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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 2021**

**FINANCIAL HIGHLIGHTS**

The revenue of the Group was RMB1,101.2 million in 2021, representing a decrease of 14.81% as compared with the revenue of RMB1,292.7 million in 2020.

The gross profit margin decreased to 63.4% in 2021 from the gross profit margin of 70.7% in 2020.

The total comprehensive loss of the Group was RMB114.0 million in 2021, compared with the total comprehensive income for the year of RMB130.9 million in 2020.

The basic and diluted losses per share were RMB9.13 cents in 2021, as compared with the basic and diluted earnings per share of RMB2.85 cents in 2020.

**FINAL DIVIDEND**

The Board has resolved not to recommend for the declaration and payment of a final dividend for the year ended 31 December 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 2021, together with the comparative figures for the year ended 31 December 2020 as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December	
		2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	1,101,150	1,292,711
Cost of sales		<u>(402,600)</u>	<u>(379,385)</u>
<b>Gross profit</b>		<b>698,550</b>	913,326
Other income		19,473	26,718
Selling and marketing expenses		(521,774)	(661,514)
Administrative expenses		(174,365)	(134,420)
Research and development costs		(93,099)	(93,802)
Credit impairment losses		257	(440)
Fair value changes on financial assets measured at fair value through profit or loss		1,979	—
Other expenses		(8,033)	(3,682)
Other losses, net	4	(11,089)	(12,424)
Gain on disposal of subsidiaries		<u>—</u>	<u>80,108</u>
<b>Operating (loss)/profit</b>		<b>(88,101)</b>	113,870
Finance income		3,829	2,758
Finance costs		<u>(6,692)</u>	<u>(6,306)</u>
Finance costs, net		<u>(2,863)</u>	<u>(3,548)</u>
Share of profits of investments accounted for using the equity method		<u>240</u>	<u>4,736</u>
<b>(Loss)/profit before income tax</b>		<b>(90,724)</b>	115,058
Income tax (expense)/credit	5	<u>(23,267)</u>	<u>15,801</u>
<b>(Loss)/profit for the year</b>		<b><u>(113,991)</u></b>	<b><u>130,859</u></b>

		<b>Year ended 31 December</b>	
		<b>2021</b>	<b>2020</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Attributable to:</b>			
— Owners of the Company		<b>(145,713)</b>	45,479
— Non-controlling interests		<b>31,722</b>	85,380
		<u><b>(113,991)</b></u>	<u>130,859</u>
Other comprehensive income		—	—
<b>Total comprehensive (loss)/income for the year</b>		<u><b>(113,991)</b></u>	<u>130,859</u>
<b>Total comprehensive (loss)/income attributable to:</b>			
— Owners of the Company		<b>(145,713)</b>	45,479
— Non-controlling interests		<b>31,722</b>	85,380
		<u><b>(113,991)</b></u>	<u>130,859</u>
<b>(Losses)/earnings per share attributable to owners of the Company for the year (RMB cents)</b>			
— Basic (losses)/earnings per share	<i>6</i>	<u><b>(9.13)</b></u>	<u>2.85</u>
— Diluted (losses)/earnings per share	<i>6</i>	<u><b>(9.13)</b></u>	<u>2.85</u>

## CONSOLIDATED BALANCE SHEET

		As at 31 December 2021	As at 31 December 2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		401,486	322,278
Right-of-use assets		103,675	118,367
Investment properties		—	9,500
Intangible assets		168,670	161,668
Other non-current assets		12,191	19,204
Investments accounted for using the equity method		44,971	55,890
Financial assets measured at fair value through profit or loss		38,656	—
Long-term bank deposits		170,000	—
Deferred income tax assets		77,905	106,567
		<u>1,017,554</u>	<u>793,474</u>
Total non-current assets			
<b>Current assets</b>			
Inventories		136,341	139,394
Trade receivables	7	94,057	65,643
Bills receivable	8	2,974	9,119
Deposits, prepayments and other receivables		87,320	124,686
Restricted bank deposits		28,400	56,786
Short-term bank deposits		10,563	120,300
Cash and cash equivalents		216,042	543,822
		<u>575,697</u>	1,059,750
Assets classified as held for sale	10	48,881	—
		<u>624,578</u>	<u>1,059,750</u>
Total current assets			
<b>Total assets</b>		<u><u>1,642,132</u></u>	<u><u>1,853,224</u></u>

		As at 31 December 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
	<i>Note</i>		
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>11</i>	94	94
Share premium		913,393	962,777
Other reserves		340,274	331,762
Accumulated losses		<u>(426,244)</u>	<u>(280,402)</u>
		827,517	1,014,231
Non-controlling interests		<u>227,873</u>	<u>196,151</u>
<b>Total equity</b>		<b><u>1,055,390</u></b>	<b><u>1,210,382</u></b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred government grants		33,348	33,795
Lease liabilities		21,877	10,044
Deferred income tax liabilities		42,274	37,380
Long-term borrowings		92,930	64,730
Other non-current liabilities		<u>497</u>	<u>497</u>
Total non-current liabilities		<b><u>190,926</u></b>	<b><u>146,446</u></b>
<b>Current liabilities</b>			
Trade and bills payables	<i>9</i>	40,727	107,148
Other payables and accrued expenses		151,813	235,627
Contract liabilities		31,469	34,180
Borrowings		150,750	95,050
Lease liabilities		21,057	12,563
Current income tax liabilities		<u>—</u>	<u>11,828</u>
Total current liabilities		<b><u>395,816</u></b>	<b><u>496,396</u></b>
<b>Total liabilities</b>		<b><u>586,742</u></b>	<b><u>642,842</u></b>
<b>Total equity and liabilities</b>		<b><u>1,642,132</u></b>	<b><u>1,853,224</u></b>

# NOTES TO ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

## 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. 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 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**”).

### 2.1 Changes in accounting policy and disclosures

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

The Group has applied the following amendments for the first time for the annual reporting period commenced 1 January 2021:

- Interest Rate Benchmark Reform —Phase 2 — amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- COVID-19-related Rent Concessions — amendments to IFRS 16

The amendments listed above did not have any significant impact on the Group’s consolidated financial statements.

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

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact to the Group in the current or future reporting periods or on foreseeable future transactions.

### 3 REVENUE AND SEGMENT INFORMATION

The chief operating decision makers (“CODM”) have been identified as the Executive Directors of the company 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 and weight-loss and other medicines as separate reportable segments, namely the tea products segment and the weight-loss and other medicines segment.

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

#### Revenue

The revenue segment information reported to CODM for the years ended 31 December 2021 and 2020 is as follows:

	<b>2021</b> <b>RMB’000</b>	2020 <b>RMB’000</b>
Tea products segment		
— Detox tea	<b>128,915</b>	191,889
— Slimming tea	<b>135,902</b>	198,946
— Fit tea	<b>79,073</b>	94,425
— Others	<b>229,881</b>	145,076
	<u><b>573,771</b></u>	<u>630,336</u>
Weight-loss and other medicines segment		
— Weight-loss medicines	<b>381,469</b>	607,313
— Other medicines	<b>145,910</b>	55,062
	<u><b>527,379</b></u>	<u>662,375</u>
	<u><b>1,101,150</b></u>	<u>1,292,711</u>

The segment results for the year ended 31 December 2021 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	<u>573,771</u>	<u>527,379</u>	<u>1,101,150</u>
<b>Revenue from external customers</b>	<u>573,771</u>	<u>527,379</u>	<u>1,101,150</u>
Timing of revenue recognition			
At a point in time	<u>573,771</u>	<u>527,379</u>	<u>1,101,150</u>
Cost of sales	<u>(169,803)</u>	<u>(232,797)</u>	<u>(402,600)</u>
Gross profit	403,968	294,582	698,550
Selling and marketing expenses	(321,143)	(200,631)	(521,774)
Research and development costs	<u>(9,910)</u>	<u>(83,189)</u>	<u>(93,099)</u>
<b>Segment results</b>	<u>72,915</u>	<u>10,762</u>	<u>83,677</u>
Other income			19,473
Administrative expenses			(174,365)
Credit impairment losses			257
Fair value changes on financial assets measured at fair value through profit or loss			1,979
Other expenses			(8,033)
Other losses, net			<u>(11,089)</u>
Operating loss			<u>(88,101)</u>
Finance income			3,829
Finance costs			<u>(6,692)</u>
Finance costs, net			<u>(2,863)</u>
Share of profits of investments accounted for using the equity method			<u>240</u>
Loss before income tax			(90,724)
Income tax expense			<u>(23,267)</u>
Loss for the year			<u><u>(113,991)</u></u>
Other segment information:			
Impairment loss of non-current assets	(1,718)	—	(1,718)
Depreciation	(32,071)	(35,795)	(67,866)
Amortisation	<u>(856)</u>	<u>(10,008)</u>	<u>(10,864)</u>



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	<u>630,336</u>	<u>662,375</u>	<u>1,292,711</u>
<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)
Credit impairment losses			(440)
Other expenses			(3,682)
Other losses, net			(12,424)
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>

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

For the year ended 31 December 2021, revenue of approximately RMB157,060,000 (2020: RMB325,680,000) was derived from a single external customer, which accounted for 14.3% (2020: 25.2%) 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 OTHER LOSSES, NET

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Impairment loss on non-current assets	(1,718)	(8,595)
Impairment loss on prepayment for an equity transaction	(4,000)	—
Change in fair value of short-term investments measured at fair value through profit or loss	740	14,052
Donation	(3,133)	(1,552)
Net losses on disposals of land use rights, property, plant and equipment, intangible assets	(1,082)	(658)
Net foreign exchange losses	(682)	(16,086)
Others	(1,214)	415
	<u>(11,089)</u>	<u>(12,424)</u>

#### 5 INCOME TAX EXPENSE/(CREDIT)

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Current income tax:</b>		
— Current income tax for the year	—	20,261
— Adjustments of prior year's PRC income tax	(2,499)	—
<b>Deferred income tax:</b>		
Origination and reversal of temporary differences	25,766	(36,062)
<b>Income tax expense/(credit)</b>	<u>23,267</u>	<u>(15,801)</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 at a rate of 16.5%. 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 2021 and 2020.

Tibet Besunyen Trading Co., Ltd. and Tibet Qianruiwanfu Venture Investment Co., Ltd., two subsidiaries established by the Group in February 2017, are entitled to the preferential policy of Encouraged Industries in the West Regions in Tibet from establish date to 31 December 2030, for which the applicable income tax during the approved period is 15% (2020: 15%).

In July 2020, Beijing Outsell Healthcare Development Co., Ltd. (“**Beijing Outsell**”) obtained the High and New Technology Enterprise (“**HNTE**”) qualification from 2020 to 2022, in which the applicable income tax rate during the approved period is 15% (2020: 15%).

In November 2020, Zhongshan Wanyuan New Medicine Research and Development Co., Ltd. (“**Zhongshan Wanyuan**”) obtained the HNTE qualification from 2020 to 2022, in which the applicable income tax rate during the approved period is 15% (2020: 15%).

In December 2019, Zhongshan Wanhan Pharmacy Co., Ltd. (“**Zhongshan Wanhan**”) obtained the HNTE qualification 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% (2020: 25%).

## 6 (LOSSES)/EARNINGS PER SHARE

### (a) Basic

Basic (losses)/earnings per share is calculated by dividing the (loss)/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.

	2021	2020
(Loss)/profit attributable to owners of the Company (RMB’000)	<u>(145,713)</u>	<u>45,479</u>
Weighted-average number of ordinary shares in issue (thousands)	<u>1,595,597</u>	<u>1,595,199</u>
Basic (losses)/earnings per share (RMB cents per share)	<u><u>(9.13)</u></u>	<u><u>2.85</u></u>

### (b) Diluted

The share options granted and restricted shares awarded by the Company have potential dilutive effect on the (losses)/earnings per share. Diluted (losses)/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 (losses)/earnings per share).

The share options had anti-diluted effect to the Group for the years ended 31 December 2021 and 2020. In addition, there were no unvested restricted shares which would result in dilutive effect to the Group as at 31 December 2021 and 2020. Accordingly, the diluted (losses)/earnings per share is same as the basic (losses)/earnings per share for the years ended 31 December 2021 and 2020.

## 7 TRADE RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	94,256	66,099
Less: Loss allowance	<u>(199)</u>	<u>(456)</u>
	<u><b>94,057</b></u>	<u><b>65,643</b></u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0–90 days	93,965	62,760
91–180 days	31	2,773
181–365 days	—	92
Over 365 days	<u>61</u>	<u>18</u>
	<u><b>94,057</b></u>	<u><b>65,643</b></u>

## 8 BILLS RECEIVABLE

As of 31 December 2021 and 2020, bills receivable amounted to RMB2,974,000 and RMB9,119,000 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 aging analysis of the trade and bills payables based on their respective invoice and issue dates are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0–90 days	10,768	67,574
91–180 days	80	10,956
Over 180 days	<u>29,879</u>	<u>28,618</u>
	<u><b>40,727</b></u>	<u><b>107,148</b></u>

## 10 ASSETS CLASSIFIED AS HELD FOR SALE

Movement in the assets classified as held for sale is as follows:

	<i>RMB'000</i>
<b>At 1 January 2020</b>	286,500
Addition	84,697
Disposal	<u>(371,197)</u>
<b>At 31 December 2020</b>	<u>—</u>
<b>At 1 January 2021</b>	—
Addition ( <i>Note</i> )	<u>48,881</u>
<b>At 31 December 2021</b>	<u>48,881</u>

*Note:*

On 29 November 2021, Shanghai Bisheng Property Management Co., Ltd (“**Bisheng Property**”), an indirect wholly-owned subsidiary of the Company and two third parties entered into an agreement, pursuant to which Bisheng Property has agreed to dispose buildings including the underlying land use rights located in Shanghai at a total cash consideration of RMB56 million and the transaction was completed in January 2022.

As at 31 December 2021, the land use right of approximately RMB40,644,000 and investment properties of approximately RMB8,217,000 to be disposed have been presented as “Assets classified as held for sale”.

## 11 SHARE CAPITAL

**Ordinary shares, issued and fully paid:**

	Number of ordinary shares ( <i>thousands</i> )	Nominal value of ordinary shares <i>US\$</i>	Equivalent nominal value of ordinary share <i>RMB'000</i>
<i>Authorised:</i>			
Ordinary shares of US\$0.00000833333 each			
<b>At 1 January 2020, 31 December 2020 and 31 December 2021</b>	<u>6,000,000</u>	<u>50,000</u>	<u>341</u>
<i>Issued and fully paid:</i>			
<b>At 1 January 2020, 31 December 2020 and 31 December 2021</b>	<u>1,630,208</u>	<u>13,585</u>	<u>94</u>

## 12 DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Dividend paid for the current year, of HK\$3.75 cents (2020: Nil) per ordinary share	<u>49,384</u>	<u>—</u>

On 25 May 2021, the Board has declared a dividend of HK\$3.75 cents per share, amounting to a total dividend of HK\$61,133,000 (equivalent to approximately RMB49,384,000).

## 13 EVENT OCCURRING AFTER THE BALANCE SHEET DATE

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 "**Consolidated Shares**"). The share consolidation is expected to become effective on 19 April 2022 subject to the approval by the shareholders of the Company, granting the listing of and permission to deal in the Consolidated Shares by the Stock Exchange and the compliance with all relevant requirements under the applicable laws of Cayman Islands and The Rules Governing The Listing of Securities on the Stock Exchange to effect the share consolidation.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group's consolidated balance sheet and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **BUSINESS REVIEW AND PROSPECTS**

### **OVERVIEW**

The year of 2021 is a year with special meaning. China has completed the building of a moderately prosperous society in all aspects, ushering in an important moment of the 100th anniversary of the founding of the Communist Party of China. It is also the first year of the “14th five-year plan”. China remains its status of a global leader in the prevention and control of pandemic, while its economy maintains the recovery trend generally. China also overcomes the unfavorable factors such as the sporadic occurrence of pandemic in multiple locations, the impact of extreme weather and the unstable situation outside the PRC. The growth of its full year GDP reaches 8.1%, and the economic development goal of achieving a growth of above 6% is successfully completed. Among which, consumption becomes the important driving force for the economic growth again, reflecting the enormous strength of the consumption market in China.

The increase in per capita GDP of China brings a fundamental change in the consumption rationale and willingness on health food from the young consumers, and health food is gradually transforming from consumer discretionary to consumer staples. According to the data prediction from Euromonitor, the market size of health products in China reaches RMB270 billion in 2021, ranking second in the world, and by 2025 the market size will reach RMB320 billion. The increasingly strong pursuit for health by the young consumers provides a period of opportunity for the development strategy in the health food industry in China.

On the front of industry development, the “Outline of the 14th Five-Year Plan for National Economic and Social Development and Long-Range Objectives for 2035 of the People’s Republic of China (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》)”, which was considered and approved by the Fourth Meeting of the 13th National People’s Congress in March 2021, provides the formulation of system and strategy arrangement for the national economy and social development. It emphasizes the protection of people’s health to be put in a strategic position for priority development and the comprehensive implementation of the “Healthy China” initiative, adheres to the prevention-first directive, and provides comprehensive, full-lifecycle health services for the people. As an integral part of the “prevention” stage of the big health industry, the health food industry will experience a period of accelerated development. On policy side, the Guiding Opinions on Promoting the Healthy Development of the Food Industry (《關於促進食品工業健康發展的指導意見》) issued by the National Development and Reform Commission and the Ministry of Industry and Information Technology states that the development of healthcare food products, and the research and development of healthcare and health food, such as functional protein, functional dietary fiber, functional glycogen and probiotic, are being supported. On market supervision and product registration, the State Administration for Market Regulation implements the “dual systems” of registration and filing for health food, thus formulating



the system of regulatory rules for supervision and achieving the standardization on technology and products, which is beneficial to the stable, regulated and long-term development of the industry.

Since its establishment 21 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 2021, the Group continued to develop a multi-channel sales model based on e-commerce platforms, refine its research and development system and product structure. Moreover, taking advantage of the research and development capabilities, inventory of product and production process of Zhongshan Wanhan Pharmacy Co., Ltd. ("**Zhongshan Wanhan**"), Zhongshan Wanyuan New Medicine Research and Development Co., Ltd. ("**Zhongshan Wanyuan**") and Henan Xueyinghua Pharmaceutical Co., Ltd. ("**Xueyinghua**") 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.

## **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 2022, in 2021, based on the retail pharmacy sales of health products, medicines or other types of products, Besunyen Slimming Tea ranked among the top for twelve consecutive years in the market segment of slimming products with a market share of approximately 22.74% in 2021, representing a year-on-year increase of 0.36 percentage point. The availability of diversified laxative products in retail pharmacy market provides consumers with more options on product, and together with the effect from factors like post-pandemic, the market share of Besunyen Detox Tea in 2021 suffered a year-on-year decrease of 1.2 percentage points to approximately 12.69%, ranking first in the market. With respect to the e-commerce market segment for weight-loss medicines, in 2021, according to the statistics of Alibaba's "Business Consultant", the proportion of the market segment of Orlistat on the overall market sales under the e-commerce platforms of Ali Group did not suffer a significant decrease, however since all firms adopted a strategy of product price competition, the overall market sales amount of Orlistat decreased from approximately RMB1.3 billion in 2020 to approximately RMB855 million in 2021, among which the market share of Besunyen Orlistat accounted for approximately 28.85%, ranking top one in the market, while the sales amount generated from these products for the Group recorded a significant decrease when compared to the number from last year. As a result, the sales

team is actively contacting business platforms with a wider coverage and by now a new layout is established on short video platforms like Kuaishou and Douyin. On products front, the Company is actively working on research and development of products that suit the needs of the current consumer groups, with the aim of generating new performance growth for the Group.

## **BUSINESS REVIEW**

### **Setting up three main business divisions and adjusting business operation model**

In an effort to strengthen the management on marketing system, the Group set up the OTC Business Division, the E-commerce Business Division and the New Retail Business Division in 2021, and established a “service + management” business operation model in the marketing system. After adjustment, the OTC Business Division is comprised of the National Key-Account (NKA) Division, the Local Key-Account (LKA) Division, the Business Operation Division and nine main business regions. Each department supported each other on product training, business negotiation, chain cooperation, terminal construction and the formulation of marketing strategies, thus providing a complete system protection for the marketing of each product. In 2021, through real time monitoring the inventory cycles and turnover rates of various products, strengthening the sense of operation of each business team, reviewing operational data regularly and evaluating the input and output of various operational expenses, the OTC Business Division could ensure profit maximation even the income did not meet the anticipation.

The internal organizational structure of the E-commerce Business Division has been adjusted during the second half of 2021, and is now comprised of three main business lines and four main platforms. The three main business lines are distinguished in accordance with the product types for which they are responsible, including the drug business line, the Four Teas (i.e. Besunyen Detox Tea, Besunyen Slimming Tea and Besunyen Fit Tea (“**Three Teas**”) and Besunyen Relief Tea) business line and the new products business line. The four main platforms are segregated in accordance with the business model they support for, which are the promotion platform, the content platform, the live-streaming platform and the member platform. In the meantime, as the proportion of sales of pharmaceutical big health products on e-commerce channels kept increasing, the E-commerce Business Division set up the large pharmacy shops on main e-commerce platforms, acting as the sales agent for the products from other brands, among which the sales amount of the cross-border product “VitaRealm PowerEye Kids” ranked first among the agents of this foreign brand.

With the help from the professional operation team, the New Retail Business Division carried out systematic management on short video and live-streaming marketing in 2021. It also commenced a brand strategic cooperation with Kuaishou platform. By promoting the Group’s business model of short video and live-streaming commerce, the New Retail Business Division continuously provided help to personalized marketing team in deep exploration of customer value and enhanced the performance. The nutrition consultant

team of the New Retail Business Division provided quality and professional services to customers through the social customer management system platform and AI customer services tools newly introduced, and thus increasing the repurchase rate of products.

In order to plan, organize, direct and coordinate the sales system of the Group in a more efficient way, the Group set up the Operation Management Division in 2021. The Operation Management Division is responsible for the comprehensive management on the strategy, decision-making, finance, human resources and IT aspects of all marketing segments that include the e-commerce, new retail and OTC of the Group, to promote the formulation and implementation of marketing plan in each business segment, and to assist each business division in matters such as formulating organizational structure and performance appraisal. Meanwhile, the Operation Management Division also continuously promoted the establishment of digitalized marketing, sorted out the requirement for the digitalization on each marketing segment and followed up on its implementation, thus providing help in enhancing the level of sales management of the Group.

### **Deepening the development on young consumer groups by leveraging the brand communication way in multi-channels**

The Group continued to promote the content marketing by soft placement and customization of short plays to strengthen product usage scenarios, and there were four TV dramas with our product placement in 2021. In addition, the Group leveraged the advantage of media on high-speed railway to create an immersive advertising environment for Besunyen Orlistat, thus promoting the effective communication with consumers within the area of high-speed railway and stimulating the demand and desire of purchase from consumers. On the front of brand rejuvenation, the Group continuously explored on transformation and its layout. In December 2021, “The Commencement Ceremony for the Collection Activity of Spring Competition of Academy Award 2022” was held in Xiamen. The Academy Award 2022 covered 2,578 colleges and universities, and collected a total of 14,148 works of 12,047 groups, injecting the innovation from the young generation into the brand. The Group insisted in penetrating the brand value into the young generation in order to capture the consumption market of such group.

### **Strengthening own R&D capabilities and developing products in multiple categories**

In 2021, the Group continued to implement the product strategy of “One Focus and Two Dimensions” in respect of research and development and unswervingly took “herbs and health regimen” as the core philosophy of the Group’s diversified products 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 continuously. During the year of 2021, the research and development centre assisted each business team in rolling out twelve types of medicines and foods for special uses, eleven types of health food and sixty-two types of general food, which included jelly drops candies with probiotic, light calorie milk tea,

“Anranyin” from Burning Queen line and pressed candy of white kidney beans with Sodium hyaluronate, gradually completing the Group’s product structure and layout by expanding into pharmaceuticals and general food based on health food.

On technological innovation front, in 2021, the Group continuously enhanced its leverage in the resources of external scientific research, and participated in the project “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. Meanwhile, the Group organised the “Innovation and Development Seminar on the Integration of Production, Study and Research of Chinese Medicines” in conjunction with a number of experts and scholars in the field of Chinese medicine, and had in-depth exchanges on the inheritance and innovation of traditional Chinese medicine under the new situation. In 2021, the Group actively involved itself in the layout of intellectual property rights, and “Besunyen Yanyuan Granules” obtained Beijing New Technology and New Product (Service) Certificate jointly issued by six departments including Beijing Municipal Science & Technology Commission, Beijing Municipal Commission of Development and Reform, and Beijing Municipal Bureau of Economy and Information Technology.

Both Zhongshan Wanhan and Zhongshan Wanyuan under the Group have the qualifications of high-tech enterprise. Zhongshan Wanhan was among the first batch of innovative benchmark enterprises in Zhongshan and was recognised as an engineering and technology centre in Guangdong Province and Zhongshan, whereas Zhongshan Wanyuan was recognised as an innovative research institution in Guangdong Province. In 2021, Zhongshan Wanhan and Zhongshan Wanyuan focused on research and development of endocrine metabolites, ophthalmic drugs, and antiviral drugs. In addition, Zhongshan Wanhan and Zhongshan Wanyuan attached great importance to intellectual property rights. Zhongshan Wanhan concluded “Orlistat Core Technology and High-Value Patent Cultivation Programme” under the high-value patent cultivation project of Zhongshan. The invention patent of “aqueous eye drops for the treatment of increased intraocular pressure” jointly declared by Zhongshan Wanhan and Zhongshan Wanyuan won the China Patent Award. The levofloxacin eye drops produced by Zhongshan Wanhan was included in the catalog for the national drug centralized procurement in 2020 and supplied to 16 provinces in the PRC, while its sodium hyaluronate eye drops was included in the catalog for the national drug centralized procurement in 2021 and supplied to 15 provinces in the PRC.

## **Rebuilding the management system of Xueyinghua and accelerating the progress for the launch of products**

In 2021, upon acquiring Xueyinghua, the Group upgraded and rebuilt its production, quality, equipment, safety and finance management systems. The Group readjusted the personnel organisation structure of Xueyinghua, renovated the production equipment and fire protection system in its workshop, upgraded the instruments and equipment in its laboratory. In the meantime, the Group completed a general upgrade of the documentation of the GMP quality management system of Xueyinghua, and set up the EAS system to ensure that the whole process of procurement, warehousing, inspection, production and stock-out of materials and products can be tracked. On accelerating the launch of products to the market, Xueyinghua obtained Medicine Production License, with which it possessed the production qualification on tablets, hard capsules and soft capsules (including preprocessing and extraction of traditional Chinese medicine). In November 2021, Xueyinghua officially commenced production, and it had successively produced a total of seven batches of three types of products, namely Benproperine Phosphate capsules, Xinnaoqing soft capsules and Vitamin E soft capsules.

## **Formulating the fully digitalized operation system for leading the transformation of business through IT**

The Group continued its process on implementing digital transformation in an effort to formulate a fully digitalized operation system, and to capture the diversified demands from users precisely through the digitalized operation, at the same time it continued to promote the digitalization of user services and professional upgrading. The Group implemented data panel project in 2021, in which the ERP system acted as the core and connected other core business systems such as OA system, cost control system, flow system and e-commerce CRM, such that the operational status of each business segment, including mission and goal, product income and money returned, could be shown in real time, thus providing reliable data support in decision-making. Through the data panel project, the Group established a unified data asset base and data asset safety management system, laying a good foundation for expanding the depth of data mining and the application of business scenarios in the future. In addition, the Group promoted RPA project in each business division, assisting business personnel to complete the repetitive works with clear rules such as batch extraction of data, batch reply, batch data capture and calculating statistics, in order to enhance working efficiency and lower the operation cost.

In 2021, the Group set up the e-commerce warehousing outsourcing management model on goods management front, commenced the operation of FineEx Platform and Phoenix Bird Cloud warehouse and brought innovation to warehouse management business model. In addition, with the support of IT department, the interconnection of data between internal goods management system and third party warehousing system was created.



## **SOCIAL WELFARE**

Over the years, the Group has been actively fulfilling its social responsibilities and pursuing the concept of sustainable development. It partnered with Beijing Charity Association to establish the “Besunyen Special Charity Fund” for charity and public welfare undertakings, including carrying out social assistance activities, providing services to the underprivileged and playing a supplementary role in social security.

In response to the natural disaster of heavy precipitation in Henan Province in 2021, the e-commerce team of the Group successively joined hands with China Foundation for Poverty Alleviation and “Duoduo Maicai (多多買菜)” platform to donate goods and materials to the communities affected for the purpose of relief and post-disaster recovery.

## **AWARDS AND HONOURS**

### **Selected as one of the “Excellent Case of Social Responsibility” in 2021 China CSR Cloud Summit**

At the 2021 China CSR Cloud Summit with the theme of “igniting hope by love, implementing commitment through actions” held in December 2021, the Group was selected as one of the “Excellent Cases of Social Responsibility”. The Group upheld integrity and social contribution as the core business philosophy since its establishment, to give back to society with a grateful heart, and to perform social responsibility actively.

## **OUTLOOK**

According to the economic data released by the National Bureau of Statistics, the global economy continued to recover in 2021, however it still suffered from the impact of the emergence of variants of novel coronavirus, the uncertainties of the COVID-19 pandemic and inflation. The spread of pandemic was effectively controlled in China, and the Chinese economy in general remained its recovery trend and experienced a steady rise. The growth rate of GDP reached 8.1% in 2021, which showed that China became the important driving force for the growth of global economy. According to the “Outline of the 14th Five-Year Plan for National Economic and Social Development and Long-Range Objectives for 2035 of the People’s Republic of China (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》)”, the State will put the protection of people’s health in a strategic position for priority development, adhere to the prevention-first directive, deeply implement the Healthy China initiative, refine national health promotion policies, weave a stable protection network for national public health, and provide comprehensive, full-lifecycle health services for the people. The big health industry will usher in an important period of strategic opportunities. However, compared with developed countries, the penetration rate and per capita consumption amount for health products in China are still at a lower level, which shows there is a large room for improvement in the industry. In the post-pandemic era, there is an increasing public

health demand, with the driving forces from aging population and economic growth, the health product industry will enter a critical growth period. In addition, with the acceleration in the promotion of development in digitalized technology and artificial intelligence industries in the PRC, there will be a transformation in the product structure and consumption mode in the health product market, and the health product industry will enter a period of transformation and development at the same time.

Going forward, the Group will keep on cultivating the two major areas of weight loss and weight management as well as laxative and gastrointestinal health, while launching innovative and competitive products in terms of technological level, product form and external packaging, so as to meet new consumer demands. Moreover, taking advantage of its own research and development capability and product reserves, the Group will develop the entire industry chain of medicines, health food, medical devices and general food, thereby achieving the advancement of marketing strategy from focusing on product selling to brand value building. The Group will combine the demand of market consumption in the post-pandemic era, make scientific response, actively seek changes, and actively explore the marketing model suitable for itself, so as to fully release the brand potential.

The White Paper on the Digitalization of China Big Health Industry 2021 outlined that, as the digital technology is increasingly matured, the big health industry is gradually experiencing a transformation to digitalization, and such transformation is inevitable for the big health industry. As an enterprise that is deep-rooted in big health industry for more than 20 years, the Group will continue to improve the fully digitalized operation system, and strengthen the capability of digitalized health services through the integration of resources from technology development and research, production and manufacturing, brand marketing, e-commerce operation, in order to formulate a digitalized user operation system, and to serve the diversified demand for national health continuously.

## FINANCIAL REVIEW

### REVENUE

	For the year ended 31 December			
	2021		2020	
	<i>RMB'000</i>	<i>Percentage of revenue</i>	<i>RMB'000</i>	<i>Percentage of revenue</i>
Revenue:				
Besunyen Detox Tea	128,915	11.7%	191,889	14.8%
Besunyen Slimming Tea	135,902	12.3%	198,946	15.4%
Besunyen Fit Tea	79,073	7.2%	94,425	7.3%
Weight-loss medicines	381,469	34.7%	607,313	47.0%
Other products and medicines	375,791	34.1%	200,138	15.5%
Total	<u>1,101,150</u>	<u>100%</u>	<u>1,292,711</u>	<u>100.0%</u>

The revenue of the Group was RMB1,101.2 million in 2021, representing a decrease of 14.81% from that of RMB1,292.7 million in 2020. In particular, revenue from the Three Teas decreased by 29.14% to RMB343.9 million in 2021 from that of RMB485.3 million in 2020, revenue from weight-loss medicines decreased by 37.18% to RMB381.5 million in 2021 from that of RMB607.3 million in 2020, while revenue from other products and medicines increased by 87.81% to RMB375.8 million in 2021 from that of RMB200.1 million in 2020.

The revenue and percentages of revenue of the Three Teas and weight-loss medicines in 2021 decreased as compared with 2020, which is mainly due to the facts that: (i) the change in inventory management measures of a major distributor of the Group has led to a reduction in the Group's supply of goods to that distributor; (ii) the market price competition of Orlistat resulted in a decrease in the transaction amount of the overall market, thus affecting the sales amount of the Group's weight-loss medicines; (iii) the sales performance of the Group in "11.11" and "12.12" shopping festivals in 2021 failed to achieve the expected sales amount; and (iv) the re-layout in sales and marketing forces had a greater impact on the Group's temporary revenue than expected.

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

	For the year ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales	402,600	379,385
Gross profit	698,550	913,326
Gross profit margin	<u>63.4%</u>	<u>70.7%</u>



The Group's cost of sales increased by 6.11% from RMB379.4 million in 2020 to RMB402.6 million in 2021, while gross profit margin decreased from 70.7% in 2020 to 63.4% in 2021, mainly due to the decrease in the percentages of revenue of the Three Teas and weight-loss medicines with higher gross profit, resulting from the product diversification.

## OTHER INCOME

In 2021, the Group's other income was RMB19.5 million, which mainly comprised interest income of RMB7.4 million (2020: RMB3.6 million) and government grants of RMB6.4 million (2020: RMB18.2 million) provided by the PRC government to support the Group's operation of business.

## SELLING AND MARKETING EXPENSES

	For the year ended 31 December			
	2021		2020	
	<i>RMB'000</i>	<i>Percentage of revenue</i>	<i>RMB'000</i>	<i>Percentage of revenue</i>
Advertising costs	85,699	7.8%	115,473	8.9%
Marketing and promotional expenses	210,839	19.1%	352,010	27.2%
Employee benefit expenses	161,682	14.7%	142,968	11.1%
Others	63,554	5.8%	51,063	4.0%
Total	<u>521,774</u>	<u>47.4%</u>	<u>661,514</u>	<u>51.2%</u>

The selling and marketing expenses of the Group decreased from RMB661.5 million in 2020 to RMB521.8 million in 2021.

The marketing and promotional expenses in 2021 decreased by RMB141.2 million as compared to 2020, mainly due to the decrease in the expenditure of marketing and promotion via e-commerce platforms.

The advertising costs in 2021 decreased by RMB29.8 million as compared to 2020, mainly due to the decrease in expenditure on advertising activities.

The employee benefit expenses in 2021 increased by RMB18.7 million as compared to 2020, mainly due to the increase in the number of sales personnel in 2021 and the partial reduction of social insurance in 2020 due to the pandemic.

## ADMINISTRATIVE EXPENSES

	For the year ended 31 December			
	2021		2020	
	<i>RMB'000</i>	<i>Percentage of revenue</i>	<i>RMB'000</i>	<i>Percentage of revenue</i>
Employee benefit expenses	78,418	7.1%	43,921	3.4%
Office expenses	10,035	0.9%	8,038	0.6%
Professional and consultation service fees	34,930	3.2%	49,041	3.8%
Entertainment and travelling expenses	10,059	0.9%	5,996	0.5%
Others	40,923	3.7%	27,424	2.1%
Total	<u>174,365</u>	<u>15.8%</u>	<u>134,420</u>	<u>10.4%</u>

Administrative expenses of the Group increased by 29.76% from RMB134.4 million in 2020 to RMB174.4 million in 2021, mainly due to the increase in employee benefit expenses. The increase in employee benefit expenses was resulted from the increase in the number of management staff in 2021 and the partial reduction of social insurance in 2020 due to the pandemic.

## RESEARCH AND DEVELOPMENT COSTS

	For the year ended 31 December			
	2021		2020	
	<i>RMB'000</i>	<i>Percentage of revenue</i>	<i>RMB'000</i>	<i>Percentage of revenue</i>
Research and development costs	<u>93,099</u>	<u>8.5%</u>	<u>93,802</u>	<u>7.3%</u>

Research and development costs amounted to RMB93.1 million in 2021 and RMB93.8 million in 2020.

## OTHER LOSSES, NET

	For the year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Other losses, net	<u>11,089</u>	<u>12,424</u>

Other losses, net amounted to RMB11.1 million in 2021 and RMB12.4 million in 2020, mainly due to the impairment of assets and donation expenses.

## TAXATION

As compared to the income tax credit in 2020 of RMB15.8 million, the income tax expense of the Group in 2021 was RMB23.3 million, which was mainly attributable to the reversal of deductible losses recognised in the previous year.

## TOTAL COMPREHENSIVE LOSS FOR THE YEAR OF THE GROUP

Due to the factors set out above, the Group recorded a total comprehensive loss of RMB114.0 million in 2021 (2020: total comprehensive income of RMB130.9 million).

## LIQUIDITY AND CAPITAL RESOURCES

In 2021, 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 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (outflow)/inflow from operating activities	<b>(145,518)</b>	75,147
Net cash (outflow)/inflow from investing activities	<b>(188,354)</b>	170,851
Net cash inflow from financing activities	<b>6,316</b>	43,138
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	<b>(327,556)</b>	289,136
Cash and cash equivalents at beginning of year	<b>543,822</b>	270,803
Exchange loss on cash and cash equivalents	<b>(224)</b>	(16,117)
	<hr/>	<hr/>
Cash and cash equivalents at end of year	<b>216,042</b>	543,822
	<hr/>	<hr/>

In 2021, the Group's net cash outflow from operating activities was RMB145.5 million (2020: net cash inflow of RMB75.1 million), which was mainly attributable to the operating activities during the year. In 2021, the Group's net cash outflow from investing activities was RMB188.4 million, which was mainly attributable to infrastructure construction expenditures and purchase of financial assets measured at fair value through profit or loss (2020: net cash inflow of RMB170.9 million, which was mainly attributable to the net cash received from the disposal of 100% equity interest in Beijing Shenhuibiyuan Cloud Computing Technology Co., Ltd.). In 2021, the net cash inflow

from financing activities was RMB6.3 million, which was mainly due to the cash received from borrowings (2020: net cash inflow from financing activities of RMB43.1 million, which was mainly due to the cash received from borrowings).

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

As at 31 December 2021, the Group's financial assets measured at fair value through profit or loss amounted to RMB38.7 million (31 December 2020: Nil), which mainly include:

Hainan Besunyen Healthcare Investment Limited (“**Besunyen Healthcare Investment**”), an indirect wholly-owned subsidiary of the Company, as the limited partner has made a capital commitment of US\$2.3505 million to Vstar Investment Fund Limited Partnership (the “**Fund**”) and injected US\$2.0609 million in cash on 17 May 2021. The Fund aims at investing in a Singaporean company which engages in the research and development of infection-related immunotherapy and antiviral and anti-bacterial medications and vaccines.

Smooth Raise Limited, an indirect wholly-owned subsidiary of the Company, invested in ERX Pharmaceuticals Inc with a total consideration of US\$3 million, and the transaction was completed on 30 April 2021.

#### **BANK BALANCES, CASH AND BANK BORROWINGS**

The Group's bank balances and cash, comprising cash and cash equivalents, term deposits and restricted bank deposits, decreased by 41.05% from RMB720.9 million as at 31 December 2020 to RMB425.0 million as at 31 December 2021. Meanwhile, the Group had bank borrowings of RMB243.7 million, which bear interest rate ranging from 3.85% to 6.80%, as at 31 December 2021 (31 December 2020: RMB159.8 million, bearing interest rate ranging from 4.35% to 5.40%).

## CAPITAL EXPENDITURE

In 2021, the capital expenditure of the Group amounted to RMB133.7 million (2020: RMB173.7 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	<b>132,675</b>	123,443
Investment properties	—	1,376
Assets classified as held for sale	—	47,541
Intangible assets	<b>1,066</b>	1,359
	<hr/>	<hr/>
Total	<b>133,741</b>	173,719
	<hr/> <hr/>	<hr/> <hr/>

## INVENTORIES

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

	For the year ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and packaging materials	<b>38,759</b>	48,351
Work in progress	<b>2,279</b>	5,052
Finished goods	<b>95,303</b>	85,991
	<hr/>	<hr/>
Total inventories	<b>136,341</b>	139,394
	<hr/> <hr/>	<hr/> <hr/>

## RISK OF FOREIGN EXCHANGE RATE

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

As at 31 December 2021, the Group did not purchase any foreign exchange, interest rate derivative products or hedging instruments (2020: net profit from foreign exchange forward contracts was RMB11.5 million).

## **MATERIAL ACQUISITIONS OR DISPOSALS**

On 1 February 2021, Tibet Qianruiwanfu Venture Investment Co., Ltd. (西藏千瑞萬福創業投資有限公司, “**Qianruiwanfu**”), an indirect wholly-owned subsidiary of the Company, entered into a restructuring investment agreement with Xueyinghua and the asset administrator of Xueyinghua, pursuant to which Qianruiwanfu agreed to acquire the 100% equity interest in Xueyinghua at a consideration of RMB31.99 million. Upon completion, Xueyinghua has become an indirect wholly-owned subsidiary of the Company. Such transaction was completed on 21 April 2021. For details, please refer to the announcement of the Company dated 1 February 2021.

On 29 November 2021, Shanghai Bisheng Property Management Co., Ltd. (“**Bisheng Property**”), an indirect wholly-owned subsidiary of the Company, entered into an agreement with two natural persons, pursuant to which Bisheng Property agreed to dispose of buildings located in Shanghai, including their land use rights, at a consideration of RMB56 million. For details, please refer to the announcement of the Company dated 29 November 2021. The transaction was completed in January 2022.

Save as disclosed above, the Group had no other material acquisitions and disposals of subsidiaries, associates and joint ventures in 2021.

## **YUANYUAN LIUCHANG FUND**

Ningbo Yuanyuan Liuchang Investment Centre (Limited Partnership) (“**Yuanyuan Liuchang Fund**”), whose total committed capital contribution is RMB100.0 million, is owned by the Group with 89% of its shares. It mainly focuses on investment projects in the healthcare industry, TMT industry and consumer industry, as well as investment in several early stage partnership enterprises. As at 31 December 2021, Yuanyuan Liuchang Fund did not invest in new projects. Gain of fair value changes in shares of Chaoju Eye Care Holdings Limited held by Yuanyuan Liuchang Fund in 2021 was RMB5.8 million.

## **PLEDGE OF ASSETS**

As at 31 December 2021, the Group received certain bank borrowings of RMB191.1 million through pledging properties with total book value of RMB149.9 million and land use rights with total book value of RMB51.7 million to banks and guarantee companies (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).

## **GEARING RATIO**

As at 31 December 2021, the Group's gearing ratio (total liabilities divided by total assets, in percentage) was 35.7% (31 December 2020: 34.7%).

## **CONTINGENT LIABILITIES AND GUARANTEES**

As at 31 December 2021, the Group had no material contingent liabilities and guarantees (31 December 2020: Nil).

## **CAPITAL COMMITMENTS**

As at 31 December 2021, capital commitments for property, plant and equipment as contracted for but not yet incurred amounted to RMB24.9 million (31 December 2020: RMB52.4 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 2021, 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 2021, there was no significant or material dispute between the Group and its suppliers and/or customers.

## **HUMAN RESOURCES MANAGEMENT**

The Group regards high-quality employees as its most important resource. As at 31 December 2021, the Group had 1,626 employees in mainland China and Hong Kong (31 December 2020: 1,799 employees). The staff costs of the Group (including remunerations of the Directors) were RMB291.9 million as at 31 December 2021 (2020: RMB226.9 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 places emphasis on the recruitment, motivation and retention of suitable talents. Directors and some of the senior and middle management executives enjoy share options under the share option scheme (the “**Share Option Scheme**”) adopted by the Company on 8 September 2010, the purpose of which is to motivate staffs, and to encourage them to work hard to enhance the value and foster better long-term development of the Group.

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

## **FINAL DIVIDEND**

The Board has resolved not to recommend for declaration and payment of a final dividend for the year ended 31 December 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 19 May 2022 to 24 May 2022, both days inclusive. During such period, no transfer of shares of the Company (the “**Shares**”) will be registered. The record date for determining the eligibility to attend the forthcoming annual general meeting (the “**AGM**”) to be held on 24 May 2022 will be 24 May 2022. 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 2022.

## **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 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 2021, 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, 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 32 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 2021.

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 2021.

## **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 2021, 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 13 to the annual results announcement headed “Event Occurring after the Balance Sheet Date” set out on page 14 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 2021 will be dispatched to the Shareholders and available on the above websites in due course.

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

Hong Kong, 18 March 2022

*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.*