such system summarises principles of ethic and compliance, and the relevant rule-breaking behaviours, the management responsibility and penalty of relevant departments are listed to regulate principles that should be abided by during daily operation. The Group also sets out in detail the terms of integrity, anti-fraud and anti-corruption and the corresponding punishment measures for violating the provisions in the Staff Manual. Each employee is given the Staff Manual and is required to strictly accept the relevant integrity provisions.

Employees are not allowed to directly or indirectly receive any commission, rebate, monitoring fee, gift, money or other forms of benefits from any person, company or organisation who is a party to the transaction with the Group. For employees who receive or seek for any improper benefits without permission, the Group will take disciplinary action against them or report to related judiciary or regulatory authority. The Group also implements a whistle-blowing policy to encourage staff to report any money laundering, bribery and rule-breaking behaviour to Chairman.

Key performance indicator

1. *Integrity-related system*

   In order to convey strict anti-corruption and anti-fraud requirements to employees, the Group has implemented a series of measures to achieve the goal of integrity, including formulating anti-fraud related integrity systems, clearly setting out anti-fraud and anti-corruption clauses in the Staff Manual, and regularly implementing anti-fraud system training and other measures. The Group advocates a corporate culture of integrity, and requires employees to abide by the legal supervision of regulatory authorities, strictly abide by the laws and regulations on anti-commercial bribery, and consciously safeguard the legitimate interests of the Company. The Group advocates employees to consciously resist fraud, enhances their awareness of fraud prevention, encourages and protects employees to report illegal, non-compliance and dishonest behaviours within the Company, so as to effectively prevent fraud. During the reporting period, no concluded case of corruption against the Group or its employees is discovered or reported.

2. *Whistle-blowing procedures*

   The Group has formulated the Whistle-blowing Management System, and has established the reporting hotlines and reporting mailboxes to encourage employees to report any suspected corruption and fraudulent behaviours in an anonymous manner. The Group will make every effort in adopting every feasible measure to protect the identity of the whistle blower. During the reporting period, the Group strengthened the safety management measures for the reporting hotlines and reporting mailboxes, strictly separated the responsibilities of reporting information management and reporting investigation, and performed strict approval procedures for the use of information and files. The Group will investigate the issue in a prudent manner and the management will take appropriate action immediately once any fraudulent case is identified.

3. Anti-corruption training

To ensure a good corporate governance environment, the Group has established the audit committee and has engaged external legal advisers and auditors to review the financial report and statutory disclosure of the Group and to provide their opinions. During the reporting period, the Group provided two training sessions to middle and senior management and one training session on the latest laws and regulations on anti-bribery and corruption to all staff.

B8. Community Investment

The Group devotes to performing its corporate citizenship, and is committed to contributing to the society actively. The Group focuses on stimulating the social responsibility of staff, and encouraging them to participate in any activity that is beneficial to the local community. The Group supports activities that satisfy the demand on community charity, culture, medical, education and other aspects through donation, sponsorship and charity works.

Key performance indicator

Focus areas of contribution and resources contributed

In order to thoroughly implement the spirit of the important speech of General Secretary Xi Jinping and implement the "Opinions on Consolidating and Expanding the Achievements of Poverty Alleviation and Effectively Connecting with Rural Revitalization" issued by the Central Committee of the Communist Party of China and the State Council, the Group continued to actively participate in the special poverty alleviation work of "Ten Thousand Enterprises Help Ten Thousand Villages" and "Ten Thousand Enterprises Revitalize Ten Thousand Villages". Through economic support and industrial support, the Group assisted in pairing with Putaokou Village, Fanjiazhuang Town, Quyang County, Baoding City, Hebei Province, and Yangchanggou Village, Ulanhayesumu Town, Chayouzhongqi County, Inner Mongolia, to help them expand sales channels for agricultural products. At the same time, the Group issued assistance funds to poor families to help the sustainable development of industries in poverty-stricken areas, thereby revitalizing rural vitality and achieving common prosperity. In 2023, the Group 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.

Corporate Governance Report

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 uphold 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.

CORPORATE CULTURE

The Group continues to practice the corporate culture of "innovation, breakthrough and development", adhere to the corporate values of "integrity, pragmatism, efficiency and innovation" and promote business development. At the same time, it is committed to creating a healthy and positive sunshine working culture and atmosphere, improving the enthusiasm and consciousness of employees, enhancing the happiness index and sense of belonging of employees in work and life, and allowing employees to develop together with the Company.

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 securities code to those staff.

BOARD OF DIRECTORS

Composition

As at 31 December 2023, the Board comprises six Directors, including three executive Directors, namely 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 three independent non-executive Directors, namely Mr. He Yuanping, Mr. Shi Xiangxin and Mr. Feng Bing. Biographical details of the Directors are set out under the section headed "Directors and Senior Management Profile" of this annual report on pages 39 to 42.

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.

Mr. Zhao Yihong is the spouse of Ms. Gao Yan. Save as disclosed in this annual report, to the knowledge of the Company, there is no financial, business, family or other material or relevant relationships among members of the Board.

Roles and Responsibilities

The executive Directors are responsible for formulating the business strategies and development plans of the Group, and the senior management are responsible for supervising and executing the plans of the Group. The Company's executive committee is a permanent institution of the Company, which is the highest operation management institution established by the Company to implement the directives and decisions determined by the Board consistently. It is responsible for the planning and implementation of the Company's development strategies and directions. It also reports the corporate and business strategies of the Group to the Board, and formulates detailed implementation plans according to the approval by the Board.

The primary responsibilities of the Chairman are to provide leadership to the Board in setting corporate goals for the Company, to oversee the performance and effectiveness of the Board and to take a lead to ensure that the Board acts in the best interest of the Company and shareholders as a whole.

The primary responsibilities of the executive Directors are to provide leadership for the management of the Company, to take a lead to implement the Company's strategies and to oversee the performance of the management in achieving corporate goals.

The Board plays an important role in corporate governance and is responsible for performing the corporate governance duties set out in the CG Code. All Directors contribute to the Group by sharing their valuable expertise, in-depth knowledge and substantial management experience as well as making impartial judgment on issues discussed at the Board and committee meetings effectively.

Each of the non-executive Director and independent non-executive Directors has entered into an appointment letter with the Company for a term of 3 years and is subject to retirement by rotation and eligible for re-election at least once every 3 years at the annual general meeting of the Company in accordance with article 16.18 of the articles of association of the Company.

The Company has received an annual written confirmation of independence from each of the independent non-executive Directors. The Board considers that all the independent non-executive Directors are independent in accordance with Rule 3.13 of the Listing Rules.

All Directors have full and timely access to all relevant information and briefings on significant legal, regulatory or accounting issues affecting the Group. The Directors are able to seek independent professional advice at the Company's expense under appropriate circumstances and to have separate and independent access to the senior management.

Training

A kit of corporate information and an induction regarding the management, operations and governance practices of the Group and general compliance regulations under the Listing Rules have been provided to all Directors shortly upon their appointments as Directors of the Company. Updates on the amendments of applicable rules and regulations have been given to the Directors from time to time. During the year, Mr. Zhao Yihong, Ms. Gao Yan, Mr. Yu Hongjiang, Mr. He Yuanping, Mr. Shi Xiangxin and Mr. Feng Bing participated in comprehensive trainings on topics including Listing Rules compliance, director's duties, capital raisings, corporate governance and environment, social and governance, etc. by attending training courses conducted by qualified professionals and reading relevant updated materials. Each of the above-mentioned Directors received more than 15 hours of training in 2023. The company secretary, Mr. Yu Hongjiang, received more than 15 hours of professional training in 2023.

Procedures

At least four regular Board meetings have been held by the Company during the year, with additional meetings held as and when required. In respect of each regular meeting, unless less number of days has been consented by all Directors, a notice has been given to all Directors at least 14 days prior to such meeting so as to allow them an opportunity to include matters in the agenda and the Board papers have been sent to all Directors at least 3 days before the meeting. For all other meetings, reasonable notices have been given.

Corporate Governance Responsibilities

The Board is responsible for fulfilling the following corporate governance responsibilities:

- developing and reviewing the Company's corporate governance policies and practices and putting forward recommendations;

- reviewing and monitoring the training and continuing professional development of Directors and senior management;

- reviewing and monitoring the Company's policies and practices regarding compliance with laws and regulatory provisions;

- developing, reviewing and monitoring code of conduct and compliance manual for staff and Directors (if any);

- reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report; and

- developing shareholders communication policy and regularly reviewing the policy to ensure its effectiveness.

Regarding the performance of the aforementioned functions, during the year, the following works, inter alia, were performed by the Board:

(i) reviewed the Corporate Governance Report of the Company for 2022; and

(ii) reviewed the trainings and continuous professional development undertaken by the Directors and senior management.

Board Independence

The Group has multiple mechanisms in place to ensure independent views and input are available to the Board. The Board currently comprises three independent non-executive Directors, all of whom are independent in accordance with Rule 3.13 of the Listing Rules. The independent non-executive Directors contribute to the Group by sharing their valuable expertise, in-depth knowledge and substantial management experience as well as making independent judgment on issues discussed at the Board and committee meetings effectively. Besides, the Directors are able to seek independent professional advice at the Company's expense under appropriate circumstances and to have separate and independent access to the senior management. The Board considers that the implementation of above mechanisms is effective.

COMMITTEES UNDER THE BOARD

Audit Committee

As at 31 December 2023, 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 audited consolidated financial statements 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.

The primary responsibilities of the Audit Committee include:

- monitoring the integrity of the financial statements;
- reviewing the annual report and the interim report;
- monitoring and assessing the risk management and internal control systems (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit, financial reporting and ESG reporting functions);
- reviewing and monitoring the responsibilities of risk management and internal control systems and the effectiveness of the internal audit function;
- monitoring the independence of the external auditor; and

- proposing to the Board the appointment, reappointment or removal of external auditor, and facilitating the communication between the external auditor and the internal audit function.

In the Audit Committee meetings held in 2023, the following works, inter alia, were performed by the Audit Committee:

(i) reviewed and discussed with PricewaterhouseCoopers, the Group's external auditor, on the audit scope, audit approach and audit areas of focus for the financial years ended 31 December 2022 and 2023;

(ii) reviewed and approved the audit fees;

(iii) reviewed the 2022 auditors' report issued by PricewaterhouseCoopers;

(iv) reviewed and approved the 2022 annual report and audited financial statements, the 2022 annual results announcement, the 2023 interim report and the 2023 interim results announcement; and

(v) reviewed the risk management and internal control systems and the effectiveness of the internal audit function of the Group.

For the year ended 31 December 2023, the fee payment by the Group to PricewaterhouseCoopers and its member firm for audit services and non-audit services amounted to RMB2.19 million and RMB0.29 million, respectively. Among the non-audit services, the services fee for major transaction was RMB0.29 million.

Remuneration Committee

As at 31 December 2023, the remuneration committee of the Company (the "**Remuneration Committee**") comprises three independent non-executive Directors, namely Mr. Feng Bing, who serves as the chairman of the Remuneration Committee, Mr. He Yuanping and Mr. Shi Xiangxin and two executive Directors, Mr. Zhao Yihong and Mr. Yu Hongjiang.

The primary responsibilities of the Remuneration Committee include:

- reviewing and approving the management's remuneration proposals;

- determining, with delegated responsibility by the Board, the remuneration package of individual executive Director and senior management; and

- reviewing, approving and advising the Directors and senior management on the compensation arrangement.

In the Remuneration Committee meetings held in 2023, the following works, inter alia, were performed by the Remuneration Committee:

(i) reviewed share-based remuneration arrangements;

(ii) reviewed the performance of the executive Directors; and

(iii) reviewed and determined the remuneration package of the Directors and senior management.

For details of directors' remuneration policy, details of directors' remuneration and details of remuneration payable to other members of senior management by band, please refer to the Directors' Report in this annual report.

Nomination Committee

As at 31 December 2023, the nomination committee of the Company (the "**Nomination Committee**") comprises three independent non-executive Directors, namely Mr. Shi Xiangxin, who serves as the chairman of the Nomination Committee, Mr. He Yuanping and Mr. Feng Bing and two executive Directors, Mr. Zhao Yihong and Mr. Yu Hongjiang.

The primary responsibilities of the Nomination Committee are to identify suitable individuals to become members of the Board and to advise on the selection of individuals nominated for Directors. The procedures on nomination of Directors are: 1. the Board shall, in accordance with the actual situation of the Company and the Board, decide whether it is necessary to appoint Directors and submit the requirements of the appointment to the Nomination Committee; 2. the Nomination Committee shall, in accordance with the requirements of the Board, seek qualified candidates for Directors through various channels, including recommendations from Directors, shareholders, management, consultants of the Company and external hunting firms; 3. upon preparing a list of prospective candidates and conducting communication or interviews, the Nomination Committee shall, in accordance with the selection criteria, the board diversity policy and other factors considered important, select the appropriate candidates from the shortlisted candidates, convene a Nomination Committee meeting for approval and making recommendations to the Board; 4. the Board considers the motion concerning the appointment of Directors and makes formal appointment.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Company has adopted a Board diversity policy, which aims to set out the approach to achieve diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the merits and contributions that the selected candidates can bring to the Board. The Board of the Company will comprise at least one female Director (currently, Ms. Gao Yan serves as the executive Director and Vice Chairman of the Company). The Group has implemented fair employment practices and the recruitment is merit-based and non-discriminatory. As at 31 December 2023, the gender ratio of the Group's workforce (including the senior management) was 49.2% (male) to 50.8% (female). The Group will strive to enhance female representation and achieve an appropriate balance of gender diversity with reference to the shareholders' expectation and recommended best practices.

In the Nomination Committee meetings held in 2023, the following works, inter alia, were performed by the Nomination Committee:

(i) reviewed the structure, size and composition of the Board;

(ii) recommended to the Board on the appointment and re-appointment of Directors;

(iii) reviewed the Board diversity policy adopted by the Company; and

(iv) assessed the independence of the independent non-executive Directors.

Strategic Investment Committee

As at 31 December 2023, the strategic investment committee of the Company (the "**Strategic Investment Committee**") comprises Mr. Yu Hongjiang, executive Director, who serves as the chairman of the Strategic Investment Committee, Mr. Zhao Yihong, executive Director, and Mr. He Yuanping, independent non-executive Director.

The primary responsibilities of the Strategic Investment Committee include:

- researching and reviewing for the long-term strategic development plans and major investment decisions of the Group; and

- managing and supervising the legal and compliance aspects of the Group's investment activities.

In the Strategic Investment Committee meetings held in 2023, the following works, inter alia, were performed by the Strategic Investment Committee:

(i) reviewed the long-term strategic development plans of the Group; and

(ii) reviewed and approved the investment projects of the Group.

Details of the attendance of the Directors at the meetings of the Board, its respective committees and the general meeting during the year are as follows:

	Number of Attending/Convening Meetings					
DIRECTORS	**Board Meetings**	**Audit Committee Meetings**	**Remuneration Committee Meetings**	**Nomination Committee Meetings**	**Strategic Investment Committee Meetings**	**General Meetings**
Executive Directors						
Mr. Zhao Yihong	10/10	—	2/2	6/6	3/3	2/2
Ms. Gao Yan	10/10	—	—	—	—	2/2
Mr. Yu Hongjiang	10/10	—	1/1	4/4	2/2	2/2
Non-executive Director						
Mr. Zhuo Fumin (resigned on 6 June 2023)	6/6	—	—	—	2/2	2/2
Independent Non-executive Directors						
Mr. Ren Guangming (ceased on 23 April 2023)	2/2	2/2	1/1	2/2	—	—
Mr. He Yuanping	10/10	5/5	2/2	6/6	3/3	2/2
Mr. Fu Shula (resigned on 31 October 2023)	8/8	4/4	1/1	5/5	—	2/2
Mr. Mou Wenjun (appointed on 17 March 2023 and resigned on 31 May 2023)	2/3	1/2	—	1/1	1/1	0/2
Mr. Shi Xiangxin (appointed on 31 May 2023)	5/5	2/2	1/1	3/3	1/1	—
Mr. Feng Bing (appointed on 31 October 2023)	2/2	1/1	1/1	1/1	—	—

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for each financial year, which gives a true and fair view of the state of affairs of the Group and of the results of operations and cash flows of the Group. In preparing the financial statements for the year ended 31 December 2023, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates which are reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy the financial position, results of operations, cash flows and changes in equity of the Group.

The Directors' and auditor's responsibilities for the financial statements of the Company are set out in the independent auditor's report on pages 100 to 102 of this annual report.

Risk Management and Internal Control

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group sets up and maintains appropriate and effective risk management and internal control systems to achieve the Group's strategic objectives.

Therefore, the management continues to optimise, implement and monitor the risk management and internal control systems, reports to the Audit Committee and confirms the effectiveness of such systems. The systems aim at providing reasonable, though not absolute, assurance against material misstatement or loss and managing rather than eliminating the risk of failure to achieve business objectives.

The Group and the operational environment are continually evolving together with the risks it faces. The Group continues to review the adequacy of its risk management and internal control framework and looks for opportunities to make improvements and add appropriate resources when necessary to cope with risks in an effort to achieve the Group's strategic objectives.

Risk Governance Structure

The Board is responsible for ensuring the establishment of risk management and internal control system by the Group, and reviewing its effectiveness every year through the Audit Committee. The Audit Committee assists the Board in monitoring the risk level sustained by the Group, the design, implementation and control of the relevant risk management and internal control systems. The Audit Committee supervises the following procedures on behalf of the Board:

(i) assessing the major business risks and control measures in response to such risks on a regular basis, assessing the effectiveness of internal control system as a whole, as well as the action plans in response to control deficiency or improvement;

(ii) reviewing the internal control assessment report submitted by the internal audit department on a regular basis, including the action plans in response to identified control deficiencies as well as the latest status and follow-up results of the implementation of the proposition; and

(iii) communicating with the external auditor on control issues identified during its works on a regular basis, and discussing the review scope and results of various issues with the Audit Committee.

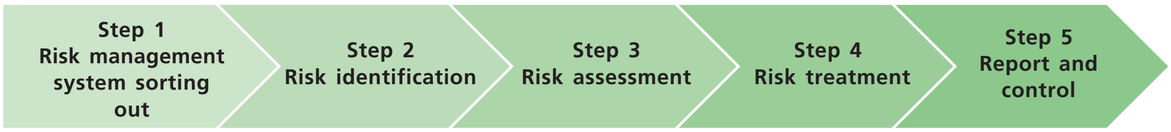
The Audit Committee shall report to the Board after the review of the effectiveness of the risk management and internal control systems of the Group. The Board will give opinion on the effectiveness of the risk management and internal control systems after considering the works and review results of the Audit Committee.

The internal control department collects information on the Group's risks and internal control, summarizes and analyzes risks, identifies risk countermeasures, issues reports and recommendations and reports to the president and the management for review. The internal control department and the internal audit department carry out risk assessment and internal control system assessment, independently review the effectiveness of risk management and internal control measures and communicate and report the results to the Audit Committee. The Audit Committee listens to a work report from the internal control department and internal audit department every half year, and regularly reviews the effectiveness of risk management and internal control. The Audit Committee supervises and reviews the work procedures and responsibility fulfillment of the internal control department and the internal audit department, including the effectiveness of internal audit functions. Such review has covered all material respects such as financial control, operation control and compliance control.

1. Risk Management Procedures

The Group has adopted the following risk management procedures to prudently manage the risks associated with the Group's business and operations:

Major contents of risk management procedures



Step 1: sorting out the structure of the risk management system of the Group on a yearly basis, and determining the functions and responsibilities of the risk management department;

Step 2: organizing internal research to identify risks with potential impacts on important procedures of business and identifying risk events and potential impacts;

Step 3: analyzing and evaluating risk events through risk identification, including risk characteristics, risk causes, triggers, possibilities and degrees of impacts;

Step 4: evaluating existing risk counter-measures, including the effectiveness of implementing the control measures;

Step 5: preparing risk assessment reports, and reporting the same to and communicating with management at appropriate level.

2. Reviewing the effectiveness of risk management and internal control systems in 2023

For the year ended 31 December 2023, the Board reviewed the effectiveness of the risk management and internal control systems and considered that the Group's risk management and internal control systems were effective and sufficient, and was not aware of any material matters which might affect the financial control, operation control, compliance control and risk management functions of the Group.

During the review process, the Board considered that the Group's resources, staff qualifications and experience, training programmes and budget in respect of the accounting, financial reporting, internal audit functions and those relating to the Group's ESG performance and reporting were adequate.

3. Significant Risks and Response Plans

In 2023, the Group reviewed each of the identified risks of the Group and assessed the potential risks arising from the existing and new businesses in accordance with the aforesaid risk management structure and risk management procedures.

The significant risks identified by the Group in 2023 are as follows:

Risk	Risk Description	Change in 2023	Risk Counter-measures and Plans
Risks relating to competition	In the prevailing market environment, the influence of the Internet business model on the traditional business model is increasingly prominent. The Group needs to pay close attention to the competitors on e-commerce platform as well as their over-aggressive competitive strategies such as low pricing, while taking active countermeasures. Currently there are more and more homogeneous products and alternative products in the market, which provide more options to consumers. In the meantime, the overall market demand and retail price for Orlistat show a downward trend, which in turn adversely affect the Group.	↑	The Group keeps an eye on changes in the market environment and business model. Apart from continuous enhancement of the management, the Group also keeps abreast of the status of its competitors in different channels and sectors. The Group is expanding into the e-commerce sector. While focusing on the depth and cohesiveness of the cooperation with Ali and JD, the Group commences its marketing cooperation with experienced external teams in order to attract new consumer groups. During the year, the Group tried an agency operation cooperation model on Douyin, Kuaishou and other platforms, which established a self-broadcast team, developed proprietary live-streaming items, and acquired more traffic by way of short videos. Going forward, the Group will improve its terminal coverage and penetration in existing markets and geographical regions, and actively explore new channels such as the cross-border e-commerce platform and new retail model, thus enabling the Group to provide quality health services to more consumers by offering its quality products.

Risk	Risk Description	Change in 2023	Risk Counter-measures and Plans
Social and economic risks	The adjustments to relevant policies and the changes in market layout bring uncertainties to the development of health products and drug industries. The PRC will continue to strengthen the respective supervision on health products and drugs. Business GSP and GMP certifications will be more stringent, while the frequency of relevant unannounced inspection, random inspection and various specific inspections will also increase. With the improvement of people's living standard, the demand for big health products becomes increasingly urgent. In the meantime, as we are moving towards a deeply aging society, the demands for health and elder-care increase steadily, there are greater opportunities and challenges in the big health sector in the long run.	↔	The Group tends to position its products as youthful, and on the basis of existing products, the Group continues to research and develop new products to cater for the demands from the young generation. Meanwhile, China is gradually entering the aging society, the continuous increase in demand for drugs and health products from the elderly provides new opportunities for the drugs and health products of the Group, which are being researched and developed to cater for the needs of the elderly.

Risk	Risk Description	Change in 2023	Risk Counter-measures and Plans
Risks relating to precise advertising	The Group advertised on different major online media for the purpose of enhancing brand image and increasing market share of the brand, however according to the analysis on advertisement, the advertising effect of the current year cannot match with that of last year.	↑	In response to the low advertisement conversion rate, on the one hand, the Group increases its effort in the marketing and promotion on e-commerce channels, including the establishment of e-commerce channels on Xiaohongshu, TikTok and Kuaishou, to organize and establish live-streaming system by utilizing the popular live-streaming trend, and it also enters the social e-commerce sector by operating accounts for its brands and cooperating with KOLs in the pursuit of formulating a relatively complete online advertising matrix. On the other hand, the Group continues to deepen its development in new retail business, and to serve all C-end customers of the Company and enlarge the repurchase rate of its products.

Risk	Risk Description	Change in 2023	Risk Counter-measures and Plans
Risks relating to price and channel management	Selling price of a product is a key factor affecting the results of the Group. In case of insufficient supervision on online and offline selling price and product flow, it may cause market price difference and affect sales. Positive inventory at channels and terminals is also a key factor affecting the sales results. In case any channel intentionally overstocking, certain effects may be achieved in a short term, but in the long run, such act will significantly hinder positive growth of sales.		The Group formulates and enhances the implementation of requirements on selling price and unregulated transregional sale management. For customers with malicious low pricing and unregulated transregional sale, the Group may undertake measures such as warning and deduction of rebates. For serious violations, the qualification of sales agency would be revoked. The Group has set up an effective pricing and product flow supervision mechanism to constantly enhance the supervision on aspects such as selling price and channel inventory. Meanwhile, the Group strengthens its management on sales orders and delivery. Through setting safe inventory level and safe turnover days for its channel customers, the Group prevents the risks of overstocking and product return by channels to ensure positive growth of sales.
Risks relating to product structure	In case that a new product is not marketable because its design is old-fashioned or overly-advanced and does not cater for the needs of the market and customers, it will significantly hamper the Company's performance results. New products should meet customers' demands, otherwise such products will become unsalable, and bring significant risk to the Company.		The Group continues to invest in research and development, and introduces new products, including cosmeceutical, food and medical devices, via OEM method to further enrich and optimize its product structure. During the year, the Group continued to optimize the categories with weaker profitability and ceased to carry on some loss-making businesses. In the future, the Group will continue to explore safe products that are more popular and meet the health needs of consumers based on market conditions and consumer demands, so as to further optimize the product structure and enhance the competitiveness of the Group.

Risk	Risk Description	Change in 2023	Risk Counter-measures and Plans
Risk relating to external disasters	In 2023, the global economy was still on a trend of recession and uncertainties remained. Natural disasters occurred frequently around the world, which have varying degrees of impact on the production and lives of people.		Since 2022, the Group has reformed its offline sales and operation models and commenced community fission project. By utilizing all employees as well as upstream and downstream customer resources, the Group made use of WeChat and community platforms to realise consumer attraction and sales. In 2023, the Group continued to actively develop online sales channels and strengthen cooperation with emerging e-commerce platforms such as Douyin, Kuaishou and Pinduoduo, so as to cope with the impact of offline sales disruption.

Notes:

"Internal Risk" increased (before taking into account the risk mitigation measures)

"Internal Risk" decreased

"Internal Risk" remained unchanged

MANAGEMENT OF INSIDE INFORMATION

The Company is fully aware of its relevant responsibilities required to be fulfilled under the Securities and Futures Ordinance and the Listing Rules. The Company has formulated the Management Rules for Inside Information to monitor the issues which may constitute inside information in any time and make timely judgement. When the Board or the inside information management team of the Company considers any information to be inside information, the Company will timely disclose the information to the public to a reasonable and practicable extent, unless such inside information is applicable under the "Safe Harbour Provision" of the Securities and Futures Ordinance. The Company also requires registration and filing of those who are aware of inside information, or requires them to sign confidentiality agreement, and timely reports the conditions of those who are aware of inside information to internal control department to conduct control over them. The Company reviews the effectiveness of such inside information management system from time to time to ensure the inside information to be addressed properly.

INDEPENDENCE OF EXTERNAL AUDITOR

The Audit Committee is mandated to monitor the independence of the external auditor to ensure true objectivity in the financial statements. All services provided by the external auditor are required to be approved by the Audit Committee. To ensure that the policy of restricting the non-audit work provided by the external auditor is strictly implemented by all entities within the Group, appropriate policies and procedures have been established for approval of engagement of the Group's independent external auditor, PricewaterhouseCoopers, to provide services to the Group.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Group believes accountability and transparency are indispensable for ensuring good corporate governance and, in this regard, timely communication with our shareholders, including institutional investors, is crucial. The Group manages investor relations systematically as an important part of our operations.

The Group maintains a website to keep our shareholders and the public investors informed of our latest business developments and to disseminate shareholder information.

During the year, the Group followed a policy of maintaining an open and regular dialogue with institutional and minority shareholders, fund managers, analysts and the media through different means, including meetings, presentations, telephone conferences, correspondence, media briefings and press releases to distribute information of the Group's latest developments and strategies. The Group is also proactive in responding to general enquiries raised by the public investors, individual and institutional investors and analysts. The Company reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective.

The Company recognises and embraces the benefits of allowing the shareholders of the Company to participate in the Group's distributable profits and reserves and retaining adequate reserves for the Group's future development. The Company has adopted a dividend policy, according to which, the Board shall consider the following factors before approving declaration and payment, or recommendation for declaration and payment, of a dividend:

- the actual and expected financial performance of the Group;
- the distributable profits and reserves of the Group;
- the working capital requirements, capital expenditure requirements and future expansion plans of the Group;
- the liquidity position of the Group;
- macroeconomic conditions, the Group's business cycle and other internal or external factors that may have an impact on the business, financial performance and position of the Group; and
- other factors that the Board deems relevant.

The declaration and payment, or recommendation for declaration and payment, of a dividend is also subject to the applicable laws and regulations, including the laws of Cayman Islands and the memorandum and articles of association of the Company. The Company has no assurance for the amount, ratio and timing of payment of dividend, unless otherwise specified.

SHAREHOLDERS' RIGHTS

Shareholders may request for convening an extraordinary general meeting and putting forward proposals at a general meeting pursuant to article 12.3 of the articles of association of the Company.

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company's place of business in Hong Kong.

MEMORANDUM AND ARTICLES OF ASSOCIATION

A special resolution was passed at the AGM held on 23 May 2023 by the shareholders to approve the amendments to the memorandum and articles of association of the Company, for the purpose of, among others, bringing them in line with the latest applicable laws of Cayman Islands and the Listing Rules and improving the corporate governance practice of the Company. Details of the amendments to the articles of association of the Company are set out on pages 14 to 30 of the circular of the Company dated 27 April 2023.

The amended and restated memorandum and articles of association of the Company are available on the website of the Company.

Directors' Report

The Board hereby presents its report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the manufacture and sales of therapeutic tea products and pharmaceuticals. The particulars of the Company's principal subsidiaries are set out in note 12 to the consolidated financial statements.

BUSINESS REVIEW

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a fair review of the Group's business, a discussion of the principal risks, uncertainties facing the Group, relationships with employees, customers and suppliers, an indication of likely future developments in the Group's business and the compliance with the relevant laws and regulations, can be found in the Chairman and CEO's Report, the Management Discussion and Analysis, and the Significant Risks and Response Plans (under the Corporate Governance Report) sections of this annual report. The above sections form part of this Directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the Consolidated Statement of Comprehensive Income on pages 103 to 104 of this annual report.

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

There was no arrangement under which a shareholder waived or agreed to waive any dividends during the Reporting Period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 May 2024 to 10 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 10 May 2024 will be 10 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 6 May 2024.

FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years is set out on page 192 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the issued share capital of the Company during the year are set out in note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2023 amounted to RMB1,040 million.

Under the Companies Act of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

Movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on page 107 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023:

(a) the revenue attributable to the five largest customers of the Group as a percentage of the goods sold or services rendered by the Group was 30%;

(b) the revenue attributable to the largest customer of the Group as a percentage of the goods sold or services rendered by the Group was 10.4%;

(c) the purchases attributable to the five largest suppliers of the Group accounted for 75% of the purchases of the Group;

(d) the purchases attributable to the largest supplier of the Group accounted for 64% of the purchases of the Group; and

(e) none of the Directors, their close associates or any shareholders of the Company (who or which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in any of the five largest customers or the five largest suppliers of the Group.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors

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

Non-executive Director

Mr. Zhuo Fumin *(resigned on 6 June 2023)*

Independent Non-executive Directors

Mr. He Yuanping
Mr. Shi Xiangxin *(appointed on 31 May 2023)*
Mr. Feng Bing *(appointed on 31 October 2023)*
Mr. Ren Guangming *(ceased to act on 23 April 2023)*
Mr. Mou Wenjun *(appointed on 17 March 2023 and resigned on 31 May 2023)*
Mr. Fu Shula *(resigned on 31 October 2023)*

In accordance with article 16.2 of the articles of association of the Company, Mr. Shi Xiangxin and Mr. Feng Bing will retire at the forthcoming AGM and, being eligible, offer themselves for re-election.

In accordance with article 16.18 of the articles of association of the Company, Mr. He Yuanping will retire by rotation at the forthcoming AGM and, being eligible, offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors have a service contract with the Group which is not determinable by the Group within one year without the payment of compensation other than statutory compensation.

REMUNERATION OF THE DIRECTORS

The remuneration of each Director is determined with reference to his/her qualifications, duties and responsibilities with the Group and prevailing market conditions. Details of the remuneration of the Directors are set out in note 40 to the consolidated financial statements of this annual report. The emoluments of other members of senior management of the Company fell within the following bands:

Emolument bands (in HK$)	**Number of individuals in 2023**	Number of individuals in 2022
Under HK$1,000,000	**1**	1
HK$1,000,001—HK$1,500,000	**2**	2
HK$1,500,001—HK$2,000,000	**—**	1
HK$2,000,001—HK$2,500,000	**—**	—
HK$2,500,001—HK$3,000,000	**—**	—
HK$3,000,001—HK$3,500,000	**—**	—

EMOLUMENTS POLICY

The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends in Hong Kong and the Mainland China, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contributions to the Group.

DIRECTORS' INTEREST IN CONTRACTS

No Director or his/her related entities had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and which subsisted during the year or at the end of the year.

RETIREMENT BENEFIT PLANS

The retirement benefit plans are set out in note 10 to the consolidated financial statements of this annual report.

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

As at 31 December 2023, so far as known to the Directors, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code:

Name of Director/Chief Executive	Nature of interest	Number of Shares	Approximate percentage of total issued Shares (%)[4]
Mr. Zhao Yihong	Beneficial owner, interest of his spouse, founder of a discretionary trust and interest of corporation controlled by the Director[1][3]	62,775,657[1][L]	51.34%
Ms. Gao Yan	Beneficial owner and interest of her spouse[2][3]	62,775,657[2][L]	51.34%
Mr. Yu Hongjiang	Beneficial owner	58,025[L]	0.05%
Mr. He Yuanping	—	—	—
Mr. Shi Xiangxin	—	—	—
Mr. Feng Bing	—	—	—

(1) Mr. Zhao Yihong, executive Director, beneficially owns 313,017 Shares directly. Mr. Zhao is the sole director of Foreshore Holding Group Limited and Better Day Holdings Limited. Mr. Zhao is also deemed or taken to be interested in the following Shares for the purposes of the SFO:

(i) 61,219,437 Shares which are beneficially owned by Foreshore Holding Group Limited, a company which is controlled by Mr. Zhao;

(ii) 1,069,128 Shares which are beneficially owned by Better Day Holdings Limited, a company which is controlled by Mr. Zhao; and

(iii) 174,075 Shares, which are beneficially owned by Ms. Gao Yan, Mr. Zhao's spouse.

(2) Ms. Gao Yan, executive Director, beneficially owns 174,075 Shares directly. Ms. Gao is also deemed or taken to be interested in the following Shares for the purposes of the SFO:

(i) 313,017 Shares, which are beneficially owned by Mr. Zhao Yihong, Ms. Gao's spouse;

(ii) 61,219,437 Shares which are deemed to be beneficially owned by Mr. Zhao as controlling shareholder of Foreshore Holding Group Limited; and

(iii) 1,069,128 Shares which are deemed to be beneficially owned by Mr. Zhao as controlling shareholder of Better Day Holdings Limited.

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

(4) This is calculated based on 122,265,585 Shares, being the number of Shares in issue as at 31 December 2023.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, so far as known to the Directors, persons (other than the Directors or chief executive of the Company) who had an interest in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

Substantial Shareholders	Number of Shares	Approximate percentage of total issued Shares (%)[3]
Foreshore Holding Group Limited[1]	61,219,437[L]	50.07%
Sea Network Holdings Limited[1]	61,219,437[L]	50.07%
TMF Trust (HK) Limited[1]	61,219,437[L]	50.07%
Ms. PENG Wei[2]	10,279,150[L]	8.41%
Everyoung Investment Holdings Limited[2]	9,281,250[L]	7.59%

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

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

(3) This is calculated based on 122,265,585 Shares, being the number of Shares in issue as at 31 December 2023.

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

Save as disclosed above, as at 31 December 2023, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The adoption of the share option scheme of the Company (the "**Share Option Scheme**") has been approved by the Board on 8 March 2024 and by the shareholders at the extraordinary general meeting held on 11 April 2024. The Share Option Scheme shall be valid for a period of ten years from the date of shareholders' approval. Except for the Share Option Scheme, the Company does not adopt any other share schemes as at the date of this report.

Purpose

The purpose of the Share Option Scheme is to provide an incentive to motivate, attract and retain eligible participants and to encourage eligible participants to optimize their performance efficiency, enhance the value of the Company and promote the long-term growth of the Company. The Share Option Scheme will provide the eligible participants to have a personal stake in the Company to achieve its intended purpose.

Eligible participants

Eligible participants for the Share Option Scheme include: (a) directors and employees of the Company or any of its subsidiaries (including persons who are granted share options under the scheme as an inducement to enter into employment contracts with these companies) (the "**Employee Participants**"); and (b) directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company.

Number of Shares available for issue

The maximum number of Shares available for issue under the Share Option Scheme is 12,226,558, being 10% of issued Shares of the Company on the date of this report.

Maximum entitlement of each participant

For any twelve-month period up to and including the grant date, the aggregate number of Shares issued and to be issued in respect of all share options granted to such Eligible Participant (excluding any share options lapsed in accordance with the terms of the Share Option Scheme) shall not in aggregate exceed 1% of the total number of Shares in issue on the grant date.

Consideration for the acceptance of share option

The consideration for the acceptance of share option is HK$1.00, which shall in no circumstances be refundable.

Vesting period

The vesting period of the share options shall be at least twelve months, and the Board may at its discretion grant a shorter vesting period to an Employee Participant in the following circumstances: (a) grants of "make-whole" share options to new joiners to replace the share options they forfeited when leaving the previous employers; (b) grants to an Employee Participant whose employment is terminated due to death or occurrence of any out-of-control event; (c) grants that are made in batches during a year for administrative and compliance reasons, which include share options that should have been granted earlier if not for such administrative or compliance reasons had to wait for the subsequent batch; (d) grants of share options with a mixed or accelerated vesting schedule such as where the share options may vest evenly over a period of twelve months; or (e) grants with performance-based vesting conditions in lieu of time-based vesting criteria as determined in the conditions of grant.

Exercise period

Subject to any provisions for early termination contained in the Share Option Scheme, the share options may be exercised any time during the period determined by the Board in its absolute discretion, provided that such period shall not exceed the period of ten years from the grant date.

Exercise price

The Exercise price shall be determined by the Board at its absolute discretion, provided that it shall be not less than the highest of: (a) the closing price of the Shares as shown in the daily quotations sheet of the Stock Exchange on the grant date of share options, which must be a business day; (b) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five consecutive business days immediately preceding the grant date of share options; and (c) the nominal value of the Share on the grant date of share options.

As of the date of this report, no share options were granted, vested, exercised, lapsed or cancelled under the Share Option Scheme.

CONNECTED TRANSACTIONS

Pursuant to the requirements of the Listing Rules, the transactions between the Company and the connected person (as defined in the Listing Rules) constitute a connected transaction of the Company. The Company monitors and manages these transactions in accordance with the Listing Rules. Saved as disclosed below, there were no non-exempt connected transactions carried out by the Group for the year ended 31 December 2023.

On 5 May 2023, Tibet Qianruiwanfu Venture Investment Co., Ltd. ("**Qianruiwanfu**"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Zhuhai Jiatai Chengzhang Investment Co., Ltd. (the "**Purchaser**"), which is controlled by Ms. Peng Wei (or entity controlled by Ms. Peng Wei as designated by her from time to time, not being connected person(s) of the Company at the issuer level) and Zhongshan Wanhan Pharmacy Co., Ltd., Zhongshan Wanyuan New Medicine Research and Development Co., Ltd. and Zhongshan Wanhan Pharmaceutical Co., Ltd. (collectively the "**Target Companies**"), which are subsidiaries of the Company, pursuant to which Qianruiwanfu has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire 51% equity interest in each of the Target Companies at the total cash consideration of RMB137,700,000 (the "**Disposal**"). Ms. Peng is a substantial shareholder and/or a director of subsidiaries of the Company. The Purchaser is an associate (as defined under the Listing Rules) of Ms. Peng. Accordingly, the Purchaser is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. The Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement and circular of the Company dated 5 May 2023 and 8 May 2023 respectively.

The Disposal was completed on 30 June 2023.

Saved as disclosed above, for the year ended 31 December 2023, there is no related party transaction or continuing related party transaction as set out in note 39 to the consolidated financial statements that constitutes discloseable "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules. During the reporting period, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

The Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business and administration of the Company during the year.

CONTRACTS OF SIGNIFICANCE

No contract of significance between the Company or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries subsisted during the year or at the end of the year, and no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted during the year or at the end of the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

So far as the Directors were aware, none of the Directors or their associates had any interest in a business that competes or may compete with the business of the Group during the year.

PERMITTED INDEMNITY PROVISION

The Company maintained Directors' liability insurance to protect them from any loss to which the Directors might be liable arising from their actual or alleged misconduct. The Directors' liability insurance were in force during the year ended 31 December 2023 and as of the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Act of the Cayman Islands where the Company is incorporated.

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.

DONATION

The Group made charitable donations of RMB2.1 million in aggregate during the year ended 31 December 2023.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group considers building a resource-saving, environment-friendly and green enterprise as an important strategic goal for its sustainable and healthy development. The Group strictly abides by related laws, regulations and standards, highly values enterprises' responsibility to the environment and adheres to the philosophy of scientific and green development. The Group is dedicated to use clean energy, actively promotes "cleaner production", continues to optimise production processes, improves environmental protection facilities, practises energy conservation and emission reduction, and enhances recycling. At the same time, the Group also advocates "green office and low-carbon life", improves energy saving and environmental protection awareness of staff, and encourages employees to take part in charity events for environmental protection. The Group has continuously reduced the adverse impacts on environment by the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the Directors' knowledge, as at the date of this annual report, the Company has maintained sufficient public float during the year and up to the date of this annual report.

SUBSEQUENT EVENTS

On 8 March 2024, the Board has approved the proposed adoption of the Share Option Scheme, and the scheme has been approved by shareholders on 11 April 2024. For details of the scheme, please refer to the section headed "SHARE OPTION SCHEME" on pages 93 to 94 of this report.

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

AUDITOR

The Company has appointed PricewaterhouseCoopers as the auditor of the Company for the year ended 31 December 2023. The Company has engaged PricewaterhouseCoopers to act as the auditor of the Company since 2015.

On behalf of the Board
ZHAO Yihong
Chairman and CEO

Hong Kong, 8 March 2024

Independent Auditor's Report

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Besunyen Holdings Company Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 103 to 191, comprise:

- the consolidated balance sheet as at 31 December 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to the impairment assessment of property, plant and equipments.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipments	
Refer to Note 4 "Critical estimates and judgements", Note 16 "Property, plant and equipment" to the consolidated financial statements. The Group's revenue from the sales of Detox tea, Slimming tea, Fit tea and Relief tea (the "**Four Teas**") have been decreased significantly during the year ended 31 December 2023. Management considered that this constitutes a triggering event for assessing the recoverable amounts of the property, plant and equipments (the "**Key Operating Assets**") of the cash-generating unit (the "**CGU**") for the manufacturing of Four Teas (the "**Four Teas CGU**"). The Four Teas CGU was attributable to tea products segment, and is the lowest aggregation of assets that generate largely independent cash inflows. Therefore, management has performed an impairment assessment to assess the "value-in-use" (determined by management as the recoverable amount) of the Key Operating Assets of Four Teas CGU as at 31 December 2023 by using the discounted cash flow. Based on the result of the aforesaid impairment assessment, the Directors of the Company concluded that no provision for impairment on the property, plant and equipments of the Four Teas CGU has to be recognised as at 31 December 2023.	In response to this key audit matter, we have performed the following procedures: • We obtained an understanding of management's assessment process of impairment test of property, plant and equipments and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We evaluated and validated management's control processes for preparing the budget and future cash flow forecast (which were used as the source input data for the impairment assessment) and reconciled the input data for the impairment assessment to supporting evidence, such as approved budgets; • We assessed the competence, capabilities and objectivity of the independent valuer; • We assessed the appropriateness of the valuation model and discount rate with the assistance of our internal valuation expert;

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipments *(Continued)*	
We focused on this matter due to the significance of the property, plant and equipment and given that significant management judgement and estimates were involved in determining the key assumptions (in particular the revenue growth rates, sales margin and discount rate applicable) for the impairment assessment.	• We assessed the management's future cash flow forecast of the relevant cash-generating-unit including the reasonableness of the forecast in the context of historical results of the Group's business, and assessed the reasonableness of the key assumptions adopted by management (primarily with respect to the revenue growth rate, sales margin and discount rate applicable) by reference to external industry data, the Group's historical and subsequent sales and margin information and the cost of equity of comparable companies in the industry; • We tested the mathematical accuracy of the calculations of the discounted cash flow model; • We evaluated the sensitivity analysis prepared by management around the key assumptions and estimates applicable to assess the potential impact of a range of possible outcomes; and • We assessed the adequacy of related disclosures in the consolidated financial statements. We considered the key judgements and estimates adopted by management in the impairment assessment of the property, plant and equipments are supportable based on the evidence derived from our procedures performed.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheng Kwong On.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8 March 2024

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Continuing operations			
Revenue	5	**542,876**	801,342
Cost of sales	7	**(196,656)**	(308,751)
Gross profit		**346,220**	492,591
Selling and marketing expenses	7	**(320,704)**	(378,850)
Administrative expenses	7	**(153,050)**	(115,749)
Research and development costs	7	**(34,922)**	(33,873)
Credit impairment losses	21	**20**	66
Fair value changes on financial assets measured at fair value through profit or loss	24	**501**	627
Other income	8	**11,035**	6,307
Other expenses	7	**(62)**	(299)
Other gains/(losses), net	9	**675**	(2,197)
Operating loss		**(150,287)**	(31,377)
Finance income	11	**1,634**	1,760
Finance costs	11	**(1,998)**	(7,493)
Finance costs, net		**(364)**	(5,733)
Share of profit/(loss) of investments accounted for using the equity method	13	**970**	(10,450)
Loss before income tax		**(149,681)**	(47,560)
Income tax expense	14	**(9,424)**	(29,009)
Loss for the year from continuing operations		**(159,105)**	(76,569)
Discontinued operations			
Loss for the year from discontinued operations, net of tax	28	**(198,409)**	(27,820)
Loss for the year		**(357,514)**	(104,389)

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Loss attributable to:			
Owners of the Company			
— Continuing operations		**(159,105)**	(76,569)
— Discontinued operations		**(140,138)**	(22,520)
		(299,243)	(99,089)
Non-controlling interests			
— Continuing operations		**—**	—
— Discontinued operations		**(58,271)**	(5,300)
		(58,271)	(5,300)
Losses per share attributable to owners of the Company for the year (RMB):			
Basic losses per share	15		
— Continuing operations		**(1.30)**	(1.36)
— Discontinued operations		**(1.15)**	(0.40)
		(2.45)	(1.76)
Diluted losses per share	15		
— Continuing operations		**(1.30)**	(1.36)
— Discontinued operations		**(1.15)**	(0.40)
		(2.45)	(1.76)
Loss for the year		**(357,514)**	(104,389)
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**(1,124)**	—
Total comprehensive loss for the year		**(358,638)**	(104,389)
Total comprehensive loss attributable to:			
Owners of the Company		**(300,367)**	(99,089)
Non-controlling interests		**(58,271)**	(5,300)
		(358,638)	(104,389)
Total comprehensive loss for the year attributable to owners of the Company:			
— Continuing operations		**(160,229)**	(76,569)
— Discontinued operations		**(140,138)**	(22,520)
		(300,367)	(99,089)

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

Consolidated Balance Sheet

	Note	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**117,216**	398,114
Right-of-use assets	17	**22,128**	78,219
Intangible assets	18	**2,799**	131,959
Investments accounted for using the equity method	13	**14,788**	29,196
Financial assets measured at fair value through profit or loss	24	**68,947**	47,283
Long-term bank deposits	26	**—**	40,000
Deferred income tax assets	32	**41,927**	55,509
Other non-current assets	19	**9,268**	14,086
Total non-current assets		**277,073**	794,366
Current assets			
Inventories	20	**23,569**	109,239
Trade receivables	21	**48,195**	104,163
Bills receivable	22	**4,864**	5,153
Deposits, prepayments and other receivables	23	**41,577**	80,426
Financial assets measured at fair value through profit or loss	24	**21,130**	—
Restricted bank deposits	25	**56,877**	5,801
Short-term bank deposits	26	**62,576**	207,670
Cash and cash equivalents	27	**169,082**	230,320
Total current assets		**427,870**	742,772
Total assets		**704,943**	1,537,138

Consolidated Balance Sheet

	Note	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	29	**288**	288
Share premium		**1,039,108**	1,039,108
Other reserves	30	**341,747**	342,871
Accumulated losses		**(827,173)**	(527,930)
		553,970	854,337
Non-controlling interests		**—**	198,073
Total equity		**553,970**	1,052,410
LIABILITIES			
Non-current liabilities			
Deferred government grants	31	**2,187**	41,679
Lease liabilities	35	**1,875**	8,289
Deferred income tax liabilities	32	**1,250**	32,070
Long-term borrowings		**—**	52,681
Total non-current liabilities		**5,312**	134,719
Current liabilities			
Trade and bills payables	33	**16,547**	20,559
Other payables and accrued expenses	34	**120,004**	169,863
Contract liabilities	6	**5,052**	24,945
Borrowings		**—**	124,890
Lease liabilities	35	**3,239**	9,027
Current income tax liabilities	14	**819**	725
Total current liabilities		**145,661**	350,009
Total liabilities		**150,973**	484,728
Total equity and liabilities		**704,943**	1,537,138

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

The financial statements on pages 103 to 191 were approved by the Board of Directors on 8 March 2024 and were signed on its behalf.

Zhao Yihong
Director

Gao Yan
Director

Consolidated Statement of Changes in Equity

		Attributable to owners of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2022		94	913,393	340,274	(426,244)	827,517	227,873	1,055,390
Total comprehensive loss for the year		—	—	—	(99,089)	(99,089)	(5,300)	(104,389)
Total transactions with owners in their capacity as owners:								
Appropriation to statutory surplus reserve		—	—	2,597	(2,597)	—	—	—
Rights Issue	29	194	125,715	—	—	125,909	—	125,909
Dividends declared to non-controlling interests		—	—	—	—	—	(24,500)	(24,500)
Balance at 31 December 2022		288	1,039,108	342,871	(527,930)	854,337	198,073	1,052,410
Balance at 1 January 2023		**288**	**1,039,108**	**342,871**	**(527,930)**	**854,337**	**198,073**	**1,052,410**
Comprehensive loss								
Loss for the year		**—**	**—**	**—**	**(299,243)**	**(299,243)**	**(58,271)**	**(357,514)**
Other comprehensive loss for the year		**—**	**—**	**(1,124)**	**—**	**(1,124)**	**—**	**(1,124)**
Total transactions with owners in their capacity as owners:								
Disposals of subsidiaries	28	**—**	**—**	**—**	**—**	**—**	**(139,802)**	**(139,802)**
Balance at 31 December 2023		**288**	**1,039,108**	**341,747**	**(827,173)**	**553,970**	**—**	**553,970**

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

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Continuing operations:			
Cash used in operations	36(a)	**(34,612)**	(48,489)
Income taxes paid		**(25)**	(3)
Interest received	11	**1,634**	1,760
		(33,003)	(46,732)
Discontinued operations		**42,988**	84,845
Net cash generated from operating activities		**9,985**	38,113
Cash flows from investing activities			
Continuing operations:			
Purchases of short-term investments measured at fair value through profit or loss		**(747,917)**	(896,000)
Proceeds from short-term investments measured at fair value through profit or loss		**729,464**	899,477
Purchases of long-term investments measured at fair value through profit or loss		**(21,453)**	(8,000)
Placement of term deposits		**(62,693)**	(107,195)
Withdrawal of term deposits		**113,721**	—
(Increase)/decrease in restricted bank deposits		**(57,523)**	28,400
Purchases of property, plant and equipment		**(6,542)**	(26,065)
Purchases of intangible assets		**(256)**	(2,250)
Distribution from a joint venture	13(a)	**24,228**	5,325
Investments in joint ventures	13(a)	**(8,850)**	—
Proceeds from disposals of property, plant and equipment	36(b)	**409**	122
Proceeds from disposal of assets classified as held for sale		**—**	44,337
Deposits received in connection with a subsidiary to be disposed		**3,000**	—
Proceeds from disposals of subsidiaries, net	28	**101,171**	—
		(66,759)	(61,849)
Discontinued operations		**(58,366)**	26,358
Net cash generated from/(used in) investing activities		**8,393**	(35,491)

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Cash flows from financing activities			
Continuing operations:			
Repayment of borrowings		**(84,872)**	(130,352)
Proceeds from borrowings		—	88,150
Principal elements of lease payments		**(8,045)**	(12,771)
Bank loan interest and other finance costs paid		**(1,998)**	(7,555)
Dividends received from subsidiaries		—	25,500
Proceeds from Rights Issue		—	125,909
		(94,915)	88,881
Discontinued operations		**13,799**	(76,391)
Net cash (used in)/generated from financing activities		**(81,116)**	12,490
Net (decrease)/increase in cash and cash equivalents		**(62,738)**	15,112
Cash and cash equivalents at beginning of year		**230,320**	216,042
Exchange gains/(losses) on cash and cash equivalents		**1,500**	(834)
Cash and cash equivalents at end of year		**169,082**	230,320

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

Notes to the Consolidated Financial Statements

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 consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

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.

The New Companies are described in Note 13.

Disposals of Subsidiaries

On 5 May 2023, Tibet Qianruiwanfu Venture Investment Co., Ltd. (the "**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 Company 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.

1 GENERAL INFORMATION *(Continued)*

Significant Events *(Continued)*

Disposals of Subsidiaries *(Continued)*

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 28.

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.

Further details are described in Note 12.

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.

2 BASIS OF PREPARATION *(Continued)*

(b) Amended standards not yet adopted

Certain amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
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 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk and security prices risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management of the Group.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Market risk

(a) *Foreign exchange risk*

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar ("**US$**") and the HK dollar ("**HK$**"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in a currency other than the RMB.

The carrying amounts of the Group's US$ and HK$ denominated monetary assets and monetary liabilities at the respective balance dates are as follows:

	2023 **RMB'000**	2022 RMB'000
US$		
Assets	**2,859**	991
HK$		
Assets	**125,180**	127,295

As at 31 December 2023, if RMB strengthened/weakened by 5% against US$ and HK$ with all other variables held constant, the pre-tax loss for the year would have been approximately RMB6,402,000 higher/lower (2022: RMB6,414,000 higher/lower), mainly as a result of foreign exchange gain or loss on translation of US$ and HK$ denominated cash and cash equivalents and other receivables.

(b) *Price risk*

The Group's exposure to price risk arises from corporate fixed rate bonds held by the Group and classified as financial assets measured at FVPL (Note 24). The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investment is managed by senior management on a case by case basis. The sensitivity analysis is performed by management, see Note 3.3 for detail.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk

For cash and cash equivalents, short-term bank deposits, restricted bank deposits, financial assets measured at FVPL and long-term bank deposits, the Group manages the credit risk by placing all the bank deposits in or purchasing all the short-term investments from state-owned financial institutions or reputable commercial banks, in view of the sound rating of bond issuers, management believes that the credit risk inherent in those investments due from them is not significant; for bills receivable, the Group only accepts bank acceptance notes issued by reputable banks located in PRC, and the Group believes the credit risk of these banks and financial institutions is relatively low. Therefore, the Group's credit risk arises primarily from trade receivables. Aging analysis of the Group's trade receivables is disclosed in Note 21. The Group assesses the credit quality of its customers by taking into account various factors including their financial position, past experience and forward-looking information. Management does not expect any significant losses from non-performance by these counterparties except for those recognised. The Group's other receivables as at 31 December 2023 mainly consisted of consideration receivable for deposits for rental of properties, deposits for the use of e-commerce platform. Management considers there was no significant credit risk associated with these other receivables.

(a) Impairment of financial assets

The Group only has following types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of goods,
- bills receivable carried at FVOCI, and
- other receivables.

While cash and cash equivalents, long-term bank deposits, short-term bank deposits and restricted bank deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(a) Impairment of financial assets (Continued)

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2023 or 1 January 2023 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the business climate index in China, including GDP, PPI and CPI etc., and collection schedule of the trade receivable to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowances as at 31 December 2023 and 31 December 2022 were determined as follows for trade receivables:

	Current	Less than 1 year past due	1–2 years past due	More than 2 years past due	Total
As at 31 December 2023					
Expected loss rate	**0.03%**	**1.00%**	**26.36%**	**100.00%**	
Gross carrying amount — trade receivables	**43,657**	**4,516**	**110**	**3**	**48,286**
Loss allowance	**14**	**45**	**29**	**3**	**91**
As at 31 December 2022					
Expected loss rate	0.06%	0.83%	30.00%	100.00%	
Gross carrying amount — trade receivables	96,399	7,871	20	—	104,290
Loss allowance	56	65	6	—	127

The Group was exposed to concentration of credit risk on its trade receivables. As at 31 December 2023, the top trade receivables balance due from a single external customer amounted to approximately RMB15,991,000, representing 33% of total trade receivables (2022: RMB25,657,000, representing 25% of total trade receivables). The single external customer is a reputable organisation. Management considers that the credit risk is limited in this regard.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(a) Impairment of financial assets (Continued)

Bills receivable and other receivables

Bills receivable are issued mainly by the four state-owned banks and other listed commercial banks whose risks of non-acceptance are quite low, while most of the other receivables are security deposits. The directors of the Company have assessed that other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of the reporting period of the Group is adopted by management. The directors of the Company do not expect any significant losses from non-performance by the counterparties of bills receivable and other receivables. Thus no loss allowance provision for bills receivable and other receivables was recognised.

3.1.3 Liquidity risk

The Group manages liquidity risk by maintaining adequate cash and cash equivalents.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand or less than 3 months	3 months to 1 year	1 to 5 Years	Over 5 years	Total contractual cash flows	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023						
Trade and bills payables	**15,925**	**622**	**—**	**—**	**16,547**	**16,547**
Other payables and accrued expenses (excluding non-financial liabilities)	**40,687**	**43,902**	**—**	**—**	**84,589**	**84,589**
Lease liabilities	**1,104**	**2,320**	**1,924**	**—**	**5,348**	**5,114**
	57,716	**46,844**	**1,924**	**—**	**106,484**	**106,250**
As at 31 December 2022						
Borrowings	7,369	122,762	33,828	33,990	197,949	177,571
Trade and bills payables	19,175	1,384	—	—	20,559	20,559
Other payables and accrued expenses (excluding non-financial liabilities)	39,144	79,212	—	—	118,356	118,356
Lease liabilities	2,934	6,872	8,594	—	18,400	17,316
	68,622	210,230	42,422	33,990	355,264	333,802

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the liability-to-asset ratio. As at 31 December 2023, the Group's liability-to-asset ratio was approximately 21.42% (2022: 31.53%).

3.3 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and for instruments where ESG risk gives rise to a significant unobservable adjustment.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments, and
- for other financial instruments — discounted cash flow analysis.

The Group had three types of financial assets measured at fair value which are bills receivables carried at FVOCI, equity investments and debt investment as at 31 December 2023 (31 December 2022: two which are bills receivables carried at FVOCI and equity investments), and had no financial liabilities measured at fair value.

The bills receivable carried at financial assets measured at FVOCI are all bank acceptance notes with maturity dates within 6 months, whose fair value approximates to their carrying amount, where the contractual cash flow was solely principal and interest. The Group's business model is achieved both by collecting contractual cash flows and selling of these assets (Note 22).

The financial assets measured at FVPL represented the Group's wealth management products purchased from bank, equity investments and debt investments (Note 24).

The following table presents the Group's financial assets that are measured at fair values at 31 December 2023 and 2022.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2023				
Assets				
Financial assets measured at FVPL (Note 24)	**21,130**	**—**	**68,947**	**90,077**
Financial assets measured at FVOCI (Note 22)	**—**	**—**	**4,864**	**4,864**
	21,130	**—**	**73,811**	**94,941**
At 31 December 2022				
Assets				
Financial assets measured at FVPL (Note 24)	—	—	47,283	47,283
Financial assets measured at FVOCI (Note 22)	—	—	5,153	5,153
	—	—	52,436	52,436

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

There were no changes in valuation techniques during the years ended 31 December 2023 and 2022. There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended 31 December 2023 and 2022.

If the fair values of the financial assets measured at FVPL held by the Group had been 5% higher/lower, the pre-tax loss for the year ended 31 December 2023 would have been approximately RMB1,057,000 (2022: nil) lower/higher.

The following table presents the changes in level 3 items for the periods ended 31 December 2023 and 31 December 2022:

	Financial assets measured at FVPL RMB'000	**Financial assets measured at FVOCI** RMB'000
Opening balance as at 1 January 2022	38,656	2,974
Additions	1,240,300	124,473
Disposals	(1,236,453)	(122,294)
Gains recognised in "Fair value changes on financial assets measured at FVPL"	627	—
Gains recognised in "other gains/(losses), net"	3,477	—
Discontinued operations	676	—
Closing balance as at 31 December 2022	47,283	5,153
Opening balance as at 1 January 2023	**47,283**	**5,153**
Additions	**747,873**	**112,460**
Disposals	**(729,464)**	**(111,849)**
Disposals of subsidiaries	**—**	**(900)**
Gains recognised in "Fair value changes on financial assets measured at FVPL"	**391**	**—**
Gains recognised in "Other gains/(losses), net"	**2,864**	**—**
Closing balance as at 31 December 2023	**68,947**	**4,864**
Includes unrealised gains recognised in profit or loss attributable to balances held at 31 December 2023	391	—

4 CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Current and deferred income tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax expense and deferred income tax provisions in the period in which such determination is made. In addition, the realisation of deferred income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and tax loss carry-forwards. Deviations of future profitability from estimates would result in adjustments to the value of future income tax assets and liabilities, which could have a significant effect on the income tax expenses.

(b) Recoverability of property, plant and equipment

The property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of property, plant and equipment is determined based on the higher of its fair value less costs of disposal and its "value-in-use" amounts. In determining fair values, various applicable valuation techniques (e.g. market approach or income approach) are used, with certain unobservable inputs including terminal yield, revisionary yield, market unit rent of individual unit, etc. In assessing "value-in-use" amounts, the net present value of the future cash flows are calculated while certain assumptions are required to be made in respect of highly uncertain matters including management's expectation of revenue growth rate, sales margin, and pre-tax discount rate.

Judgment is required to identify any impairment indicators existing for any of these property, plant and equipment to determine appropriate impairment approaches, i.e., fair value less costs of disposal or value in use, for impairment review purposes, and to select key assumptions applied in the adopted valuation models, including discounted cash flows, market approach and income approach. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and in turn affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statement of comprehensive income.

4 CRITICAL ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Fair value of financial assets measured at FVPL

The fair value of financial assets that are not traded in an active market (for example, investments in private companies) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

5 REVENUE AND SEGMENT INFORMATION

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

The CODM 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 RMB'000	2022 RMB'000
Continuing operations		
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
	371,119	523,775
Weight-loss and other medicines segment		
— Weight-loss medicines	**161,822**	226,233
— Other medicines	**9,935**	51,334
	171,757	277,567
	542,876	801,342

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Revenue *(Continued)*

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.

Accounting policies of revenue recognition

Sales of goods

Wholesales

The Group produces and sells therapeutic tea products (including Detox tea, Slimming tea, Fit tea, Relief tea and other tea products) and weight-loss and other medicines in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with volume rebates based on aggregate sales over a specific period as defined in the contracts. Revenue from sales are based on the price specified in the sales contracts, net of the estimated volume rebates at the time of sale. Accumulated experience is used to estimate and provide for the rebates, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Expected volume rebates payable to customer (included in other payables and accrued expenses) in relation to sales made until the end of reporting period are assessed based on anticipated annual purchases. During the years ended 31 December 2023 and 2022, the wholesalers have no right to return any goods after its acceptance of the products, therefore there was no any refund liability and right to returned goods have been recognised.

As receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

In addition, if a customer pays consideration that is unconditional, before the entity transfers a good to the customer, the entity shall present the contract as a contract liability when the payment is made. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer.

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Revenue *(Continued)*

Accounting policies of revenue recognition *(Continued)*

Sales of goods (Continued)

Internet sales

Revenue from the sale of goods on the internet is recognised when control of the products has been transferred, being the acceptance of the delivery of the products by the customer. Payment of the transaction price is due immediately when the customer place the order for the products online. It is the PRC regulation to sell any products online to the end customer with a right of return within 7 days. Therefore, a refund liability (included in other payables and accrued expenses) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale. As of 31 December 2023 and 2022, there was no any refund liability and right to returned goods have been recognised since the estimated return is immaterial.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(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
Total revenue	371,119	171,757	542,876
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	(97,089)	(99,567)	(196,656)
Gross profit	274,030	72,190	346,220
Selling and marketing expenses	(197,562)	(123,142)	(320,704)
Research and development costs	(13,898)	(21,024)	(34,922)
Segment results	62,570	(71,976)	(9,406)
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			675
Operating loss			(150,287)
Finance income			1,634
Finance costs			(1,998)
Finance costs, net			(364)
Share of profit of investments accounted for using the equity method			970
Loss before income tax			(149,681)
Income tax expense			(9,424)
Loss for the year from continuing operations			(159,105)
Other segment information:			
Impairment loss on non-current assets	(3,000)	—	(3,000)
Depreciation	(20,501)	(2,405)	(22,906)
Amortisation	(464)	(241)	(705)

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

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

	Tea products segment RMB'000	Weight-loss and other medicines segment RMB'000	Total RMB'000
Total revenue	523,775	277,567	801,342
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	(146,283)	(162,468)	(308,751)
Gross profit	377,492	115,099	492,591
Selling and marketing expenses	(218,031)	(160,819)	(378,850)
Research and development costs	(20,117)	(13,756)	(33,873)
Segment results	139,344	(59,476)	79,868
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			(2,197)
Operating loss			(31,377)
Finance income			1,760
Finance costs			(7,493)
Finance costs, net			(5,733)
Share of loss of investments accounted for using the equity method			(10,450)
Loss before income tax			(47,560)
Income tax expense			(29,009)
Loss for the year from continuing operations			(76,569)
Other segment information:			
Impairment loss on non-current assets	—	(5,144)	(5,144)
Depreciation	(28,547)	(2,143)	(30,690)
Amortisation	(1,094)	(719)	(1,813)

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.

6 CONTRACT LIABILITIES

Contract liability is recognised when a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, preceding the Group's performance. The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligations as at 31 December 2023 and 2022 are expected to be recognised within one year.

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Tea products	**3,166**	3,512
Weight-loss and other medicines	**1,886**	21,433
	5,052	24,945

The Group's contract liabilities balance at the beginning of the year were all recognised as revenue in 2023.

7 EXPENSES BY NATURE

	2023 RMB'000	2022 RMB'000
Continuing operations		
Changes in inventories of finished goods and work in progress	**21,628**	(6,538)
Raw materials and consumables used	**147,499**	287,392
Write-off of inventories	**493**	—
Impairment losses on non-current assets (Note 16, 18 and 19)	**3,000**	5,144
Employee benefit expenses (Note 10)	**210,878**	196,166
Marketing and promotional expenses	**112,768**	158,328
Advertising costs	**67,472**	46,469
Depreciation and amortisation (Note 16, 17 and 18)	**23,611**	32,503
Outsourced researching and development expenses	**25,878**	24,613
Professional and consulting service fees	**20,459**	24,180
Entertainment and travelling expenses	**12,761**	13,050
Logistics expenses	**12,061**	21,182
Outsourced operating services fee	**11,847**	2,077
Maintenance and testing costs	**4,551**	3,366
Office expenses	**4,175**	4,425
Stamp duties, property and other taxes	**3,203**	3,195
Rental expenses (note (a) and Note 35(b))	**1,953**	1,699
Auditors' remunerations		
— audit services	**2,190**	2,890
— non-audit services (note (b))	**290**	100
Others	**18,677**	17,281
Total cost of sales, selling and marketing expenses, administrative expenses, research and development costs and other expenses	**705,394**	837,522

Notes:

(a) Rental expenses for the years ended 31 December 2023 and 2022 derived from short-term leases and leases of low-value assets which were recognised on a straight-line basis as an expense in profit or loss.

(b) Non-audit services in 2023 include non-audit assurance and agreed-upon procedures on the Major Transaction described in Note 1. Non-audit services in 2022 included agreed-upon procedures on share consolidation and Rights Issue.

8 OTHER INCOME

	2023 RMB'000	2022 RMB'000
Continuing operations		
Government grants	**4,437**	3,554
Interest income	**4,197**	26
Others	**2,401**	2,727
	11,035	6,307

Interest income

Interest income from financial assets at FVPL is included in change in fair value of short-term investments measured at FVPL, presented in "other gains/(losses), net", further details are described in Note 9.

Interest income on financial assets measured at amortised cost and financial assets measured at FVOCI calculated using the effective interest method is recognised in consolidated statement of comprehensive income as part of other income.

Interest income is presented as other income where it is earned from financial assets that are held for cash management purposes, further details are described in Note 8.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchases of property, plant and equipment and land use rights are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

9 OTHER GAINS/(LOSSES), NET

	2023 RMB'000	2022 RMB'000
Continuing operations		
Change in fair value of short-term investments measured at FVPL (Note 24)	**2,864**	3,477
Donation	**(2,080)**	(1,996)
Net losses on disposals of property, plant and equipment (Note 36(b))	**(59)**	(289)
Net foreign exchange gains/(losses)	**1,026**	(851)
Others	**(1,076)**	(2,538)
	675	(2,197)

10 EMPLOYEE BENEFIT EXPENSES

	2023 RMB'000	2022 RMB'000
Continuing operations		
Salaries, bonus and other allowances	**129,949**	175,371
Severance payment	**69,680**	1,246
Pension cost — defined contribution plan	**11,249**	19,549
	210,878	196,166

The Group did not have any forfeited contribution for the years ended 31 December 2023 and 2022 in connection with the defined contribution plan operated by the PRC governments. The Group did not have defined benefit plan for the years ended 31 December 2023 and 2022.

Severance payment of RMB66,485,000 are related to Strategic Adjustments as mentioned in Note 1.

10 EMPLOYEE BENEFIT EXPENSES *(Continued)*

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2022: three) directors whose emoluments are reflected in the analysis shown in Note 40. The emoluments payable to the remaining two (2022: two) individuals during the year are as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries and other allowances	**2,817**	2,769
Pension cost — defined contribution plan	**98**	42
	2,915	2,811

The emoluments fell within the following bands:

	Number of individuals	
	2023	2022
Emolument bands (in HK$)		
HK$1,000,001 — HK$1,500,000	**1**	1
HK$1,500,001 — HK$2,000,000	**1**	1

11 FINANCE INCOME AND COSTS

	2023 **RMB'000**	2022 RMB'000
Continuing operations		
Interest income from financial assets held for cash management purpose	**1,634**	1,760
Finance income	**1,634**	1,760
Interest expenses	**(1,765)**	(6,648)
— borrowings	**(1,102)**	(5,615)
— lease liabilities (Note 35(b))	**(663)**	(1,033)
Guarantee fee for bank borrowings	**(233)**	(1,153)
	(1,998)	(7,801)
Less: Amount capitalised	**—**	308
Finance costs	**(1,998)**	(7,493)
Finance costs, net	**(364)**	(5,733)

Note:

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted-average interest rate applicable to the Group's general borrowings during the year ended 31 December 2023 which was nil (2022:4.28%) per annum.

For the year ended 31 December 2023, there was no borrowing costs capitalised.

12 MAJOR SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES

(a) Subsidiaries

The Group's principal subsidiaries at 31 December 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares/equity interests that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of subsidiaries	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2023	2022	**2023**	2022
Besunyen Investment (BVI) Co., Ltd. ("**Besunyen BVI**")	British Virgin Islands ("**BVI**"), limited liability company	Investment holding in BVI	US$1	**100%**	100%	**–**	–
Besunyen (Hong Kong) Co., Ltd. 碧生源(香港)有限公司	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$1	**100%**	100%	**–**	–
Beijing Outsell Health Product Development Co., Ltd. ("**Beijing Outsell**") (note ii) 北京澳特舒爾保健品開發有限公司	The PRC, limited liability company	Manufacture and sales of therapeutic tea products in PRC	RMB829,413,849	**100%**	100%	**–**	–
Beijing Pincha Online Ecommerce Co., Ltd. (note iii) 北京品茶在線電子商務有限公司	The PRC, limited liability company	Sales of therapeutic tea products in PRC	RMB30,000,000	**100%**	100%	**–**	–
Heilongjiang Besunyen Trading Co., Ltd. (note iii) 黑龍江碧生源商貿有限公司	The PRC, limited liability company	Sales of therapeutic tea products in PRC	RMB5,000,000	**100%**	100%	**–**	–
Guangdong Runliang Pharmaceutical Co., Ltd. (note iii) 廣東潤良藥業有限公司	The PRC, limited liability company	Sales of weight-loss medicine in PRC	RMB80,000,000	**100%**	100%	**–**	–
Zhuhai Kangbaina Pharmaceutical Co., Ltd. (note iii) 珠海康百納藥業有限公司	The PRC, limited liability company	Sales of therapeutic tea products and medicines in PRC	RMB1,000,000	**–**	100%	**–**	–
Zhuhai Aolixin Pharmaceutical Co., Ltd. (note iii) 珠海奧利新醫藥有限公司	The PRC, limited liability company	Sales of medicine in PRC	RMB2,000,000	**100%**	100%	**–**	–
Zhongshan Wanhan (note iv and Note 28(a)) 中山萬漢製藥有限公司	The PRC, limited liability company	Research, manufacturing and sales of medicines in PRC	RMB18,471,429	**–**	51%	**–**	49%

12 MAJOR SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES *(Continued)*

(a) Subsidiaries *(Continued)*

Name of subsidiaries	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2023	2022	**2023**	2022
Zhongshan Wanyuan (note iv and Note 28(a)) 中山萬遠新藥研發有限公司	The PRC, limited liability company	Research and development of medicine in PRC	RMB10,204,082	**–**	51%	**–**	49%
Guangdong Runze Supply Chain Management Co., Ltd. (note iii) 廣東潤澤供應鏈管理有限公司	The PRC, limited liability company	Sales of therapeutic tea products in PRC	RMB5,000,000	**100%**	100%	**–**	–
Hangzhou Besunyen Ecommerce Co., Ltd. (note iii) 杭州碧生源電子商務有限公司	The PRC, limited liability company	Sales of therapeutic tea products in PRC	RMB1,000,000	**100%**	100%	**–**	–
Guangzhou Bihai Health Industry Co., Ltd. (note iii) 廣州碧海健康產業有限公司	The PRC, limited liability company	Sales of therapeutic tea products in PRC	RMB1,000,000	**100%**	100%	**–**	–
Henan Xueyinghua (note iv and Note 28(b)) 河南雪櫻花製藥有限公司	The PRC, limited liability company	Manufacturing and sales of medicines in PRC	RMB31,990,000	**–**	100%	**–**	–
Jiangxi Yize Trading Co., Ltd. (note iii) 江西易澤商貿有限公司	The PRC, limited liability company	Sales of therapeutic tea products in PRC	RMB5,000,000	**100%**	100%	**–**	–
Jiangxi Outsell Trading Co., Ltd. (note iii) 江西澳特舒爾商貿有限公司	The PRC, limited liability company	Sales of therapeutic tea products in PRC	RMB5,000,000	**100%**	100%	**–**	–
Jiangsu Besunyen Ecommerce Co., Ltd. ("**Jiangsu Besunyen Ecommerce**") (note i and note iii) 江蘇碧生源電子商務有限公司	The PRC, limited liability company	Sales of therapeutic tea products in PRC	RMB10,000,000	**100%**	–	**–**	–

Notes:

i. The subsidiary was newly established by the Group in 2023.

ii. The subsidiary was registered as wholly foreign owned enterprises under PRC law.

iii. These subsidiaries are registered as wholly owned enterprises under PRC law.

iv. These subsidiaries were disposed by the Group in 2023 (refer to Note 28).

12 MAJOR SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES *(Continued)*

(b) Significant restrictions

Cash and cash equivalents and term deposits of approximately RMB160,355,000 (2022: RMB341,021,000) were held in Mainland China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

(c) Controlled structured entity

Structured entity	Principal activities
GOSP6 (Note 1)	Administering and holding the Company's investment acquired through the Administrator for the purpose of wealth management

As the Company is the only holder of participating shares of GOSP6, and the fee paid to Administrator is comparable to it's 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.

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Joint ventures (a)	**14,788**	29,196

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

	2023 RMB'000	2022 RMB'000
Continuing operations		
Joint ventures (a)	**970**	(10,450)

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(a) Investments in joint ventures

	RMB'000
Carrying amounts at 1 January 2022	44,971
Capital distributed to the Group (note ii)	(5,325)
Share of loss	(10,450)
Carrying amounts at 31 December 2022	29,196
Carrying amounts at 1 January 2023	**29,196**
Capital distributed to the Group (note ii)	**(24,228)**
Investments in joint ventures (note iii)	**8,850**
Share of profit	**970**
Carrying amounts at 31 December 2023	**14,788**

The Group's investments in joint ventures are all jointly incorporated in the PRC with third parties and measured using the equity method. Details of the joint ventures as at 31 December 2023 and 2022 are as below:

Name of entity	Initial investments RMB	% of equity interest 2023	2022
Ningbo Yuanyuan Liuchang Investment Management Co., Ltd. (the "**Fund Management Company**") (note i) 寧波源遠流長投資管理有限公司	50,000	**50%**	50%
Ningbo Yuanyuan Liuchang Investment Centre (Limited Partnership) (the "**Fund**") (note i and ii) 寧波源遠流長投資中心 (有限合夥)	79,210,000	**89.5%**	89.5%
Beijing Bishengjuyuan Enterprise Management Consulting Co., Ltd. (the "**Bishengjuyuan**") (note iii) 北京碧生聚源企業管理諮詢有限公司	1,800,000	**30%**	—
Jiangsu Besunyen Trading Co., Ltd. (the "**Jiangsu Trading**") (note iii) 江蘇碧生源商貿有限公司	1,500,000	**39%**	—

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(a) Investments in joint ventures *(Continued)*

Name of entity	Place of business/ country of incorporation	% of ownership interest	
	RMB	**2023**	2022
Jiangxi Besunyen Biotechnology Co., Ltd. (the "**Jiangxi Biotechnology**") (note iii) 江西碧生源生物有限公司	1,500,000	**39%**	—
Jiangxi Besunyen Trading Co., Ltd. (the "**Jiangxi Trading**") (note iii) 江西碧生源商貿有限公司	1,500,000	**39%**	—
Jiangxi Besunyen Technology Co., Ltd. (the "**Jiangxi Technology**") (note iii) 江西碧生源科技有限公司	1,500,000	**39%**	—
Guangzhou Bihan Network Technology Co., Ltd. (the "**Guangzhou Bihan**") (note iii) 廣州碧瀚網路科技有限公司	300,000	**30%**	—
Hangzhou Bihan Network Technology Co., Ltd. (the "**Hangzhou Bihan**") (note iii) 杭州碧瀚網路科技有限公司	450,000	**45%**	—
Beijing Bihan E-commerce Co., Ltd. (the "**Beijing Bihan**") (note iii) 北京碧瀚電子商務有限公司	300,000	**30%**	—

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

(a) Investments in joint ventures *(Continued)*

Notes:

i. Fund Management Company was established on 8 March 2016 and is jointly owned by the Group. The Fund has a total capital commitment of RMB100,000,000 and is owned by the Group, the Co-Partner and the Fund Management Company as to 89%, 10% and 1%, respectively.

ii. The principal business of the Fund is investments in portfolio companies specialising in the health care industry, TMT (technology, media and telecommunications) industry and consumer industry, etc., as well as the investment in certain early stage partnership companies.

As at 31 December 2023, the Fund has been expired and was in the process of liquidation. All the investments capital has been distributed to the Group.

iii. The New Companies were established following the Group's Strategic Adjustments as mentioned in Note 1.

Commitments and contingent liabilities in respect of joint ventures

There is no contingent liability relating to the Group's interest in the joint ventures.

14 INCOME TAX EXPENSE

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

The Company was incorporated in the Cayman Islands and Besunyen BVI was incorporated in the 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.

14 INCOME TAX EXPENSE *(Continued)*

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 obtained the High and New Technology Enterprise ("**HNTE**") qualification for three years from 2023 to 2025, for which the applicable income tax rate is 15% (2022: 15%).

Jiangsu Besunyen Ecommerce 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%).

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the PRC statutory enterprise income tax rate as follows:

	2023 **RMB'000**	2022 RMB'000
Continuing operations		
Loss from continuing operations before income tax expense	**(149,681)**	(47,560)
Tax at PRC statutory enterprise income tax rate of 25%	**(37,420)**	(11,890)
Effect of preferential tax rate granted	**(2,663)**	7,201
Effect of different tax rates in other jurisdictions	**5,164**	3,498
Tax losses or temporary differences for which no deferred income tax asset was recognised	**39,056**	32,326
Reversal of deferred tax assets	**4,534**	7,217
Utilisation or recognition of unrecognised tax losses/deductible temporary differences	**(815)**	(9,861)
Additional tax deduction for research and development expenses according to the laws and regulations	**(1,905)**	(2,697)
Dividend tax provision for distributable profits of PRC subsidiaries	**(1,071)**	(3,696)
Tax effect of expenses not deductible for tax purposes and others	**4,544**	6,911
Income tax expense	**9,424**	29,009

15 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 (RMB'000)		
— Continuing operations	**(159,105)**	(76,569)
— Discontinued operations	**(140,138)**	(22,520)
	(299,243)	(99,089)
Weighted-average number of ordinary shares in issue (thousands)	**122,266**	56,164
Basic losses per share (RMB per share)		
— Continuing operations	**(1.30)**	(1.36)
— Discontinued operations	**(1.15)**	(0.40)
	(2.45)	(1.76)

(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.

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	Plant and machinery RMB'000	Furniture and others RMB'000	Construction in progress RMB'000	Total RMB'000
COST					
At 1 January 2022	319,314	309,236	81,854	32,853	743,257
Additions	2,433	1,192	4,902	41,915	50,442
Transfer	14,076	46,343	8,523	(68,942)	—
Disposals/write-off	(574)	(2,083)	(2,537)	—	(5,194)
At 31 December 2022	335,249	354,688	92,742	5,826	788,505
At 1 January 2023	**335,249**	**354,688**	**92,742**	**5,826**	**788,505**
Additions	**—**	**2,160**	**717**	**3,870**	**6,747**
Transfer	**79**	**2,151**	**74**	**(2,304)**	**—**
Disposals/write-off (Note 36(b))	**(1,071)**	**(42)**	**(4,093)**	**—**	**(5,206)**
Disposals of subsidiaries (Note 28)	**(177,121)**	**(158,929)**	**(38,989)**	**(5,214)**	**(380,253)**
At 31 December 2023	**157,136**	**200,028**	**50,451**	**2,178**	**409,793**
ACCUMULATED DEPRECIATION					
At 1 January 2022	82,570	195,146	50,818	—	328,534
Charge for the year					
— Continuing operations	6,559	6,834	4,097	—	17,490
— Discontinued operations	14,651	10,930	8,548	—	34,129
Disposals/write-off	(367)	(1,247)	(2,413)	—	(4,027)
At 31 December 2022	103,413	211,663	61,050	—	376,126
At 1 January 2023	**103,413**	**211,663**	**61,050**	**—**	**376,126**
Charge for the year					
— Continuing operations	**8,551**	**3,275**	**3,409**	**—**	**15,235**
— Discontinued operations	**7,403**	**5,476**	**2,833**	**—**	**15,712**
Disposals/write-off (Note 36(b))	**(779)**	**(40)**	**(3,919)**	**—**	**(4,738)**
Disposals of subsidiaries (Note 28)	**(46,410)**	**(33,747)**	**(30,629)**	**—**	**(110,786)**
At 31 December 2023	**72,178**	**186,627**	**32,744**	**—**	**291,549**
ACCUMULATED IMPAIRMENT					
At 1 January 2022	1,630	11,607	—	—	13,237
Impairment charge					
— Continuing operations	1,028	—	—	—	1,028
At 31 December 2022	2,658	11,607	—	—	14,265
At 1 January 2023	**2,658**	**11,607**	**—**	**—**	**14,265**
Impairment charge					
— Discontinued operations (Note 28(a)(i))	**87,095**	**18,531**	**6,083**	**2,523**	**114,232**
Disposals of subsidiaries (Note 28)	**(88,725)**	**(30,138)**	**(6,083)**	**(2,523)**	**(127,469)**
At 31 December 2023	**1,028**	**—**	**—**	**—**	**1,028**
NET BOOK VALUE					
At 31 December 2023	**83,930**	**13,401**	**17,707**	**2,178**	**117,216**
At 31 December 2022	229,178	131,418	31,692	5,826	398,114

16 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Depreciation methods and useful lives

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives as follows:

Buildings and facilities	10–30 years
Plant and machinery	5–10 years
Furniture and others	2–5 years

See Note 43.4 for the other accounting policies relevant to property, plant and equipment.

(b) Depreciation charges have been expensed in profit or loss as follow:

	2023 **RMB'000**	2022 RMB'000
Continuing operations		
Cost of sales	**4,665**	3,788
Administrative expenses	**5,851**	8,895
Research and development costs	**659**	559
Selling and marketing expenses	**4,060**	4,248
	15,235	17,490

(c) The addition in construction in progress in 2023 included the finance costs capitalised amounting to nil (2022: RMB4,205,000).

(d) As at 31 December 2022, buildings with the carrying amounts of approximately RMB72,957,000, RMB42,942,000 and RMB4,996,000 were pledged as the securities for the guarantee of the Group's bank borrowings of RMB45,051,000, RMB68,450,000, and RMB20,080,000 respectively. As at 31 December 2023, the Group has no pledges of assets.

16 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(e) Impairment assessment for property, plant and equipment

The Group's revenue from the sales of Detox tea, Slimming tea, Fit tea and Relief tea (the "**Four Teas**") have been decreased significantly during the year ended 31 December 2023. Management considered that this constitutes a triggering event for assessing the recoverable amounts of the property, plant and equipments (the "**Key Operating Assets**") of the cash-generating unit (the "**CGU**") for the manufacturing of Four Teas (the"**Four Teas CGU**"). The Four Teas CGU was attributable to tea products segment, and is the lowest aggregation of assets that generate largely independent cash inflows. Therefore, management has performed an impairment assessment to assess the "value-in-use" (determined by management as the recoverable amount) of the Key Operating Assets of Four Teas CGU as at 31 December 2023 by using the discounted cash flow. The management has involved an independent qualified valuer, Beijing Zhonghong Xincheng Asset Appraisal Co., Ltd. (北京中泓信誠資產評估有限公司), to assist in performing impairment assessment of the property, plant and equipments of the Four Teas CGU.

The following table sets out the key assumptions for the Four Teas CGU:

	Four Teas CGU
2023	
Revenue growth rate for next 5 years	(19%)–6%
Sales margin for next 5 years	74%–76%
Pre-tax discount rate	19%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Revenue growth rate	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Sales margin	Based on past performance and management's expectations for the five-year forecast period.
Pre-tax discount rate	Reflect specific risks relating to the operation of the business in PRC.

The recoverable amount of the Four Teas CGU is estimated to exceed the carrying amount at 31 December 2023 by approximately RMB25,843,000.

16 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(e) Impairment assessment for property, plant and equipment *(Continued)*

The recoverable amount of the Four Teas CGU would equal its carrying amount if the key assumptions were to change as follows:

	2023	
	From	To
Revenue growth rate	**(19%)–6%**	**(20%)–6%**
Sales margin	**74%–76%**	**72%–73%**
Pre-tax discount rate	**19%**	**43%**

Based on the result of the aforesaid impairment assessment, the Directors of the Company concluded that no provision for impairment on the property, plant and equipments of the Four Teas CGU has to be recognised as at 31 December 2023.

17 RIGHT-OF-USE ASSETS

		Leased properties			
	Land use rights RMB'000 (Note a)	Office premises and staff quarters RMB'000	Leased vehicles RMB'000	Sales and leaseback property RMB'000	Total RMB'000
At 1 January 2022	62,058	41,457	160	—	103,675
Additions	—	16,751	—	—	16,751
Depreciation					
— Continuing operations	(400)	(12,640)	(160)	—	(13,200)
— Discontinued operations	(1,089)	(1,728)	—	—	(2,817)
Disposals	—	(26,190)	—	—	(26,190)
At 31 December 2022	60,569	17,650	—	—	78,219
At 1 January 2023	**60,569**	**17,650**	**—**	**—**	**78,219**
Additions	**—**	**3,542**	**—**	**—**	**3,542**
Depreciation					
— Continuing operations	**(411)**	**(7,260)**	**—**	**—**	**(7,671)**
— Discontinued operations	**(400)**	**(556)**	**—**	**—**	**(956)**
Disposals	**—**	**(6,592)**	**—**	**—**	**(6,592)**
Impairment					
— Discontinued operations (Note 28(a)(i))	**(16,691)**	**—**	**—**	**—**	**(16,691)**
Disposals of subsidiaries (Note 28)	**(26,111)**	**(1,612)**	**—**	**—**	**(27,723)**
At 31 December 2023	**16,956**	**5,172**	**—**	**—**	**22,128**

17 RIGHT-OF-USE ASSETS *(Continued)*

Depreciation charges have been expensed in the consolidated statement of comprehensive income as follows:

	2023 **RMB'000**	2022 RMB'000
Continuing operations		
Cost of sales	**626**	762
Research and development costs	**344**	422
Selling and marketing expenses	**2,834**	3,206
Administrative expenses	**3,867**	8,810
	7,671	13,200

(a) As at 31 December 2022, land use rights with the carrying amounts of approximately RMB5,721,000, RMB17,871,000, RMB10,009,000 were pledged as the securities for the guarantee of the Group's bank borrowings of RMB45,051,000 and RMB68,450,000 and RMB20,080,000 respectively. As at 31 December 2023, the Group has no pledges of assets.

18 INTANGIBLE ASSETS

	Goodwill	Trade-marks and brand name	Computer software	Exclusive medicine distribution right	Medicine production licenses	Patents and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2022	60,253	13,398	11,994	7,740	126,000	17,971	237,356
Additions	—	2,150	—	—	—	—	2,150
At 31 December 2022	60,253	15,548	11,994	7,740	126,000	17,971	239,506
At 1 January 2023	**60,253**	**15,548**	**11,994**	**7,740**	**126,000**	**17,971**	**239,506**
Additions	**—**	**58**	**—**	**—**	**—**	**198**	**256**
Disposals of subsidiaries (Note 28)	**(56,137)**	**(19)**	**(1,115)**	**(4,802)**	**(126,000)**	**(17,856)**	**(205,929)**
At 31 December 2023	**4,116**	**15,587**	**10,879**	**2,938**	**—**	**313**	**33,833**
ACCUMULATED AMORTISATION							
At 1 January 2022	—	12,512	9,724	2,938	33,455	5,255	63,884
Charge for the year							
— Continuing operations	—	787	1,026	—	—	—	1,813
— Discontinued operations	—	123	106	—	9,384	533	10,146
At 31 December 2022	—	13,422	10,856	2,938	42,839	5,788	75,843
At 1 January 2023	**—**	**13,422**	**10,856**	**2,938**	**42,839**	**5,788**	**75,843**
Charge for the year							
— Continuing operations	**—**	**484**	**212**	**—**	**—**	**9**	**705**
— Discontinued operations	**—**	**—**	**8**	**—**	**3,013**	**66**	**3,087**
Disposals of subsidiaries (Note 28)	**—**	**(15)**	**(1,070)**	**—**	**(45,852)**	**(5,780)**	**(52,717)**
At 31 December 2023	**—**	**13,891**	**10,006**	**2,938**	**—**	**83**	**26,918**
ACCUMULATED IMPAIRMENT							
At 1 January 2022	—	—	—	4,802	—	—	4,802
Addition							
— Continuing operations	4,116	—	—	—	—	—	4,116
— Discontinued operations	3,800	—	—	—	15,161	3,825	22,786
At 31 December 2022	7,916	—	—	4,802	15,161	3,825	31,704
At 1 January 2023	**7,916**	**—**	**—**	**4,802**	**15,161**	**3,825**	**31,704**
Addition							
— Discontinued operations (Note 28(a)(i))	**52,337**	**—**	**—**	**—**	**32,385**	**—**	**84,722**
— Disposals of subsidiaries (Note 28)	**(56,137)**	**—**	**—**	**(4,802)**	**(47,546)**	**(3,825)**	**(112,310)**
At 31 December 2023	**4,116**	**—**	**—**	**—**	**—**	**—**	**4,116**
NET BOOK VALUE							
At 31 December 2023	**—**	**1,696**	**873**	**—**	**—**	**230**	**2,799**
At 31 December 2022	52,337	2,126	1,138	—	68,000	8,358	131,959

18 INTANGIBLE ASSETS *(Continued)*

(a) Amortisation methods and periods

The Group amortises intangible assets with definite useful lives by using the straight-line method as follows:

Trademarks and brand name	5–10 years
Computer software	3–5 years
Exclusive medicine distribution right	10 years
Medicine production licenses	15 years
Patents and others	5–10 years

See Note 43.5 for the other accounting policies relevant to intangible assets.

(b) Amortisation charges have been expensed in the profit or loss as follows:

	2023 RMB'000	2022 RMB'000
Continuing operations		
Cost of sales	**215**	393
Administrative expenses	**270**	922
Research and development costs	**32**	58
Selling and marketing expenses	**188**	440
	705	1,813

19 OTHER NON-CURRENT ASSETS

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Prepayment for intangible assets	**11,050**	11,050
Prepayment for construction of property, plant and equipment	**1,218**	3,036
	12,268	14,086
Impairment on prepayment for intangible assets	**(3,000)**	—
Total other non-current assets	**9,268**	14,086

20 INVENTORIES

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Raw materials and packaging materials	**5,111**	41,297
Work in progress	**1,765**	8,919
Finished goods	**16,693**	59,762
	23,569	109,978
Less: Provision for impairment	**—**	(739)
	23,569	109,239

For continuing operations, the cost of inventories recognised as expense and included in "cost of sales" and "research and development costs" amounted to approximately RMB169,062,000 and RMB65,000 (2022: RMB280,707,000 and RMB147,000), respectively.

21 TRADE RECEIVABLES

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

(a) Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Trade receivables are generally due for settlement within 30–90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 43.8 and Note 3.1.2(a).

21 TRADE RECEIVABLES *(Continued)*

(b) 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:

	As at 31 December 2023 RMB'000	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
	48,195	104,163

(c) The Group's trade receivables are all denominated in RMB.

(d) Movement in the allowance for impairment of trade receivables is as follows:

	2023 RMB'000	2022 RMB'000
Opening loss allowance as at 1 January	**127**	199
Increase in loss allowance recognised in profit or loss during the year	**59**	14
Unused amount reversed	**(79)**	(80)
Disposals of subsidiaries	**(16)**	(6)
At 31 December	**91**	127

(e) As at 31 December 2023 and 2022, the carrying amounts of trade receivables approximate their fair values due to the short maturities of the related assets.

22 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.

23 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Prepayment for advertisement	**7,323**	9,257
Prepayment to suppliers	**15,779**	29,831
Other receivables	**16,098**	37,676
Others	**2,377**	3,662
	41,577	80,426

Deposits, prepayment and other receivables are all denominated in RMB, except for:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
HK$	**51**	51

The carrying amounts of the deposits and other receivables approximate their fair values due to the short maturities of the related assets.

24 FINANCIAL ASSETS MEASURED AT FVPL

Financial assets mandatorily measured at FVPL include the following:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Current assets		
Investments in debt securities (b)	**21,130**	—
	21,130	—
Non-current assets		
Equity investments in private companies (c)	**32,618**	19,380
Investments in funds (d)	**36,329**	27,903
	68,947	47,283
	90,077	47,283

During the year, the following gains were recognised in profit or loss:

	2023 RMB'000	2022 RMB'000
Continuing operations		
Fair value gains on wealth management products and structured deposits at FVPL recognised in "other gains/(losses), net" (a and Note 9)	**2,864**	3,477
Fair value gains on investments in debt securities (b)	**110**	—
Fair value losses on equity investments in private companies (c)	**(35)**	—
Fair value gains on investments in funds at FVPL (d)	**426**	627
	3,365	4,104

Notes:

a. The Group's wealth management products and structured deposits purchased from commercial financial institutes are denominated in RMB, with expected rates of return ranging from 1.00% to 3.21% per annum for the year ended 31 December 2023 (2022: 1.86% to 2.18%). The returns of these wealth management products and structured deposits are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at FVPL, and the fair values are based on discounted cash flow using the expected return based on management estimation and are within level 3 of the fair value hierarchy. There are no balance amounts as at 31 December 2023 and 2022.

b. The investments in debt securities are fixed-rate corporate bonds denominated in US$, and are mainly issued by corporates and banks and the fair value of such debt securities was determined based on quoted price on bond market.

24 FINANCIAL ASSETS MEASURED AT FVPL *(Continued)*

Notes: (Continued)

c. The fair values of equity investments in private companies are measured using a valuation technique with unobservable inputs and hence classified as level 3 of the fair value hierarchy.

d. The fair values of investments in funds are measured using a valuation technique with unobservable inputs and hence classified as level 3 of the fair value hierarchy.

25 RESTRICTED BANK DEPOSITS

Restricted bank deposits as at 31 December 2023 represented cash and cash equivalent that was held in GOSP6 (Note 1) for investment purpose.

Restricted bank deposits as at 31 December 2022 represented deposits placed in banks as security for the issue of bank acceptance notes to the suppliers for the purchases of raw materials and advertisement service.

26 TERM BANK DEPOSITS

An analysis of the Group's term deposits as at 31 December 2023 and 2022 are listed as below:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Long-term bank deposits	—	40,000
Short-term bank deposits	**62,576**	207,670

There is no long-term bank deposits of the Group for the year ended 31 December 2023 (effective interest rate of 2022: from 3.35% to 3.99%), and the effective interest rate of the short-term bank deposits of the Group ranges from 1.84% to 5.16% per annum for the year ended 31 December 2023 (effective interest rate of 2022: from 3.80% to 4.40%).

The term deposits are denominated in currencies are as follow:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
RMB	—	140,478
HK$	**62,576**	107,192

27 CASH AND CASH EQUIVALENTS

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Cash at bank and financial institute and on hand	**169,082**	230,320

Cash and cash equivalents which are denominated in currencies other than RMB are as follow:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
US$	**2,859**	991
HK$	**5,723**	20,052

28 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.

28 DISPOSALS OF SUBSIDIARIES *(Continued)*

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

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

	2023 **RMB'000**	2022 RMB'000
Revenue	**289,430**	200,509
Cost of sales and expenses	**(238,546)**	(239,744)
Impairment loss (note (1))	**(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)
Loss before income tax	**(162,277)**	(25,127)
Income tax (expense)/credit	**(4,948)**	14,310
Loss for the year	**(167,225)**	(10,817)
Net loss on the disposals (note (2))	**(8,547)**	—
	(175,772)	(10,817)
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)

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.

28 DISPOSALS OF SUBSIDIARIES *(Continued)*

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

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

Notes: (Continued)

(2) Details of net loss on the disposals were as belows:

	2023 RMB'000
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	**(145,506)**
Net loss on the disposals from discontinued operations of Target Companies	**(8,547)**

28 DISPOSALS OF SUBSIDIARIES *(Continued)*

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

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

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

28 DISPOSALS OF SUBSIDIARIES *(Continued)*

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

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

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

(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 belows:

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

28 DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) Disposal of Henan Xueyinghua *(Continued)*

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

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

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

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

	19 September 2023 RMB'000
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	**2**
Total assets	**36,773**
Deferred income tax liabilities	**(4,925)**
Trade and bills payables	**(33)**
Contract liabilities	**(272)**
Total liabilities	**(5,230)**
Carrying amount of net assets of Henan Xueyinghua at the date of disposal	**31,543**

28 DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) Disposal of Henan Xueyinghua *(Continued)*

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

	2023 RMB'000
Cash received	**14,800**
Cash and cash equivalents disposed	**(2)**
Proceeds from disposal of Henan Xueyinghua, net	**14,798**

(c) Re-presentation of comparative figures

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

29 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
Authorised:			
Ordinary shares of US$0.0003333332 each (Note)			
At 1 January 2022, 31 December 2022 and 2023 (Note)	150,000,000	50,000	341
Issued and fully paid:			
At 1 January 2022	40,755,195	13,585	94
Issuance of ordinary shares upon Rights Issue (Note)	81,510,390	27,170	194
At 31 December 2022,1 January 2023 and 31 December 2023	122,265,585	40,755	288

29 SHARE CAPITAL *(Continued)*

Ordinary shares, issued and fully paid: *(Continued)*

Note:

On 18 March 2022, the Company's Board of Directors 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.

30 OTHER RESERVES

	Merger reserve	Capital redemption reserve and capital reserve	Statutory surplus reserve	Share based payment reserve	Other reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	230,864	(9,886)	75,813	43,483	—	340,274
Appropriation to statutory surplus reserve	—	—	2,597	—	—	2,597
At 31 December 2022	230,864	(9,886)	78,410	43,483	—	342,871
At 1 January 2023	**230,864**	**(9,886)**	**78,410**	**43,483**	**—**	**342,871**
Currency translation differences	**—**	**—**	**—**	**—**	**(1,124)**	**(1,124)**
At 31 December 2023	**230,864**	**(9,886)**	**78,410**	**43,483**	**(1,124)**	**341,747**

31 DEFERRED GOVERNMENT GRANTS

The government grants were received for subsidising the Group's construction/purchases of certain property, plant and equipment and land use rights and are recognised over the estimated useful lives of the relevant assets. Movements of these asset-related government grants are as below:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
At 1 January	**41,679**	33,348
Addition for the year	**—**	11,576
Income recognition for the year	**(967)**	(3,245)
Disposals of subsidiaries (Note 28)	**(38,525)**	—
At 31 December	**2,187**	41,679

32 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Deferred income tax assets:		
— Deferred income tax asset to be recovered after more than 12 months	**29,353**	50,533
— Deferred income tax assets to be recovered within 12 months	**13,272**	22,565
	42,625	73,098
Offsetting of deferred tax liabilities	**(698)**	(17,589)
Net deferred tax assets	**41,927**	55,509
Deferred income tax liabilities:		
— Deferred income tax liability to be settled after more than 12 months	**(435)**	(31,186)
— Deferred income tax liability to be settled within 12 months	**(1,513)**	(18,473)
	(1,948)	(49,659)
Offsetting of deferred tax assets	**698**	17,589
Net deferred tax liabilities	**(1,250)**	(32,070)

32 DEFERRED INCOME TAX *(Continued)*

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

Deferred income tax assets

	Accrued expenses and payables RMB'000	Lease liabilities RMB'000	Deferred government grants RMB'000	Tax losses RMB'000	Unrealised profit for intra-group transaction RMB'000 (Note)	Total RMB'000
At 31 December 2021	17,300	7,411	5,014	63,883	4,659	98,267
(Charges)/credit to profit or loss	(4,730)	(5,069)	1,252	(16,469)	(153)	(25,169)
At 31 December 2022	12,570	2,342	6,266	47,414	4,506	73,098
Charges to profit or loss						
— Continuing operations	**(6,682)**	**(1,267)**	**(348)**	**(1,658)**	**(1,345)**	**(11,300)**
— Discontinued operations	**(830)**	**(389)**	**(5,906)**	**(12,048)**	**—**	**(19,173)**
At 31 December 2023	**5,058**	**686**	**12**	**33,708**	**3,161**	**42,625**

Note:

The unrealised profit for intra-group transaction mainly comprised the gain on the transfer to certain properties within the Group subsidiaries before 1 January 2023 and the profit resulted from intra-group sales transaction during the year ended 31 December 2023.

Deferred income tax liabilities

	Withholding tax on undistributed earnings RMB'000	Unrealised fair value change RMB'000	Right-of-use assets RMB'000	Accelerated depreciation on property, plant and equipment RMB'000	Non-current assets identified in business combination RMB'000	Total RMB'000
At 1 January 2022	(10,537)	(495)	(7,136)	(13,227)	(31,241)	(62,636)
Credit/(charges) to profit or loss	2,785	(157)	4,741	(1,968)	7,576	12,977
At 31 December 2022	(7,752)	(652)	(2,395)	(15,195)	(23,665)	(49,659)
Disposal of subsidiaries (Note 28)	**5,006**	**—**	**—**	**1,901**	**22,467**	**29,374**
Credit/(charges) to profit or loss						
— Continuing operations	**1,071**	**(460)**	**1,340**	**—**	**44**	**1,995**
— Discontinued operations	**1,675**	**—**	**395**	**13,294**	**978**	**16,342**
At 31 December 2023	**—**	**(1,112)**	**(660)**	**—**	**(176)**	**(1,948)**

32 DEFERRED INCOME TAX *(Continued)*

Deferred income tax liabilities *(Continued)*

(a) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

As at 31 December 2023, the Group had unused tax losses of approximately RMB578,622,000 (31 December 2022: RMB439,956,000) that can be carried forward against future taxable income. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future taxable income. The unused tax losses of the Group were mainly from the subsidiaries incorporated in Mainland China, where the accumulated tax losses will normally expire within 5 years.

(b) As at 31 December 2023, the Group has unrecognised deductible temporary differences (including the advertising expenses incurred in excess of the maximum deductible caps as accumulated for the tax financial years from 2012 to 2023) and other accrued expenses of approximately RMB31,483,000 (2022: RMB9,283,000).

(c) In accordance with the related PRC Corporate Income Tax Law and regulations effective from 1 January 2008, a withholding income tax is levied on dividends declared to foreign investors from the enterprises with foreign investments established in the PRC. The Group is therefore liable to withholding tax at 5% on dividends distributable by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

33 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
	16,547	20,559

33 TRADE AND BILLS PAYABLES *(Continued)*

Trade payables are unsecured and are usually paid within 90 days of recognition.

There is no bills payable as at 31 December 2023.

The carrying amounts of trade and bills payables are considered to be the same as their fair values due to the short maturities of the related liabilities.

The trade and bill payables are all denominated in RMB.

34 OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Payroll and welfare payable	**30,260**	30,788
Accrued expenses	**22,611**	34,270
Accrued sales rebates	**9,037**	15,475
Taxes and surcharges payable	**5,155**	20,719
Payable to suppliers for:		
— purchases of e-commerce platform service	**12,991**	12,005
— purchases of property, plant and equipment	**4,890**	11,516
— advertisement	**3,962**	690
Deposits received in connection with disposal of a subsidiary	**3,000**	—
Others	**28,098**	44,400
	120,004	169,863

35 LEASE LIABILITIES

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Lease liabilities		
Current	**3,239**	9,027
Non-current	**1,875**	8,289
	5,114	17,316

Liabilities arising from a lease are initially measured on a present value basis and are discounted at a rate of 5.59%. The finance cost of leases is charged to consolidated statement of comprehensive income over the lease period.

35 LEASE LIABILITIES *(Continued)*

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2023 **RMB'000**	2022 RMB'000
Depreciation of right-of-use assets (Note 17)	**7,260**	12,800
Interest expense (included in finance costs) (Note 11)	**663**	1,033
Total cash outflow for leases	**8,708**	13,804
Expense relating to short-term leases (included in cost of goods sold, selling expenses, administrative expenses and research and development expenses) (Note 7)	**1,931**	1,579
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in selling expenses, administrative expenses and research and development expenses) (Note 7)	**22**	120

The lease agreements do not impose any covenants, but lease assets may not be used as security for borrowing purposes.

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, retail stores and vehicles. Rental contracts are typically made for fixed periods of 3 months to 5 years, but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

36 CASH USED IN OPERATIONS

(a) Reconciliation of loss before income tax to cash used in operating activities

	2023 RMB'000	2022 RMB'000
Cash flows from operating activities		
Loss before income tax (continuing operations)	**(149,681)**	(47,560)
Adjustments for:		
Depreciation of right-of-use assets	**7,671**	13,200
Amortisation of intangible assets	**705**	1,813
Depreciation of property, plant and equipment	**15,235**	17,490
Impairment losses on non-current assets	**3,000**	5,144
Finance costs	**1,998**	7,493
Interest income	**(4,197)**	(26)
Finance income	**(1,634)**	(1,760)
Change in fair value of short-term investments measured at FVPL	**(2,974)**	(3,477)
Change in fair value of long-term investments measured at FVPL	**(391)**	(627)
Net losses on disposals of property, plant and equipment	**59**	289
Net losses/(gains) on termination of lease	**1,278**	(1,420)
Amortisation of deferred government grants	**(136)**	(136)
Reversal of impairment of trade receivables	**(20)**	(66)
Foreign exchange (gains)/losses	**(1,026)**	851
Share of (profit)/loss of investments accounted for using the equity method	**(970)**	10,450
	18,598	49,218
Operating cash flows before movements in working capital	**(131,083)**	1,658
Decrease in inventories	**21,636**	37,514
Decrease/(increase) in trade and bills receivable	**47,110**	(8,268)
Decrease/(increase) in deposits, prepayments and other receivables	**22,816**	(34,458)
Increase/(decrease) in trade and bills payables	**13,593**	(34,835)
Decrease in other payables and accrued expenses	**(1,049)**	(2,018)
Decrease in contract liabilities	**(7,635)**	(7,585)
Decrease in other non-current liabilities	**—**	(497)
Cash used in operations (continuing operations)	**(34,612)**	(48,489)

36 CASH USED IN OPERATIONS *(Continued)*

(b) In the statement of cash flows, proceeds from sale of land use rights, property, plant and equipment and intangible assets comprise:

	2023 RMB'000	2022 RMB'000
Net book amount (Note 16, 17 and 18)	**468**	411
Net losses on disposals of property, plant and equipment (Note 9)	**(59)**	(289)
Proceeds from disposals of property, plant and equipment	**409**	122

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Cash and cash equivalents	**169,082**	230,320
Term bank deposits	**62,576**	247,670
Restricted bank deposits	**56,877**	—
Short-term financial assets measured at FVPL	**21,130**	—
Borrowings	**—**	(177,571)
Lease liabilities	**(5,114)**	(17,316)
Net debt	**304,551**	283,103
Cash and liquid investments	**309,665**	477,990
Gross debt — fixed interest rates	**(5,114)**	(194,887)
Net debt	**304,551**	283,103

36 CASH USED IN OPERATIONS *(Continued)*

(c) Net debt reconciliation *(Continued)*

	Liabilities from financing activities		Other assets				
	Borrowings	Lease liabilities	Cash and cash equivalents	Term bank deposits	Restricted bank deposits	Short-term financial assets measured at FVPL	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at 31 December 2021	(243,680)	(42,934)	216,042	180,563	5,801	—	115,792
Cash flows							
— continuing operations	42,202	12,771	(19,700)	107,195	—	—	142,468
— discontinued operations	23,978	1,756	34,812	(40,088)	(5,801)	—	14,657
Changes of leases	—	11,091	—	—	—	—	11,091
Exchange losses on cash and cash equivalents	—	—	(834)	—	—	—	(834)
Interest expense	(71)	—	—	—	—	—	(71)
Net debt as at 31 December 2022	(177,571)	(17,316)	230,320	247,670	—	—	283,103
Cash flows							
— continuing operations	**84,872**	**8,045**	**(61,159)**	**(51,028)**	**57,523**	**21,317**	**59,570**
— discontinued operations	**92,699**	**1,795**	**(1,579)**	**(134,066)**	**—**	**—**	**(41,151)**
Changes of leases	**—**	**2,362**	**—**	**—**	**—**	**—**	**2,362**
Exchange losses on cash and cash equivalents	**—**	**—**	**1,500**	**—**	**—**	**—**	**1,500**
Non-cash movement	**—**	**—**	**—**	**—**	**(646)**	**(187)**	**(833)**
Net debt as at 31 December 2023	**—**	**(5,114)**	**169,082**	**62,576**	**56,877**	**21,130**	**304,551**

37 DIVIDENDS

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

38 COMMITMENT

(a) Capital commitments

Capital expenditure contracted for at end of year but not yet incurred is as follows:

	2023	2022
	RMB'000	RMB'000
Property, plant and equipment	**2,400**	12,621

(b) Operating lease commitments

The Group as lessee

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

	2023	2022
	RMB'000	RMB'000
No later than 1 year	—	342
Later than 1 year and no later than 5 years	—	17
	—	359

39 RELATED PARTY TRANSACTIONS

(a) Key management compensation

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

	2023	2022
	RMB'000	RMB'000
Salaries, bonus and other allowances	**9,962**	9,104
Pension cost — defined contribution plan	**330**	273
	10,292	9,377

During the year ended 31 December 2023, no remuneration was paid by the Group as an inducement to the five highest paid individuals for joining or upon joining the Group (2022: Nil).

During the year ended 31 December 2023, no remuneration was paid by the Group as a compensation to the five highest paid individuals for loss of office (2022: Nil).

During the year ended 31 December 2023, no discretionary and performance-related bonuses was paid by the Group (2022: Nil).

39 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties

The following transactions occurred with related parties as mentioned in Note 13:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Sale of goods to:		
— Jiangxi Trading	**1,414**	—
— Jiangsu Trading	**285**	—
— Jiangxi Technology	**1,836**	—
— Jiangxi Biotechnology	**627**	—
	4,162	—
Purchase of operating services from:		
— Hangzhou Bihan	**1,800**	—
— Beijing Bihan	**1,004**	—
— Guangzhou Bihan	**387**	—
	3,191	—

(c) Outstanding balances arising from sales/purchases of goods and services:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Balances due from related parties		
Accounts receivable from:		
— Jiangxi Trading	**1,312**	—
— Jiangsu Bishengyuan	**415**	—
	1,727	—
Deposits from:	**—**	
— Beijing Bihan	**800**	—
— Hangzhou Bihan	**800**	—
— Guangzhou Bihan	**800**	—
	2,400	—
Balances due to related parties		
Prepayment from:		
— Jiangxi Biotechnology	**360**	—

As at 31 December 2023, there were no non-trade balances with related parties, and all balances with related parties were non interest bearing and of a trade nature. Due to their short maturity period, their fair value was similar to their carrying amount.

40 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of each director is set out below:

For the year ended 31 December 2023:

Name	Fees RMB'000	Salaries and other allowances RMB'000	Bonuses RMB'000	Share-based payments RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Executive directors:						
Zhao Yihong	273	2,207	—	—	63	2,543
Gao Yan	274	1,711	—	—	—	1,985
Yu Hongjiang	274	1,584	—	—	63	1,921
	821	5,502	—	—	126	6,449
Non-executive directors:						
Zhuo Fumin***	119	—	—	—	—	119
	119	—	—	—	—	119
Independent non-executive directors:						
He Yuanping	274	—	—	—	—	274
Ren Guangming*	86	—	—	—	—	86
Fu Shula****	228	—	—	—	—	228
Mou Wenjun**	56	—	—	—	—	56
Shi Xiangxin	184	—	—	—	—	184
Feng Bing	46	—	—	—	—	46
	874	—	—	—	—	874
	1,814	5,502	—	—	126	7,442

40 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2022:

Name	Fees RMB'000	Salaries and other allowances RMB'000	Bonuses RMB'000	Share-based payments RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Executive directors:						
Zhao Yihong	262	1,926	270	—	58	2,516
Gao Yan	262	1,486	208	—	—	1,956
Yu Hongjiang	37	1,373	192	—	58	1,660
	561	4,785	670	—	116	6,132
Non-executive directors:						
Zhuo Fumin***	262	—	—	—	—	262
	262	—	—	—	—	262
Independent non-executive directors:						
He Yuanping	262	—	—	—	—	262
Ren Guangming*	262	—	—	—	—	262
Fu Shula****	262	—	—	—	—	262
	786	—	—	—	—	786
	1,609	4,785	670	—	116	7,180

During the year ended 31 December 2023, no directors waived or agree to waive any emoluments (2022: Nil).

* Mr. Ren Guangming has resigned as independent non-executive director on 23 April 2023.

** Mr. Mou Wenjun has resigned as independent non-executive director on 31 May 2023.

*** Mr. Zhuo Fumin has resigned as non-executive director on 6 June 2023.

**** Mr. Fu Shula has resigned as independent non-executive director on 31 October 2023.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**313,292**	221,545
Financial assets measured at FVPL	**19,380**	19,380
Loans to subsidiaries	**679,102**	718,948
	1,011,774	959,873
Current assets		
Deposits, prepayments and other receivables	**6,818**	6,714
Cash and cash equivalents	**66,476**	128,421
	73,294	135,135
Total assets	**1,085,068**	1,095,008
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	**288**	288
Share premium	**1,039,108**	1,039,108
Other reserves	**43,489**	43,489
Retained earnings	**1,309**	11,235
Total equity	**1,084,194**	1,094,120
LIABILITIES		
Current liabilities		
Other payable and accrued expenses	**874**	888
Total liabilities	**874**	888
Total equity and liabilities	**1,085,068**	1,095,008

The balance sheet of the Company was approved by the Board of Directors on 8 March 2024 and was signed on its behalf.

Zhao Yihong
Director

Gao Yan
Director

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Reserve movement of the Company

	Share premium RMB'000	Share-based payment reserve RMB'000	Capital redemption reserve RMB'000	Total other reserves RMB'000
At 1 January 2022	913,393	43,483	6	43,489
Rights Issue	125,715	—	—	—
At 31 December 2022	1,039,108	43,483	6	43,489
At 1 January 2023	**1,039,108**	**43,483**	**6**	**43,489**
At 31 December 2023	**1,039,108**	**43,483**	**6**	**43,489**

42 EVENT OCCURRING AFTER THE REPORTING PERIOD

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

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

43.1 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.1 Principles of consolidation and equity accounting *(Continued)*

(a) Subsidiaries (Continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognised at cost.

(c) Joint arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. For the year ended 31 December 2022 and 2023, the Group only had joint ventures.

(d) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.1 Principles of consolidation and equity accounting *(Continued)*

(d) Equity method (Continued)

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 43.6.

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of the Company has appointed a strategic steering committee which assesses the financial performance and position of the Group and makes strategic decisions. The CODM has been identified as the executive directors of the Company who review the Group's internal reporting in order to assess performance and allocate resources.

43.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in RMB, which is the functional currency of the Company and the presentation currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.3 Foreign currency translation *(Continued)*

(b) Transactions and balances (Continued)

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains/(losses), net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVPL are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at FVOCI are recognised in other comprehensive income ("**OCI**").

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and

- all resulting exchange differences are recognised in OCI.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.3 Foreign currency translation *(Continued)*

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associate or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

43.4 Property, plant and equipment

Property, plant and equipment, other than construction in progress ("**CIP**"), are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Construction in progress is property, plant and equipment on which construction work has not been completed and is stated at cost less accumulated impairment losses, if any. Depreciation is not provided on CIP until such time as the related assets are completed and ready for intended use. When the assets being constructed are ready for their intended use, the CIP is transferred to the appropriate categories of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.4 Property, plant and equipment *(Continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 43.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss and presented in the consolidated statement of comprehensive income within "other gains/(losses), net".

43.5 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

(b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.5 Intangible assets *(Continued)*

(c) Research and development costs

Research and development costs incurred by the Group to design and testing of new or improved products comprised of salaries, employee benefits and other headcount-related costs, raw material consumable and depreciation associated with the research and development activities. Research expenditures are charged to the profit or loss as an expense in the period the expenditure is incurred. Development costs are recognised as assets if they can be directly attributable to development project and all the following can be demonstrated:

- the technical feasibility of completing the development project so that it will be available for use or sale;
- its intention to complete the development project and use or sell it;
- its ability to use or sell the intangible asset;
- the manner in which the development project will generate probable future economic benefits for the Group;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the asset during its development can be reliably measured.

Development expenditures not satisfying the above criteria are recognised in the profit or loss as incurred. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(d) Trademarks, brand name, patents, distribution right, licenses and other intangible assets

Separately acquired trademarks, patents and other intangible assets are shown at historical cost. Trademarks, brand name, patents, distribution right and licenses acquired in a business combination are recognised at fair value at the acquisition date. Trademarks, brand name, patents, distribution right and licenses have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses (if any).

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.6 Impairment of non-financial assets

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets that are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

43.7 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred income tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.8 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through FVOCI or FVPL); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset measured at its fair value plus, in the case of a financial asset not measured at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets measured at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.8 Investments and other financial assets *(Continued)*

(c) ***Measurement*** *(Continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains/(losses), net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other gains/(losses), net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other gains/(losses), net" in the consolidated statement of comprehensive income, and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "other gains/(losses), net" in the period in which it arises.

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.8 Investments and other financial assets *(Continued)*

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 21 for further details.

Impairment on other financial assets, mainly including other receivables, term bank deposits and bill receivables measured at fair value through other comprehensive income, is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

43.9 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

43.10 Inventories

Raw materials, packing materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.11 Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 21 for further information about the Group's accounting for trade receivables and Note 43.8 for a description of the Group's impairment policies.

43.12 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

43.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

43.14 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 180 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

43.16 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.17 Current and deferred income tax *(Continued)*

(b) Deferred income tax *(Continued)*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

43.18 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including medical care, welfare subsidies, unemployment insurance and pension benefits through a PRC government mandated multi-employer defined contribution plan, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current other payables and accrued expenses in the balance sheet.

According to the relevant rules and regulations in the PRC, the contributions borne by the Group under the PRC government mandated multi-employer defined contribution plan are principally determined based on certain percentages of the salaries of employees, subject to certain ceilings. The Group's liability in respect of the funds is limited to the contributions payable in each year.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when employment is terminated.

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.19 Provisions

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

43.20 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.21 Dividend income

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

43.22 Lease

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.22 Lease *(Continued)*

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

44 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

44.22 Lease *(Continued)*

Land use rights were reclassified as right-of-use assets since the initial adoption of IFRS 16 on 1 January 2019. All land in the PRC is state-owned and no individual land ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights. Land use rights which are held for self-use are stated at cost and amortised over the use terms using straight-line method with definite useful lives of 34–64 years.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 17). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

44.23 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Five-year Financial Summary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Turnover	812,160	1,292,711	1,101,150	801,342	**542,876**
Gross profit	584,452	913,326	698,550	492,591	**346,220**
(Loss)/profit from operating	(16,207)	30,214	(90,964)	(31,377)	**(150,287)**
Gain on disposal of subsidiaries	222,276	80,108	—	—	**—**
Impairment loss on intangible assets	—	—	—	—	**—**
Reversal of impairment of property, plant and equipment	—	—	—	—	**—**
Investment (loss)/profit accounted for using the equity method	(12,862)	4,736	240	(10,450)	**970**
Profit/(loss) before income tax	193,207	115,058	(90,724)	(47,560)	**(149,681)**
Loss for the year from continuing operations	188,246	130,859	(113,991)	(76,569)	**(159,105)**
Loss for the year from discontinued operations, net of tax	—	—	—	(27,820)	**(198,409)**
Other comprehensive loss for the year from continuing operations	—	—	—	—	**(1,124)**
Other comprehensive loss for the year from discontinued operations	—	—	—	—	**—**
Total comprehensive loss for the year	188,246	130,859	(113,991)	(104,389)	**(358,638)**
Basic earnings/(loss) per share (RMB)					
— Continuing operations	4.07	1.14	(3.65)	(1.36)	**(1.30)**
— Discontinued operations	—	—	—	(0.40)	**(1.15)**
Diluted earnings/(loss) per share (RMB)					
— Continuing operations	4.07	1.14	(3.65)	(1.36)	**(1.30)**
— Discontinued operations	—	—	—	(0.40)	**(1.15)**
Earnings/(loss) per share (RMB)					
Basic	4.07	1.14	(3.65)	(1.76)	**(2.45)**
Diluted	4.07	1.14	(3.65)	(1.76)	**(2.45)**

CONSOLIDATED BALANCE SHEET

	As at 31 December				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Non-current assets	672,836	793,474	1,017,554	794,366	**277,073**
Net current assets	509,435	563,354	228,762	392,763	**282,209**
Total assets less current liabilities	1,182,271	1,356,828	1,246,316	1,187,129	**559,282**
Non-current liabilities	102,825	146,446	190,926	134,719	**5,312**
Net assets	1,079,446	1,210,382	1,055,390	1,052,410	**553,970**
Share capital	94	94	94	288	**288**
Reserves	968,581	1,014,137	827,423	854,049	**553,682**
	968,675	1,014,231	827,517	854,337	**553,970**
Non-controlling interests	110,771	196,151	227,873	198,073	**—**
Total equity	1,079,446	1,210,382	1,055,390	1,052,410	**553,970**

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