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**碧生源控股有限公司**

**BESUNYEN HOLDINGS COMPANY LIMITED**

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

**(Stock Code: 926)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**FINANCIAL HIGHLIGHTS**

The revenue of the Group was RMB1,292.7 million in 2020, representing an increase of 59.2% as compared with the revenue of RMB812.2 million in 2019.

The gross profit margin decreased to 70.7% in 2020 from the gross profit margin of 72.0% in 2019.

The total comprehensive income of the Group was RMB130.9 million in 2020, compared with the total comprehensive income of RMB188.2 million in 2019.

The basic and diluted earnings per share was RMB2.85 cents in 2020, as compared with the basic and diluted earnings per share of RMB10.18 cents in 2019.

**FINAL DIVIDEND**

Taking into account the Group's annual performance, including the gain on disposal of a subsidiary, the Board has resolved to recommend for declaration and payment of a final dividend of HK3.75 cents per share (approximately HK\$61,133,000 in aggregate) for the year ended 31 December 2020, subject to the approval by the shareholders of the Company at the AGM to be held on 25 May 2021. The final dividend will be paid on or about 16 June 2021 to the shareholders whose names appear on the register of members of the Company on 1 June 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of Besunyen Holdings Company Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019 as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2020	2019
	Note	RMB'000	RMB'000
Revenue	3	1,292,711	812,160
Cost of sales		<u>(379,385)</u>	<u>(227,708)</u>
<b>Gross profit</b>		<b>913,326</b>	584,452
Other income		26,718	12,642
Selling and marketing expenses		(661,514)	(449,987)
Administrative expenses		(134,420)	(107,770)
Research and development costs		(93,802)	(47,363)
Other expenses		(3,682)	(4,454)
Other losses, net		(12,864)	(1,443)
Gain on disposal of subsidiaries	4	<u>80,108</u>	<u>222,276</u>
<b>Operating profit</b>		<b>113,870</b>	<b>208,353</b>
Finance income		2,758	3,309
Finance costs		<u>(6,306)</u>	<u>(5,593)</u>
Finance costs, net		<u>(3,548)</u>	<u>(2,284)</u>
Share of profits/(losses) of investments accounted for using the equity method		<u>4,736</u>	<u>(12,862)</u>
<b>Profit before income tax</b>		<b>115,058</b>	193,207
Income tax credit/(expense)	5	<u>15,801</u>	<u>(4,961)</u>
<b>Profit for the year</b>		<b><u>130,859</u></b>	<b><u>188,246</u></b>

		<b>Year ended 31 December</b>	
		<b>2020</b>	<b>2019</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit attributable to:</b>			
— Owners of the Company		<b>45,479</b>	162,348
— Non-controlling interests		<b>85,380</b>	25,898
		<u><b>130,859</b></u>	<u>188,246</u>
<b>Other comprehensive income</b>		—	—
<b>Total comprehensive income for the year</b>		<u><b>130,859</b></u>	<u>188,246</u>
<b>Total comprehensive income attributable to:</b>			
— Owners of the Company		<b>45,479</b>	162,348
— Non-controlling interests		<b>85,380</b>	25,898
		<u><b>130,859</b></u>	<u>188,246</u>
<b>Earnings per share attributable to owners of the Company for the year (RMB cents)</b>			
— Basic earnings per share	<i>6</i>	<u><b>2.85</b></u>	<u>10.18</u>
— Diluted earnings per share	<i>6</i>	<u><b>2.85</b></u>	<u>10.18</u>

## CONSOLIDATED BALANCE SHEET

	As at 31 December 2020	As at 31 December 2019
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	322,278	219,823
Investment properties	9,500	9,424
Intangible assets	161,668	170,086
Right-of-use assets	118,367	114,810
Other non-current assets	19,204	14,175
Investments accounted for using the equity method	55,890	79,276
Deferred income tax assets	106,567	65,242
	<u>793,474</u>	<u>672,836</u>
Total non-current assets		
<b>Current assets</b>		
Inventories	139,394	60,184
Trade receivables	7 65,643	139,673
Bills receivable	8 9,119	5,187
Deposits, prepayments and other receivables	124,686	111,409
Restricted bank deposits	56,786	27,968
Financial assets measured at fair value through profit or loss	—	83,000
Term deposits with initial term of over three months	120,300	10,000
Cash and cash equivalents	543,822	270,803
	<u>1,059,750</u>	<u>708,224</u>
Assets classified as held for sale	—	286,500
Total current assets	<u>1,059,750</u>	<u>994,724</u>
<b>Total assets</b>	<u><u>1,853,224</u></u>	<u><u>1,667,560</u></u>

		As at 31 December 2020	As at 31 December 2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	10	94	94
Share premium		962,777	962,777
Other reserves		331,762	327,065
Accumulated losses		<u>(280,402)</u>	<u>(321,261)</u>
		<b>1,014,231</b>	968,675
Non-controlling interests		<u>196,151</u>	<u>110,771</u>
<b>Total equity</b>		<b><u>1,210,382</u></b>	<b><u>1,079,446</u></b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred government grants		33,795	34,381
Lease liabilities		10,044	8,327
Deferred income tax liabilities		37,380	32,117
Long-term borrowings		64,730	28,000
Other non-current liabilities		<u>497</u>	<u>—</u>
Total non-current liabilities		<u>146,446</u>	<u>102,825</u>
<b>Current liabilities</b>			
Trade and bills payables	9	107,148	49,105
Other payables and accrued expenses		235,627	328,813
Contract liabilities		34,180	27,209
Borrowings		95,050	66,800
Lease liabilities		12,563	9,241
Current income tax liabilities		<u>11,828</u>	<u>4,121</u>
Total current liabilities		<u>496,396</u>	<u>485,289</u>
<b>Total liabilities</b>		<b><u>642,842</u></b>	<b><u>588,114</u></b>
<b>Total equity and liabilities</b>		<b><u>1,853,224</u></b>	<b><u>1,667,560</u></b>

# NOTES TO THE ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

## 1 GENERAL INFORMATION

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

## 2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) and the 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**”).

### 2.1 Changes in accounting policy and disclosures

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material — amendments to IAS 1 and IAS 8
- Definition of a Business — amendments to IFRS 3
- Interest Rate Benchmark Reform — amendments to IFRS 7, IFRS 9, and IAS 39
- COVID-19-related Rent Concession — amendments to IFRS 16
- Revised Conceptual Framework for Financial Reporting

The adoption of these amended standards and revised conceptual framework did not have any material impact on the Group’s consolidated financial statement.

**(b) New standards and interpretations not yet adopted**

		<b>Effective for annual periods beginning on or after</b>
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements 2018–2020 cycle		1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023

The new and amended standards have not been early adopted by the Group, and are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

### **3 REVENUE AND SEGMENT INFORMATION**

The Executive Directors of the Company have been identified as the chief operating decision makers (“CODM”) who 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 and other tea products) and also the manufacturing 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.

## Revenue

The revenue segment information reported to CODM for the years ended 31 December 2020 and 2019 is as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Tea products segment		
— Detox tea	<b>191,889</b>	176,541
— Slimming tea	<b>198,946</b>	185,764
— Fit tea	<b>94,425</b>	62,828
— Others	<b>145,076</b>	50,429
	<b>630,336</b>	475,562
Weight-loss and other medicines segment		
— Weight-loss medicines	<b>607,313</b>	324,508
— Other medicines	<b>55,062</b>	12,090
	<b>662,375</b>	336,598
	<b>1,292,711</b>	812,160



The segment results for the year ended 31 December 2020 are as follows:

	Tea products segment <i>RMB'000</i>	Weight-loss and other medicines segment <i>RMB'000</i>	Total <i>RMB'000</i>
Total revenue	630,336	662,375	1,292,711
Inter-segment revenue	—	—	—
<b>Revenue from external customers</b>	<u>630,336</u>	<u>662,375</u>	<u>1,292,711</u>
Timing of revenue recognition			
At a point in time	<u>630,336</u>	<u>662,375</u>	<u>1,292,711</u>
Cost of sales	<u>(116,445)</u>	<u>(262,940)</u>	<u>(379,385)</u>
Gross profit	513,891	399,435	913,326
Selling and marketing expenses	(403,777)	(257,737)	(661,514)
Research and development costs	<u>(16,098)</u>	<u>(77,704)</u>	<u>(93,802)</u>
<b>Segment results</b>	<u>94,016</u>	<u>63,994</u>	<u>158,010</u>
Other income			26,718
Administrative expenses			(134,420)
Other expenses			(3,682)
Other losses, net			(12,864)
Gain on disposal of subsidiaries			<u>80,108</u>
Operating profit			<u>113,870</u>
Finance income			2,758
Finance costs			<u>(6,306)</u>
Finance costs, net			<u>(3,548)</u>
Share of profits of investments accounted for using the equity method			<u>4,736</u>
Profit before income tax			115,058
Income tax credit			<u>15,801</u>
Profit for the year			<u><u>130,859</u></u>
Other segment information:			
Impairment loss of non-current assets	(8,595)	—	(8,595)
Depreciation	(29,494)	(16,587)	(46,081)
Amortisation	<u>(750)</u>	<u>(9,399)</u>	<u>(10,149)</u>

The segment results for the year ended 31 December 2019 are as follows:

	Tea products segment <i>RMB'000</i>	Weight-loss and other medicines segment <i>RMB'000</i>	Total <i>RMB'000</i>
Total revenue	475,562	336,598	812,160
Inter-segment revenue	—	—	—
<b>Revenue from external customers</b>	<u>475,562</u>	<u>336,598</u>	<u>812,160</u>
Timing of revenue recognition			
At a point in time	<u>475,562</u>	<u>336,598</u>	<u>812,160</u>
Cost of sales	<u>(110,556)</u>	<u>(117,152)</u>	<u>(227,708)</u>
Gross profit	365,006	219,446	584,452
Selling and marketing expenses	(308,324)	(141,663)	(449,987)
Research and development costs	<u>(6,337)</u>	<u>(41,026)</u>	<u>(47,363)</u>
<b>Segment results</b>	<u>50,345</u>	<u>36,757</u>	<u>87,102</u>
Other income			12,642
Administrative expenses			(107,770)
Other expenses			(4,454)
Other losses, net			(1,443)
Gain on disposal of subsidiaries			<u>222,276</u>
Operating profit			<u>208,353</u>
Finance income			3,309
Finance costs			<u>(5,593)</u>
Finance costs, net			<u>(2,284)</u>
Share of losses of investments accounted for using the equity method			<u>(12,862)</u>
Profit before income tax			193,207
Income tax expense			<u>(4,961)</u>
Profit for the year			<u><u>188,246</u></u>
Other segment information:			
Impairment loss of non-current assets	(2,830)	—	(2,830)
Depreciation	(32,472)	(10,286)	(42,758)
Amortisation	<u>(2,712)</u>	<u>(9,449)</u>	<u>(12,161)</u>

Non-current assets of the Group are all located in the PRC.

For the year ended 31 December 2020, revenue of approximately RMB325,680,000 (2019: RMB206,222,000) was derived from a single external customer, which accounted for 25.2% (2019: 25.4%) of the Group's total revenue and was primarily attributable to the weight-loss and other medicines segment. Other than the aforementioned customer, the revenues derived from any of the remaining external customers were less than 10% of the Group's total revenue.

#### 4 GAIN ON DISPOSAL OF SUBSIDIARIES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Gain on disposal of Beijing Shenhuiyuan Cloud Computing Technology Co., Ltd. (" <b>Beijing Shenhuiyuan</b> ") ( <i>Note (a)</i> )	80,108	—
Gain on disposal of Beijing Chang Sheng Business Consulting Co., Ltd. (" <b>Beijing Chang Sheng</b> ") and Besunyen Property Management Co., Ltd. (" <b>Besunyen Property</b> ") ( <i>Note (b)</i> )	—	225,571
Loss on disposal of Beijing Besunyen Food and Beverage Co., Ltd. (" <b>Besunyen Food and Beverage</b> ") ( <i>Note (c)</i> )	—	(3,295)
	<u>80,108</u>	<u>222,276</u>

- (a) Pursuant to an equity transfer agreement entered into by Beijing Outsell Product Development Co., Ltd. ("**Beijing Outsell**"), a wholly-owned subsidiary of the Group, and a third party (the "**Purchaser**") dated on 14 August 2020, Beijing Outsell has agreed to dispose 100% equity interests in Beijing Shenhuiyuan, which is an wholly-owned subsidiary of Beijing Outsell to the Purchaser. The total consideration was approximately RMB478.3 million.

The disposal was completed on 21 September 2020 and the gain on such disposal was approximately RMB80.1 million.

Details of the disposal of Beijing Shenhuiyuan as described below:

	2020 <i>RMB'000</i>
Consideration received or receivable:	
Cash received	456,062
Consideration receivable	<u>22,280</u>
Total disposal consideration	478,342
Carrying amount of net assets of the subsidiaries at the date of disposal	(371,197)
Transaction costs	<u>(27,037)</u>
<b>Gain on disposal</b>	<u><u>80,108</u></u>

- (b) A Li Yun Shan (Beijing) Business Consulting Co., Ltd. (“A Li Yun Shan”), an indirect wholly-owned subsidiary of the Company has disposed 100% equity interests in Beijing Chang Sheng and Besunyen Property to a third party at a cash consideration of approximately RMB555.0 million. The disposal was completed on 8 March 2019 and the gain was approximately RMB225.6 million.
- (c) Beijing Outsell has disposed 100% equity interest in Besunyen Food and Beverage, an wholly-owned subsidiary of Beijing Outsell to a third party, at a total consideration of RMB75.0 million and the third party has repaid the debt of RMB50.0 million to Beijing Outsell on behalf of Besunyen Food and Beverage. The disposal was completed on 15 November 2019 and the loss on such disposal was approximately RMB3.3 million.

## 5 INCOME TAX (CREDIT)/EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Current income tax:</b>		
PRC enterprise income tax	20,261	5,100
<b>Deferred income tax:</b>		
Origination and reversal of temporary differences	<u>(36,062)</u>	<u>(139)</u>
<b>Income tax (credit)/expense</b>	<u><b>(15,801)</b></u>	<u><b>4,961</b></u>

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

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

Hong Kong profits tax is subject to the two-tiered profits tax regime, under which the tax rate is 8.25% for assessable profits in the first HK\$2 million and 16.5% for any assessable profits in excess. No provision for Hong Kong profit tax has been made as the Group has no estimated assessable profit derived from or generated in Hong Kong for the years ended 31 December 2020 and 2019.

In August 2020, Beijing Outsell obtained the High and New Technology Enterprise (“HNTE”) qualification for three years from 2020 to 2022, in which the applicable income tax rate during the approved period is 15% (2019: 15%).

In November 2020, Zhongshan Wanyuan New Medicine Research and Development Co., Ltd., a non wholly-owned subsidiary of the Group, obtained the HNTE qualification for three years from 2020 to 2022, in which the applicable income tax rate during the approved period is 15% (2019: 15%).

In December 2019, Zhongshan Wanhan Pharmacy Co., Ltd., a non wholly-owned subsidiary of the Group, obtained the HNTE qualification for three years from 2019 to 2021, in which the applicable income tax rate during the approved period is 15%.

All other PRC subsidiaries of the Group are subject to the statutory enterprise income tax rate of 25% (2019: 25%).

## 6 EARNINGS PER SHARE

### (a) Basic

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

	2020	2019
Profit attributable to owners of the Company (RMB'000)	<u>45,479</u>	<u>162,348</u>
Weighted average number of ordinary shares in issue (thousand)	<u>1,595,199</u>	<u>1,595,005</u>
Basic earnings per share (RMB cents per share)	<u><u>2.85</u></u>	<u><u>10.18</u></u>

### (b) Diluted

The share options granted and restricted shares awarded by the Company have potential dilutive effect on the earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options granted and restricted shares awarded by the Company (collectively forming the denominator for computing the diluted earnings per share).

The share options had anti-diluted effect to the Group for the years ended 31 December 2020 and 2019. In addition, there were no unvested restricted shares which would result in dilutive effect to the Group as at 31 December 2020 and 2019. Accordingly, the diluted earnings per share is same as the basic earnings per share for the years ended 31 December 2020 and 2019.

## 7 TRADE RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	66,099	140,182
Less: allowance for doubtful debts	<u>(456)</u>	<u>(509)</u>
	<u><b>65,643</b></u>	<u><b>139,673</b></u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0–90 days	62,760	137,321
91–180 days	2,773	795
181–365 days	92	1,075
Over 365 days	<u>18</u>	<u>482</u>
	<u><b>65,643</b></u>	<u><b>139,673</b></u>

## 8 BILLS RECEIVABLE

As of 31 December 2020 and 2019, bills receivable amounted to RMB9,119,000 and RMB5,187,000 were all bank acceptance notes with maturity date within 6 months and are classified as financial assets measured at FVOCI.

## 9 TRADE AND BILLS PAYABLES

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0–90 days	67,574	46,978
91–180 days	10,956	2
Over 180 days	<u>28,618</u>	<u>2,125</u>
	<u><b>107,148</b></u>	<u><b>49,105</b></u>

## 10 SHARE CAPITAL

### Ordinary shares, issued and fully paid:

	Number of ordinary shares (thousands)	Nominal value of ordinary shares US\$	Equivalent nominal value of ordinary share RMB'000
<i>Authorised:</i> Ordinary shares of US\$0.00000833333 each At 1 January 2019, 31 December 2019 and 31 December 2020	<u>6,000,000</u>	<u>50,000</u>	<u>341</u>
<i>Issued and fully paid:</i> At 1 January 2019, 31 December 2019 and 31 December 2020	<u>1,630,208</u>	<u>13,585</u>	<u>94</u>

## 11 DIVIDENDS

Pursuant to the Board resolution on 12 March 2021, the Board has resolved to recommend for declaration and payment of a final dividend of HK\$3.75 cents per share (approximately HK\$61,133,000 in aggregate) for the year ended 31 December 2020, subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on 25 May 2021. The final dividend will be paid on or about 16 June 2021 to the shareholders whose names appear on the register of members of the Company on 1 June 2021.

On 23 August 2019, the Board has declared a dividend of HK\$0.11 (equivalent to approximately RMB0.10) per share, amounting to a total dividend of HK\$179,323,000 (equivalent to approximately RMB163,408,000).

## 12 EVENT OCCURRING AFTER THE BALANCE SHEET DATE

- (a) On 1 February 2021, Tibet Qianruiwanfu Venture Investment Co., Ltd. (“**Qianruiwanfu**”), a wholly-owned subsidiary of the Group, entered into a restructuring investment agreement, pursuant to which Qianruiwanfu agreed to acquire 100% equity interest of Henan Xueyinghua Pharmaceutical Co., Ltd. at a cash consideration of approximately RMB31.99 million. The transaction has not been completed as at this announcement date.
- (b) On 26 February 2021, Hainan Besunyen Healthcare Investment Limited (“**Besunyen Healthcare Investment**”), a wholly-owned subsidiary of the Group entered into a subscription agreement (“**Subscription Agreement**”), pursuant to which Besunyen Healthcare Investment has agreed to make a capital commitment of approximately US\$2.35 million to Vstar Investment Fund Limited Partnership, which will invest in a Singaporean company which engages in the research and development of infection-related immunotherapy and antiviral and anti-bacterial medications and vaccines.
- (c) After the balance sheet date, the Board proposed a declaration and payment of a final dividend for the year ended 31 December 2020. Further details are disclosed in Note 11.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2020 in this preliminary announcement as set out above have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.



## BUSINESS REVIEW AND PROSPECTS

### OVERVIEW

In 2020, in the face of global pandemic of novel coronavirus disease (the “**COVID-19 Pandemic**”) and profound changes in the international political landscape, the Chinese government continued to coordinate the work on prevention and control of the COVID-19 Pandemic as well as economic and social development, making China’s economy the first to achieve recovery growth in the world’s major economies. In respect of industry development, according to the “Analysis of the Present Development and Future Trends of China’s Health Care Products Industry 2020” issued by the China Business Industry Research Institute, population growth, ageing trends and people’s increasing awareness of health would promote sustained and steady growth in the pharmaceutical and health care products industry. In addition, in the fast-paced and highly intensive modern society, health food has gradually penetrated into the younger community as the sub-healthy population expands, thus strengthening the inelastic demand for health food and releasing the consumption potential of the health food market. Meanwhile, in order to promote the orderly development of the market, national regulatory authorities continued to step up supervision. 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 the Health Food Industry (2020–2021)” to rectify illegal production, unlawful promotion and marketing, and fraudulent and misleading behaviour in the health food market and strive to effectively purify the health food market by the end of 2021. The improvement of laws and regulations and the increasingly standardised industry supervision have effectively suppressed vicious competition in the industry, providing better and more development opportunities for conforming enterprises.

Since its establishment 20 years ago, the Group has focused on consumers and strived to ensure the health of consumers by controlling the quality of each product in accordance with industry requirements. Meanwhile, in the past year, with the changes in policies, the market and communication environment and the upgrade of sales models and people’s concept of health consumptions, competitions in the industry became progressively fierce. In 2020, the Group continued to enhance its marketing strategy from a product-oriented one to a model based on brand value, develop a multi-channel sales model based on e-commerce platforms, refine its research and development system and product strategies, and enrich product offerings. Moreover, taking advantage of the research and development capabilities of Zhongshan Wanhan and Zhongshan Wanyuan in the pharmaceutical field, the Group continued to develop and reserve new products in the pharmaceutical industry to gradually achieve a comprehensive layout in the pharmaceutical product chain. Based on the product strategy of “One Focus and Two Dimensions”, the Group actively adjusted its business operation model and marketing strategy and pinpointed precise functional and marketing positions for its products so as to lay a solid foundation for the Group’s future development.

The revenue of the Group in 2020 was RMB1,292.7 million, representing an increase of 59.2% from RMB812.2 million in 2019. The gross profit increased by 56.3% to RMB913.3 million in 2020 from RMB584.5 million in 2019. The gross profit margin dropped from 72.0% in 2019 to 70.7% in 2020. On the other hand, the total operating expenses of the Group (including selling and marketing expenses, administrative expenses and research and development costs) in 2020 was RMB889.7 million, representing an increase of 47.0% from RMB605.1 million in 2019. The Group recorded a total comprehensive income of RMB130.9 million in 2020, compared to that of RMB188.2 million in 2019.

## **INDUSTRY, MARKET AND COMPETITION**

Besunyen Detox Tea and Besunyen Slimming Tea enjoy absolute competitive advantages when compared with similar products in the market. According to a survey report on national retail pharmacies issued by National Medical Products Administration Southern Medicine Economic Research Institute in March 2021, based on the retail pharmacy sales of health products, medicines or other types of products, Besunyen Slimming Tea ranked top in the market segment of slimming products for 11 consecutive years, accounting for a market share of 22.38% in 2020, representing a year-on-year decrease of 3.84 percentage points. Besunyen Detox Tea ranked top in the market segment of laxative products for 13 consecutive years, accounting for a market share of 13.89% in 2020, representing a year-on-year decrease of 0.96 percentage point, being the first in the market. With respect to the weight-loss medicines segment, in 2020, according to the statistics of Alibaba's "Business Consultant", the market share of Besunyen Orlistat and LARLLY Orlistat totalled 37%, representing an increase of 2.66 percentage points compared to that of the same period and ranking first in the market segment of Orlistat on Alibaba e-commerce platforms for 2 consecutive years.

## **BUSINESS REVIEW**

The year 2020 marks the 20th anniversary of the establishment of the Group and the 11th year of the Company's listing. In 2020, the Group initiated a comprehensive branding upgrade campaign. While enhancing brand exposure, it actively promoted brand socialisation and rejuvenation, expanded product offerings, strengthened research and development and new product introduction, and launched products including drugs, health food, medical devices and ordinary food under Besunyen brand. Furthermore, the Group continued to optimise its business operating model and sales strategy, continuously focused on the construction of the customer service system, expanded the scale of the customer relationship management ("CRM") operation team, improved the membership management model and realised the precise promotion of products. In 2020, the Group launched an innovative marketing model, executed an all-staff marketing and community fission project, which broadened our sales channels from "traditional channels" to "traditional channels + Internet marketing", expanded our product offerings from "health food" to "health food + drugs + ordinary food + medical devices", and realised a successful transformation from manufacturer and service provider to creator of brand value.

## **Grasping Consumer Demand, Constantly Enriching Product Offerings and Enhancing Market Competitiveness**

The healthy life that people are yearning for is what we are striving to achieve. In 2020, the Group continued to focus on the product series of weight loss and weight management as well as laxative and gastrointestinal health to ensure rapid sales growth and a steady increase in their market shares. In addition, the Group actively explored consumer demands, further enriched its product line, and successively launched new products such as Besunyen enzyme jelly, Besunyen dietary fibre powder and Besunyen white kidney bean pressed candy on e-commerce platforms to fully meet the diverse demands of consumers. Moreover, through user data analysis, the Group launched a series of health and beauty products based on consumer demands for “becoming beautiful”. At this point, the Group has developed a parallel development model based primarily on functional products of weight loss and weight management as well as laxative and gastrointestinal health along with multiple categories of “drugs + health food + ordinary food + medical devices”. While grasping consumer demand, the Group strived for innovation and change to equip itself with the ability to continuously create popular products.

## **Taking Advantage of Diversified Development of Drug E-commerce, Enriching Product Categories and Facilitating Growth in Performance of E-commerce**

### ***Expanding Reserves of Drug Categories and Increasing Share of Drug Sales***

The Group’s e-commerce team has gradually established an operation organisation matrix centring around the front line of business which is equipped with the support of integrated marketing, sales management, product supply chain and customer service, thus forming an operation conglomerate which combines business and service. In 2020, based on the experience and resources in e-commerce operations, the Group strengthened and deepened its cooperation with major e-commerce platforms such as Tmall, JD.com, Pinduoduo and Vipshop. According to the distinct features of each e-commerce platform and through subdividing consumer needs, the Group enriched its product categories and specifications and implemented different marketing strategies accordingly to conduct differentiated operations. While maintaining its advantage of the share of Orlistat products on major e-commerce platforms, the Group continued to expand its drug categories by leveraging its advanced capabilities in drug operations and successively launched new products such as metronidazole gel, laxative capsules and folic acid tablets on e-commerce platforms, which boosted its share of drug sales, increased the stores’ traffic on e-commerce platforms and expanded brand influence of the Group.

### ***Working with Industry Partners to Actively Engage in New Retail and Pharmacy Business***

In 2020, the Group's e-commerce operation centre established a new retail station together with industry partners and conducted in-depth cooperation with O2O platforms such as Yaoshibang to continue its exploration in the new retail mode of drugs. In addition, various e-commerce sites set up online pharmacies on platforms such as Tmall, JD.com and Pinduoduo to jointly promote the development of pharmacy business on the e-commerce platforms, and maintain the sustained growth of the Group's pharmaceutical e-commerce performance while obtaining more customer traffic and improving product exposure.

### ***Tracking Hot Topics among Users Closely and Launching Short Video and Live Broadcast Marketing***

In 2020, the Group further strengthened the layout of e-commerce, followed the hot topics of users' attention, and increased the investment in short videos and live broadcast marketing. On the basis of the original drug station, Hangzhou station, Beijing station and Guangzhou station, secondary support teams such as promotion team, design team, after-sales team, live broadcast team, TikTok and Kwai team and content team have been successively established to conduct systematic management and mutual assistance of resources for live broadcast in each platform station, forming an efficient business cooperative operation model.

### ***Expanding the Scale of CRM Operation Team and Focusing on Personalised Services to Achieve Consumption Upgrade***

In 2020, the Group continued to expand the scale of its CRM operation team and set up customer service teams in Beijing, Guangzhou, Xi'an, Hangzhou and Danyang respectively, gradually improving the extension from products to services and acquiring new growth engines for the Group's performance. The CRM operation centre actively explored the "personalised sales model", understood the individual needs of each consumer through the service of professional sales teams and consumer data analysis to promote similar and related products, laying a foundation for further retention, conversion, repurchase, loyalty and fission of customers. Meanwhile, the CRM operation centre continuously upgraded and enriched the personalised marketing and product line and developed a series of product set under Burning Queen brand, which accumulated the traffic in the private domain through refined operation and realised service-based product repurchase and consumption upgrade.

## **Exploring New Models for Offline Channels to Create New Momentum for Marketing**

### ***Optimising Offline Sales Structure and Continuing to Explore New Marketing Models***

In 2020, the Group adjusted the division of regions and the layout of business models based on the existing sales structure. The sales team was adjusted from three regions to six regions, with the addition of national key account (“NKA”) division, community marketing division, control and sales business division and new products division. The NKA division was responsible for the refined management of national key accounts of chain stores. It formulated different sales policies according to the characteristics of different chains and created chain customer models, which greatly improved the operation quality of retail terminals. The new products division was responsible for the coordination and marketing planning of new products. It collaborated with emerging O2O and B2B platform partners to further integrate the resources of the B-end channel and offline terminal stores. At the same time, it gave joint performance incentives to the sales of the Two Teas and new products, which stimulated the morale of the sales team.

The Group successively launched Jianfei Orlistat, laxative capsules, Jinshutong, folic acid tablets, metronidazole gel and other new products in major pharmacy chains and terminal stores across the country, reshaping the product landscape of offline channels. In 2020, the Group established the control and sales business division and created a partnership mechanism, which founded a new nationwide controlled sales model and created a product series under controlled sales focusing on weight loss, chronic disease management and health and beauty. While continuing to explore new models for offline channels and creating new momentum for marketing, the Group also constantly improved its overall layout in the pharmaceutical industry.

### ***Strengthening Supervision of Product Prices and Logistics Data and Ensuring the Healthy and Stable Market Development***

In 2020, the Group completed the unified adjustment of online and offline product prices in coordination with distributors/sub-distributors of all levels and its partners, and strengthened supervision of product prices in sales channels. Through a series of measures such as monitoring online and offline product prices and dealing with bargain prices promptly by designated personnel, product prices were stabilised, which boosted the confidence of distributors/sub-distributors and safeguarded the healthy and stable development of the market. Meanwhile, the Group has strengthened the direct data connection management to distributors/sub-distributors, monitored the goods that have entered the warehouses of distributors/sub-distributors using the Group’s logistic code system. By obtaining real-time data such as stock-out, stock-in and product serial number of distributors/sub-distributors, the Group effectively avoided overstocking, improved the management system of unregulated transregional sale, significantly reduced the phenomenon of unregulated transregional sale, and created a good market environment.

### ***Launching a New Community Marketing Model and Creating a Closed Loop for Personalised and Offline Transactions***

In 2020, during the work-from-home period due to the COVID-19 Pandemic, the Group swiftly adjusted its sales strategy and established a community marketing project team to promote all-staff marketing by using WeMall, communities and live broadcasts to build connections with customers. The sales conversion rate and repurchase rate were increased through community activities, product promotions, content forwardings. In addition, mechanisms such as distribution rebates and team incentives were used to enlarge the scale of the distribution team and expand the business of offline sales team by shifting from the “channel distribution” model to the “channel distribution + personal terminal distribution” model, which enriched the marketing ideas of the sales team, and closed up the loop for personalised and offline transactions, thereby laying a foundation for the integration of online and offline business. Since the launch of the community marketing project, more than 600,000 followers have been obtained, and the product repurchase rate has increased significantly. Furthermore, the one-to-one interaction with consumers has also provided the Group with more suggestions on product improvement and iteration.

### ***Ensuring the Quality of New Products on the Market and Regulating Product Supply Chain Management***

With the continuous enrichment of the Group’s product lines through online and offline channels and in order to reduce the risks in the development and operation of new products, in 2020, the product operation centre strengthened the management of the supply chain of online and offline products and regulated the systems and processes of product approval, product supply and product operation. It also collaborated with the product research and development centre, the public relations centre, the integrated marketing centre, the production management centre and other departments, strictly enforced national and local laws and regulations, and jointly launched new products with good quality to the market timely, thus providing fundamental support and safety guard for the diversified development of the sales business.

## **Using Variety Shows and TV Dramas to Execute Scene Placement Marketing and Rejuvenate the Brand**

### ***Specifically Sponsoring Variety Shows and Continuously Promoting Brand Rejuvenation***

To further enhance the brand reputation of Besunyen in the market and increase consumer recognition and awareness of the brand, in 2020, the Group specifically sponsored the first domestic campus music variety show “New Voices, Please Advise” (《新聲請指教》) to promote the rejuvenation of the brand and the display of the characteristics of Besunyen products from different perspectives with the help of the campus concept and popular music program. In 2020, the Group won the “Top Ten Cases of Brand Rejuvenation” (品牌年輕化十大案例) award and was on the “Big Health New Retail Brand Chart” (大健康新零售品牌榜) in the “Youth Chart — Favourite Brands among College Students in China 2020” (《青年榜-2020中國大學生愛用的品牌》). In addition, the Group specifically sponsored the first healing music and travel programme “Wonderful Time” (《美好的時光》) in China. The multi-dimensional product placement in various scenes in the programme created a real-life marketing channel for the brand.

### ***Capitalising on Placement in TV Dramas to Promote the Brand with Content and Scene-based Marketing***

In 2020, the Group continued to make efforts in content marketing and communicate with consumers through the scene-based communication of brand functions by the placement of TV dramas. There were four TV dramas with our product placement in 2020, including “The Best Partner” (《精英律師》), “Still Not Enough” (《還沒愛夠》) and “If Time Flows Back” (《如果歲月可回頭》) which were broadcasted during the prime time of high-rating platforms such as Beijing Television, Dragon Television, Jiangsu Television and Zhejiang Television and four major Internet platforms (IQiyi, Tencent Video, Youku and Mango TV) simultaneously, and “Miss Gu Who is Silent” (《沉默不語的顧小姐》), a web drama which was streamed on Tencent Video. Through the placement in TV dramas, the Group increased the exposure of Besunyen brand and empowered the brand with content marketing and scene-based marketing, continuously promoting brand rejuvenation.

## **Optimising Media Strategy, Embarking on a New Outdoor Marketing Model and Advertising More on High-speed Railway Media**

In 2020, the Group joined hands with outdoor media across the country to embark on a new outdoor marketing model by taking advantages of the high arrival rate and the strong visual impact of outdoor media. In honour of the 20th anniversary of Besunyen's establishment, over 1,000 outdoor screens in 200 cities across the country including Beijing and Shanghai were illuminated, and different advertisements were designed for different cities, forming an online and offline interrelated marketing model. At the same time, the Group has increased its efforts in the advertising on high-speed railway media. With the advantages of high coverage rate, strong regional penetration and accurate access to high-consumption groups of high-speed railway media, the Group has continued to impact the eyes of consumers during the journey and achieved the effect of deep brand communication.

## **Upgrading Marketing Strategies, Promoting Socialised Dissemination of the Brand and Empowering a New Ecology of Health for the Public**

### ***Using Lift Advertising to Accurately Target Household Consumer Groups***

In 2020, with the help of the big data and the resources of lift advertising of Xinchao Media, the Group placed the Besunyen advertisements into the communities, increasing the exposure of Besunyen brand in the daily living area of consumers. At the same time, the offline sales team carried out in-depth cooperation with the pharmacies closed to communities. Through the pattern of attracting the traffic by lift advertising and providing offline service, the offline sales team successfully activated the existing customers, acquired new consumers and realised the integrated service closed-loop.

### ***Innovating Marketing Contents and Approaches and Highlighting the Wisdom of Brand Marketing***

The Group always paid attention to the innovation of marketing contents and methods, and constantly expanded the brand marketing ideas and deepened the emotional resonance of consumers to the brand through the creative brand publicity. With a precise insight into the public health demands under the influence of the COVID-19 Pandemic, the Group created an interesting brand marketing activity centring on its four ace products named “Besunyen's Stratagems at Work” (《深宮職場「碧」有一計》), including the “Lipid Absorbing Stratagem” (Orlistat Capsules — lipid discharge and fat reduction), the “Waist Catching Stratagem” (Besunyen Slimming Tea — weight loss), the “Beauty Stratagem” (Day and Night White Recombinant Collagen Dressing — skin recovery) and the “Conscience Stratagem” (Herbal Tea — multiple benefits), which won the “Integrated Marketing Case Gold Award” at the 9th Socialised Marketing Forum and drew high attention from the working and young consumer groups.



### ***Participating in Marathon Events and Enhancing the Brand's Health Image***

In 2020, the Group specifically sponsored the “Chongqing Half Marathon” and the “Xiamen Huandong Half Marathon” to convey the idea of “healthy living and green exercise” to the public and communicate precisely with runners who set high standards for their figures, thereby continuously increasing the influence of and drawing attention to the brand. In the future, the Group will continue to deepen its efforts in the big health sector, spread the healthy concept of Besunyen brand in multiple dimensions, and empower a new ecology of health for the public.

### **Joining Hands with Academy Award and Sponsoring “Besunyen Cup” Public Welfare Advertising Contest**

In 2020, the Group was the title sponsor of the spring competition and autumn competition of the Academy Award of the 18th Advertisement and Art Festival for Chinese College Students and held the “Besunyen Cup” Public Welfare Advertising Contest. The contest spanned more than 30 provinces and cities and involved more than 60 online + offline lectures. The official proposition poster and strategy sheet covered 2,500 colleges and universities across the country. Collaborating with the Academy Award, the Group gained insights into the consumption psychology of young people and created a new campus marketing ecology by allowing college students to study the brand proactively and to interact with the Group profoundly, injecting unlimited youthful vitality into Besunyen brand.

Since the cooperation between Besunyen and the Academy Award, the number and performance of works have increased and improved every year. This year’s “Besunyen Cup” public welfare advertisement invitation centred on Besunyen Fit Tea on the themes of the “National Beauty and Slimming Trend” and “SHOW TIME”. The contest called for creative ideas in eight categories, including print advertisement, television advertisement, short video, advertising copywriting, marketing planning, etc., and collected a total of 22,874 outstanding works in 18,424 groups from college students nationwide.

## **Adhering to the Liberal and Innovative R&D Concept, Enhancing R&D Capabilities and Strengthening R&D Cooperation**

### ***Strengthening Its Own R&D Capabilities and Developing Products in Multiple Categories***

In 2020, the Group continued to focus on the product strategy of “One Focus and Two Dimensions” in respect of research and development and unswervingly took “herbs and health regimen” as the cornerstone of the Group’s diversified industrial layout. Through internal research and development, introduction from external parties as well as cooperation in research and development, the Group’s research and development system and product strategy were adjusted to promote the development of the two major health care segments, namely weight loss and weight management as well as laxative and gastrointestinal health, while expanding into new product categories and markets.

To further promote the collaborative innovation and continuously improve the capability of product research and development, the Group participated in the “Modernisation of Chinese Medicine”, a key research and development plan of the Ministry of Science and Technology, and established a cooperative research and development platform with various renowned research institutes such as Beijing University of Chinese Medicine. In 2020, the Group actively involved in the acquisition of intellectual property rights and obtained a number of national invention patents. Meanwhile, based on the various needs of business departments for the development of new products, the research and development focused on the development of products in multiple aspects and all categories to form a multi-category product structure and layout that was based on health food and expanded to drugs and ordinary food.

### ***Taking Advantage of the R&D Capabilities of Zhongshan Wanhan and Wanyuan and Improving Offerings in the Pharmaceutical Product Chain***

Both Zhongshan Wanhan and Zhongshan Wanyuan have the qualifications of high-tech enterprise. Zhongshan Wanhan is among the first batch of innovative benchmark enterprises in Zhongshan and is recognised as an engineering and technology centre in Guangdong Province and Zhongshan, whereas Zhongshan Wanyuan is recognised as an innovative research institution in Guangdong Province. In 2020, Zhongshan Wanhan and Zhongshan Wanyuan focused on the research and development of endocrine metabolites, ophthalmic drugs and antiviral drugs. Zhongshan Wanhan’s levofloxacin eye drops and sodium vitreous acid eye drops obtained production approvals in April and June 2020, respectively. Furthermore, Zhongshan Wanhan’s pharmacological studies of oseltamivir phosphate capsules and dry suspension were completed. Orlistat passed the registered production site inspection of the National Food and Drug Inspection Centre and the compliance site inspection organised by the Guangdong Drug Administration. In addition, Zhongshan Wanhan and Zhongshan Wanyuan attached great importance to intellectual property rights and both passed the intellectual property management system certification. The patents for drugs such as Orlistat, vortioxetine and eye drops are relatively complete.

## **Promoting Digital Transformation of Sales and Operation Platform and Enhancing Capability of Digital Operation**

In 2020, the Group fully upgraded its sales and operation platform. In respect of drug management, the Hydee supply chain system was launched to ensure fast logistics distribution channels and good customer experience. The construction of supporting facilities for the WMS warehousing system was also commenced to further optimise the intelligent warehousing logistics distribution system and improve the standard of the supply chain management in e-commerce. Meanwhile, the Group established a fully digitalised warehouse for online and offline businesses to lay a foundation for the Group's digital transformation. In addition, the successful implementation of the e-commerce CRM middle platform provided a unified management platform for e-commerce operations and services, realised the digital reconstruction of supply, sales, inventory, logistics, finance and other business segments, drove the visualised operation of the whole business and channels, and improved the Group's capabilities of digital operation and management.

## **SOCIAL WELFARE**

The Group has always been grateful in terms of giving back to society and actively fulfilled its social responsibilities. The Group partnered with Beijing Charity Association to establish the “Besunyen Special Charity Fund” for charity and public welfare undertakings including carrying out social assistance activities and providing services to the underprivileged, which has optimised the path for the enterprise to participate in public welfare and charity, and created a practicable and efficient platform for the Group's public welfare and charity undertakings.

In 2020, in order to make contributions to the public welfare undertaking of ecological construction, the Group entered into cooperation agreements with Beijing Green Sunshine Environmental Protection Public Welfare Foundation and China Green Carbon Foundation, and donated RMB450,000 for the social welfare programmes such as “Tibet Ecological Construction and Protection Capability Building Programme” and “Special Fund for Combating Illegal Trade of Endangered Wildlife”. Meanwhile, the Group cooperated with Beijing Overseas Community Affairs Development Foundation to make donation for poverty alleviation projects in Buda Xiahe Leke Village and Kule Airike Village, Moyu County, Xinjiang, and participated in the construction of school buildings and drinking facilities in the targeted poverty alleviation project in Putaokou Village. During the COVID-19 Pandemic, the Group launched the “Luminosity Plan Public Welfare Undertaking” (「光明計劃公益行動」) and donated over 600,000 pieces of goods and materials to part of designated hospitals in Hubei and Hunan Provinces jointly with charitable enterprises and individuals. The Group participated in nine public welfare donation projects and made donations of nearly RMB1 million in total for public social welfare undertakings.

## AWARDS AND HONOURS

### **Winning the Social Responsibility Outstanding Enterprise Award**

In January 2020, at the 2020 China Corporate Social Responsibilities Cloud Summit, the Group won the “2020 China Social Responsibility Outstanding Enterprise Award”. Since its establishment, the Group has actively fulfilled its social responsibilities, adhered to the pursuit of product quality and corporate integrity in the industry, promoted the concept of health and constantly sought innovation and breakthroughs. These efforts have demonstrated the Group’s practice of upholding integrity and social contribution as the core business philosophy. The Group always adheres to the principle of “small actions, wide dissemination”. Through charitable activities such as promoting poverty alleviation and providing children’s public welfare, the Group spreads the public welfare and calls for greater public participation.

## OUTLOOK

### *Macro Economy*

According to the economic data released by the National Bureau of Statistics, under the dual pressure of the COVID-19 Pandemic and the complex and severe situations in China and abroad in 2020, the national economy continued to recover steadily, and China became the only major economy that achieved positive growth worldwide in 2020. According to documents such as the Opinions on Implementing Healthy China Initiative (《關於實施健康中國行動的意見》), Healthy China Initiative (2019–2030) (《健康中國行動(2019–2030年)》) and “Healthy China 2030” Planning Outline (《「健康中國2030」規劃綱要》) issued by the State, the big health industry will serve as the focal point and new economic growth point for promoting the transformation and upgrading of economic structure and promoting the supply-side structural reform. With the continuous improvement of residents’ income level, the accelerating upgrades of consumption structure, the aggravation of the ageing population and people’s increasing requirements for the quality of life, the rigid nature of health food is gradually strengthened, and the big health industry has ushered in unprecedented opportunities and broad prospects for development. Compared with developed markets overseas, the overall health food market size in China is still small. Meanwhile, the expansion of consumer groups and the improvement in consumption power will gradually release the consumption potential of the health food market, bringing in a blue ocean for the industry.

***Strengthening Capability in E-commerce, Actively Deploying Resources in New Business Formats and Increasing the Flow of Personalised Business***

The Group will continue to take e-commerce platforms as the pivot of sales, closely follow development trends in the industry, strengthen cooperation with major e-commerce platforms and industry partners, and explore new retail business and pharmacy business to promote the upgrade of the business of e-commerce platforms. In the future, the Group will continue to increase the traffic operation in private domain, extend its business from products to services, promote the construction of a refined and customised member service system, and create a commercial closed loop for traffic attraction marketing and service.

***Strengthening R&D Capability, Optimising Product Structure and Enhancing Brand Competitiveness***

The Group will continue to focus on the product strategy of “One Focus and Two Dimensions”. While cultivating the two major areas of weight loss and weight management as well as laxative and gastrointestinal health, the Group will continue to roll out new products to meet the actual requirements and consumption habits of users, develop herbal health care functional food and actively engage in the new area of health and beauty to enrich our product offerings. Moreover, taking advantage of the research and development capability and product reserves in Beijing and Zhongshan, the Group will continue to expand the drug categories, developing the entire industry chain of drugs, health food, medical devices and ordinary food.

***Focusing on Innovative Marketing Strategies and Continuously Promoting Brand Socialisation and Rejuvenation***

The Group will continue to make efforts in brand marketing. By upgrading marketing strategies and optimising media communication programs, the Group will output a younger brand tonality and create an unique way for the brand rejuvenation. In addition, the Group will actively explore a marketing model suitable for itself. By means of the efficient communication manner of social marketing, the Group will accurately match the product and psychological needs of the target consumer group, deepen consumer emotional connection with the brand through visual experience and content understanding, and continue to promote brand socialisation.

***Paying Attention to Pharmaceutical Consumption and Innovative Medical Products and Actively Exploring Investment Opportunities***

In terms of investment, the Group will focus on exploring two fields in pharmaceutical consumptions and innovative medical products, pay attention to consumables of new pharmaceutical products and invest in pharmaceutical projects involving new technologies of dosage forms. In view of the above, the Group will strengthen participations in the physical operation of pharmaceutical and consumer investment funds to achieve strategic investments in pharmaceutical consumptions. In terms of innovative medical products, the Group, with its extensive industrial investment experience and resources, intends to invest in new medical product projects with innovative potential by investing in or establishing project funds. By leveraging its investment in funds, the Group will improve the efficiency of capital utilisation and reduce investment management risks, while grasping project investment opportunities acutely by exerting industry experts with their perspectives, experience and resources.

## FINANCIAL REVIEW

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

	For the year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	1,292,711	812,160
Cost of sales	<u>(379,385)</u>	<u>(227,708)</u>
<b>Gross profit</b>	<b>913,326</b>	584,452
Other income	26,718	12,642
Selling and marketing expenses	(661,514)	(449,987)
Administrative expenses	(134,420)	(107,770)
Research and development costs	(93,802)	(47,363)
Other expenses	(3,682)	(4,454)
Other losses, net	(12,864)	(1,443)
Gain on disposal of subsidiaries	<u>80,108</u>	<u>222,276</u>
<b>Operating profit</b>	<b>113,870</b>	208,353
Finance income	2,758	3,309
Finance costs	<u>(6,306)</u>	<u>(5,593)</u>
Finance costs, net	<u>(3,548)</u>	<u>(2,284)</u>
Share of profits/(losses) of investments accounted for using the equity method	<u>4,736</u>	<u>(12,862)</u>
<b>Profit before income tax</b>	<b>115,058</b>	193,207
Income tax credit/(expense)	<u>15,801</u>	<u>(4,961)</u>
<b>Profit for the year</b>	<b><u>130,859</u></b>	<b><u>188,246</u></b>
Profit attributable to:		
— Owners of the Company	45,479	162,348
— Non-controlling interests	<u>85,380</u>	<u>25,898</u>
<b>Total comprehensive income</b>	<u>130,859</u>	<u>188,246</u>
<b>Total comprehensive income attributable to:</b>		
— Owners of the Company	45,479	162,348
— Non-controlling interests	<u>85,380</u>	<u>25,898</u>
	<b><u>130,859</u></b>	<b><u>188,246</u></b>

## REVENUE

	For the year ended 31 December			
	2020		2019	
	<i>RMB'000</i>	<i>Percentage of revenue</i>	<i>RMB'000</i>	<i>Percentage of revenue</i>
Revenue:				
Besunyen Detox Tea	<b>191,889</b>	<b>14.8%</b>	176,541	21.7%
Besunyen Slimming Tea	<b>198,946</b>	<b>15.4%</b>	185,764	22.9%
Besunyen Fit Tea	<b>94,425</b>	<b>7.3%</b>	62,828	7.7%
Weight-loss medicines	<b>607,313</b>	<b>47.0%</b>	324,508	40.0%
Other products and medicines	<b>200,138</b>	<b>15.5%</b>	62,519	7.7%
Total	<b><u>1,292,711</u></b>	<b><u>100.0%</u></b>	<u>812,160</u>	<u>100.0%</u>

The revenue of the Group was RMB1,292.7 million in 2020, representing an increase of 59.2% from that of RMB812.2 million in 2019, mainly due to the product diversification and increased sales of products resulting from further development on e-commerce platforms and the expansion of other sales channels.

In particular, growth is especially obvious in the two segments of weight-loss medicines and other products and medicines. The revenue of weight-loss medicines was RMB607.3 million in 2020, representing an increase of 87.1% as compared with that of RMB324.5 million in 2019. The revenue of other products and medicines was RMB200.1 million in 2020, representing an increase of 220.2% as compared with that of RMB62.5 million in 2019.

The percentages of sales revenue of weight-loss medicines and other products and medicines increased from 40.0% and 7.7% in 2019 to 47.0% and 15.5% in 2020, respectively. The percentages of sales revenue of Besunyen Detox Tea and Besunyen Slimming Tea decreased to 14.8% and 15.4% in 2020 from 21.7% and 22.9% in 2019, respectively.



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

	For the year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of sales	<b>379,385</b>	227,708
Gross profit	<b>913,326</b>	584,452
Gross profit margin	<b>70.7%</b>	72.0%

The Group's cost of sales increased by 66.6% from RMB227.7 million in 2019 to RMB379.4 million in 2020, mainly due to the increase in cost resulting from increased revenue.

The gross profit margin of the Group decreased to 70.7% in 2020 from that of 72.0% in 2019, mainly due to the decreases in the percentages of sales revenue of high gross profit margin products, Besunyen Detox Tea and Besunyen Slimming Tea, resulting from the product diversification.

## OTHER INCOME

In 2020, the Group's other income was RMB26.7 million, which mainly comprised government grants of RMB18.2 million (2019: RMB6.5 million) provided by the PRC government to support the Group's operation of business and interest income of RMB3.6 million (2019: RMB2.0 million).

## SELLING AND MARKETING EXPENSES

	For the year ended 31 December			
	2020		2019	
	<i>RMB'000</i>	<i>Percentage of revenue</i>	<i>RMB'000</i>	<i>Percentage of revenue</i>
Advertising costs	<b>115,473</b>	<b>8.9%</b>	116,372	14.3%
Marketing and promotional expenses	<b>352,010</b>	<b>27.2%</b>	169,853	20.9%
Employee benefit expenses	<b>142,968</b>	<b>11.1%</b>	114,059	14.1%
Others	<b>51,063</b>	<b>4.0%</b>	49,703	6.1%
Total	<b>661,514</b>	<b>51.2%</b>	449,987	55.4%

The selling and marketing expenses of the Group increased from RMB450.0 million in 2019 to RMB661.5 million in 2020.

The advertising costs decreased by RMB0.9 million in 2020 as compared to the same period of 2019, basically aligned with that of the previous year.

The marketing and promotional expenses increased by RMB182.2 million in 2020 as compared to the same period of 2019, mainly due to the increase in the expenditure of marketing and promotion via e-commerce platforms.

The employee benefit expenses increased by RMB28.9 million in 2020 as compared to the same period of 2019, mainly due to the increase in the number of and the performance-based salary of sales personnel, as a result of the increase in revenue in 2020.

## ADMINISTRATIVE EXPENSES

	For the year ended 31 December			
	2020		2019	
	<i>RMB'000</i>	<i>Percentage of revenue</i>	<i>RMB'000</i>	<i>Percentage of revenue</i>
Employee benefit expenses	43,921	3.4%	42,679	5.3%
Office expenses	8,038	0.6%	7,157	0.9%
Professional service fees	49,041	3.8%	25,642	3.1%
Entertainment and travelling expenses	5,996	0.5%	7,816	1.0%
Others	27,424	2.1%	24,476	3.0%
Total	<u>134,420</u>	<u>10.4%</u>	<u>107,770</u>	<u>13.3%</u>

The Group's administrative expenses increased by 24.7% from RMB107.8 million in 2019 to RMB134.4 million in 2020, mainly due to the increase in professional service fees of the Group.

## RESEARCH AND DEVELOPMENT COSTS

	For the year ended 31 December			
	2020		2019	
	<i>RMB'000</i>	<i>Percentage of revenue</i>	<i>RMB'000</i>	<i>Percentage of revenue</i>
Research and development costs	<u>93,802</u>	<u>7.3%</u>	<u>47,363</u>	<u>5.8%</u>

The Group's research and development costs increased by 97.9% from RMB47.4 million in 2019 to RMB93.8 million in 2020, mainly due to the increased internal research and development in the medicine segment as well as outsourced research and development.

## OTHER LOSSES, NET

	For the year ended	
	31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Other losses, net</b>	<b>12,864</b>	<b>1,443</b>

The Group's other net loss increased from RMB1.4 million in 2019 to RMB12.9 million in 2020, mainly due to the impairments of the right-of-use asset and certain idle intangible assets.

## GAIN ON DISPOSAL OF A SUBSIDIARY

Gain on disposal of a subsidiary was RMB80.1 million in 2020 as a result of the disposal of Beijing Shenhuibiyuan Cloud Computing Technology Co., Ltd. (北京申惠碧源雲計算科技有限公司) (“**Beijing Shenhuibiyuan**”), details of which are set out in the section “Material Acquisitions or Disposals” below (2019: gain on disposal of subsidiaries of RMB222.3 million, in which RMB225.6 million was attributed to the disposal of 100% equity interests in Beijing Chang Sheng Business Consulting Co., Ltd. (北京暢升商務諮詢有限公司) (“**Beijing Chang Sheng**”) and its wholly-owned subsidiary, namely Beijing Besunyen Property Management Co., Ltd. (北京碧生源物業管理有限公司), which is now known as Beijing Chang Sheng Property Management Co., Ltd. (北京暢升物業管理有限公司) (“**Besunyen Property**”); and investment loss on the disposal of 100% equity interest in Beijing Besunyen Food and Beverage Co., Ltd. (北京碧生源食品飲料有限公司) was RMB3.3 million).

## TAXATION

As compared to the income tax expense in 2019 of RMB5.0 million, the income tax credit of the Group in 2020 was RMB15.8 million, which were mainly attributable to the recognition of previously unrecognised deductible tax losses and temporary differences of the Group, as well as the application of the preferential tax rate by certain subsidiaries of the Group.

## THE GROUP'S TOTAL COMPREHENSIVE INCOME FOR THE YEAR

Due to the aforementioned factors, the total comprehensive income in 2020 was RMB130.9 million (2019: the total comprehensive income of RMB188.2 million).

## LIQUIDITY AND CAPITAL RESOURCES

In 2020, the capital required for the Group's operation and capital expenditure mainly derived from the cash flow generated from the operating activities and proceeds from the disposal of a subsidiary and bank borrowings.

## CASH FLOWS

The following table summarises the net cash flows of the Group for the indicated years ended 31 December:

	For the year ended 31	
	December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash inflow/(outflow) from operating activities	<b>75,147</b>	(42,921)
Net cash inflow from investing activities	<b>170,851</b>	481,399
Net cash inflow/(outflow) from financing activities	<b>43,138</b>	(228,946)
	<b>289,136</b>	209,532
Effects of changes in exchange rate on cash and cash equivalents	<b>(16,117)</b>	(488)
Net increase in cash and cash equivalents	<b>273,019</b>	209,044

In 2020, the net cash inflow from operating activities of the Group was RMB75.1 million (2019: the net cash outflow of RMB42.9 million), which was mainly due to the cash generated from operating profit during the year. In 2020, the net cash inflow from investing activities of the Group was RMB170.9 million, which was mainly attributable to the net cash received from the disposal of 100% equity interest in Beijing Shenhuibiyuan (2019: the net cash inflow of RMB481.4 million, which was mainly attributable to the cash received from the disposal of 100% equity interests in Beijing Chang Sheng and its wholly-owned subsidiary, namely Besunyen Property). In 2020, the net cash inflow from financing activities of the Group was RMB43.1 million, which was mainly due to the cash received from borrowings (2019: the net cash outflow from financing activities of RMB228.9 million, which was mainly due to the distribution of dividends and the repayment of borrowings).

## BANK BALANCES, CASH AND BANK BORROWINGS

The Group's bank balances and cash, comprising cash and cash equivalents, bank deposits with initial term of over three months and restricted bank deposits, increased by 133.5% from RMB308.8 million as at 31 December 2019 to RMB720.9 million as at 31 December 2020. Meanwhile, the Group had bank borrowings of RMB159.8 million as at 31 December 2020, of which the fixed-rate bank borrowings amounted to RMB88.3 million (as at 31 December 2019: RMB94.8 million, of which the fixed-rate bank borrowings amounted to RMB61.0 million).

## CAPITAL EXPENDITURE

In 2020, the cash payments for capital expenditure of the Group amounted to RMB173.7 million (2019: RMB118.3 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	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	123,443	45,880
Investment properties	1,376	57,870
Assets classified as held for sale	47,541	14,204
Intangible assets	1,359	338
	<u>173,719</u>	<u>118,292</u>
Total	<u>173,719</u>	<u>118,292</u>

## INVESTMENT PROPERTIES

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

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Investment properties	<u>9,500</u>	<u>9,424</u>

The Group owns certain properties in Changcheng Building located at No.3000, Zhongshan Road North, Putuo District, Shanghai 200061. The above properties of the Group are held for leasing and therefore classified as investment properties. As at 31 December 2020, the carrying amount of investment properties was RMB9.5 million (2019: RMB9.4 million).

## INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Investments accounted for using the equity method	<u>55,890</u>	<u>79,276</u>

As at 31 December 2020, the investments accounted for using the equity method were mainly Ningbo Yuanyuan Liuchang Investment Management Co., Ltd. and Ningbo Yuanyuan Liuchang Investment Centre (Limited Partnership).

## INVENTORIES

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

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and packaging materials	48,351	15,550
Work in progress	5,052	2,443
Finished goods	<u>85,991</u>	<u>42,191</u>
Total inventories	<u>139,394</u>	<u>60,184</u>

The turnover of the Group's inventories in 2020 (calculated by dividing the average inventories balances at the beginning and the end of the period by the cost of sales of the period, then multiplying the number of days during the year) was 96 days (2019: 73 days).

## RISK OF FOREIGN EXCHANGE RATE

Almost all operating income, cost of sales and expenses of the Group are denominated in RMB. Apart from some bank deposits that are denominated in Hong Kong dollar and US dollar, most assets and liabilities of the Group are denominated in RMB. Since RMB is the functional currency of the Group, risk of foreign exchange rate mainly comes from the assets denominated in Hong Kong dollar and US dollar.

For the year ended 31 December 2020, the Group's net profit from foreign exchange forward contracts was RMB11.5 million (2019: Nil).

## **MATERIAL ACQUISITIONS OR DISPOSALS**

On 14 August 2020, Beijing Outsell Health Product Development Co., Ltd. (“**Beijing Outsell**”), Basic Venture Limited (“**Basic Venture**”) and the Company and Besunyen (Hong Kong) Co., Ltd. (as the Guarantors) entered into an equity transfer agreement, pursuant to which Beijing Outsell has conditionally agreed to sell and Basic Venture has conditionally agreed to purchase 100% equity interest in Beijing Shenhuibiyuan. The final consideration of the disposal is RMB478.3 million, payable by Basic Venture entirely in cash. Upon the completion, Beijing Shenhuibiyuan ceased to be a subsidiary of the Company. The equity transfer agreement and the transaction contemplated thereunder have been approved by the shareholders of the Company on the extraordinary general meeting convened on 15 September 2020, and the closing of such transaction took place on 21 September 2020. For details, please refer to the announcements of the Company dated 14 August 2020 and 15 September 2020 as well as the circular of the Company dated 28 August 2020.

Save as disclosed above, the Group had no other material acquisition or disposal of subsidiaries, associates and joint ventures in 2020.

## **PLEDGE OF ASSETS**

As at 31 December 2020, the Group received certain bank borrowings of RMB140.5 million through pledging properties with total book value of RMB104.9 million and land use rights with total book value of RMB42.5 million to banks and guarantee companies (2019: the Group received certain bank borrowings of RMB86.8 million through pledging properties with total book value of RMB109.5 million and land use rights with total book value of RMB43.5 million to banks and guarantee companies).

## **GEARING RATIO**

As at 31 December 2020, the Group’s gearing ratio (total liabilities divided by total assets, in percentage) was 34.7% (2019: 35.3%).

## **CONTINGENT LIABILITIES AND GUARANTEES**

As at 31 December 2020, the Group had no material contingent liabilities or guarantees (2019: Nil).

## **CAPITAL COMMITMENTS**

As at 31 December 2020, the Group had capital commitments of RMB52.4 million (2019: RMB117.0 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 timely inform relevant staff and operation teams. In addition, the Group ensured its compliance with such requirements via numerous measures, such as internal control and approval procedures as well as training and supervision on different business departments.

During the year, so far as known to the directors of the Company, 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 endeavoured 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 realisation and enhancement of employees' values will facilitate the achievement of the Group's overall goals. For the year ended 31 December 2020, the Group provided generous social insurance benefits to its employees to motivate their proactivity at work and heighten their sense of belonging. The Group also understood the importance of maintaining good relationships with its suppliers and customers to the overall development of the Group. The Group placed emphasis on supplier selection and encouraged fair and open competition to foster long-term relationships with quality suppliers on the basis of mutual trust. To maintain the competitiveness of its brand and products, the Group abided by the principles of honesty and trustworthiness and committed itself to consistently providing quality products to establish a reliable service environment for its customers. For the year ended 31 December 2020, there was no significant or material dispute between the Group and its suppliers and/or customers.



## **HUMAN RESOURCES MANAGEMENT**

The Group regarded high-quality employees as its most important resource. As at 31 December 2020, the Group had 1,437 employees in mainland China and Hong Kong (2019: 1,187 employees). The staff costs of the Group (including remunerations of the Directors) were RMB226.9 million for the year ended 31 December 2020 (2019: RMB191.7 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 and share options.

The Group placed emphasis on the recruitment, motivation and retention of suitable talents. During the year, the Directors and certain senior and middle-level management executives were entitled to share options under the pre-IPO share option scheme and the share option scheme adopted by the Company on 30 April 2010 and 8 September 2010, respectively. The Company has also adopted a restricted share award scheme to grant restricted shares to its eligible employees. The Company adopted the aforementioned methods, among others, to incentivise and encourage them to work hard to enhance the value and foster better long-term development of the Group.

The Group put emphasis on and invested considerable efforts in the continuous education and training of its staff so as to keep enhancing their knowledge, skill and teamwork spirit. The Group often provided internal and external training courses to relevant staff as required.

## **FINAL DIVIDEND**

Taking into account the Group's annual performance, including the gain on the disposal of a subsidiary, the Board has resolved to recommend for declaration and payment of a final dividend of HK3.75 cents per share (approximately HK\$61,133,000 in aggregate) for the year ended 31 December 2020, subject to the approval by the shareholders of the Company at the forthcoming annual general meeting (the "AGM") to be held on 25 May 2021. The final dividend will be paid on or about 16 June 2021 to the shareholders whose names appear on the register of members of the Company on 1 June 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 20 May 2021 to 25 May 2021, 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 AGM to be held on 25 May 2021 will be 25 May 2021. 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 18 May 2021.

The register of members of the Company will be closed on 1 June 2021. On such day, no transfer of Shares will be registered. The record date for determining the eligibility to receive the final dividend will be 1 June 2021. In order to be eligible for receiving the final dividend, 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 31 May 2021.

## **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 14 to 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 2020, except for code provision A.2.1 of the CG Code.

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

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

Under code provision A.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 31 years of experience in food and beverage industry in the PRC. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies currently and in the foreseeable future. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

## **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 10 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 2020.

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

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

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the year ended 31 December 2020.

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

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. He Yuanping, a Director with the appropriate professional qualifications and serving as the chairman of the Audit Committee, Mr. Ren Guangming and Mr. Fu Shula. The Audit Committee has reviewed the consolidated financial statements and this annual results announcement of the Group for the year ended 31 December 2020, reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters.

## **SUBSEQUENT EVENTS**

For details of subsequent events, please refer to note 12 to the annual results announcement headed “Event Occurring after the Balance Sheet Date” set out on page 15 of this announcement.

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

This announcement is published on the websites of the Company (<http://ir.besunyen.com>) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report of the Company for the year ended 31 December 2020 will be dispatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 12 March 2021

*As at the date of this announcement, the executive Directors are Mr. Zhao Yihong (Chairman and Chief Executive Officer) and Ms. Gao Yan (Vice Chairman); the non-executive Director is Mr. Zhuo Fumin; and the independent non-executive Directors are Mr. Ren Guangming, Mr. He Yuanping and Mr. Fu Shula.*