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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 926

2024
ANNUAL REPORT

Corporate Profile

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

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

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

The Group's "Besunyen and Device" trademark was identified as a "China Well-known Trademark" (中國馳名商標) by the Trademark Office of the State Administration for Industry & Commerce of the People's Republic of China in 2013, and its Besunyen brand has been rated as one of the top ten credible brands of health products in China by China Healthcare Association for five consecutive years. The Group obtained the "High-Tech Enterprise Certificate" issued by Beijing Municipal Science and Technology Commission, and was granted the title of "Leading Enterprise in Beijing" issued by Beijing Municipal Bureau of Agriculture and Rural Affairs as well as the titles of "'Innovative' Small and Medium-Sized Enterprise in Beijing" and "'Specialized, Refined, Unique and Innovative' Small and Medium-Sized Enterprise in Beijing" issued by Beijing Municipal Bureau of Economy and Information Technology. The Group has 25 approvals for health food issued by China Food and Drug Administration, and it has possessed 117 patented technologies awarded by China National Intellectual Property Administration, including 21 invention patents.

As at the end of 2024, the Group's offline sales business covered about 300,000 over-the-counter ("**OTC**") pharmacies and pharmaceutical third terminals, spanning across 31 provinces, autonomous regions and municipalities across the country, through the new business partners. The Group's online e-commerce business has established 63 shops on 18 e-commerce platforms to conduct the sales of the Four Teas, Orlistat and other products of the Group. Proactively adapting to the development of new sales trend, the Group made repeated attempts in respect of new retail including Douyin, Kuaishou, O2O and B2C. The above mature and innovative channels enabled the Group to launch its new products to the market more quickly, thereby maintaining the industrial leading position of the Group in terms of sales of products.

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

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Corporate Information

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

STRATEGIC INVESTMENT COMMITTEE

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

COMPANY SECRETARY

Mr. Yu Hongjiang

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Chairman and CEO's Report

ZHAO Yihong
Chairman and CEO

Chairman and CEO's Report

Dear Shareholders,

On behalf of the board of directors of the Company, I hereby present to you the audited annual results report of the Group for the year ended 31 December 2024 (the "**Reporting Period**").

During the Reporting Period, the Group achieved revenue of RMB484.3 million, representing a year-on-year decrease of 10.8% from RMB542.9 million in 2023. The Group recorded a total comprehensive income of RMB16.8 million in 2024, compared to a total comprehensive loss of RMB358.6 million in 2023. The year 2024 marked a significant year of reform and development for the Company. The Group faced multiple challenges such as changes in external environment, insufficient domestic demand, difficulties in business operation, and pressure on employment and income growth. Against this backdrop, the management and staff of the Company actively responded by deepening internal reforms and transforming positive factors from all parties into development momentum, which achieved satisfactory operating results and demonstrated initial results of the business partnership reform.

The business partnership system was launched in September 2023 and was fully implemented across the e-commerce and OTC business segments as well as the IT service support and logistics service departments in 2024, effectively stimulating the enthusiasm of all parties. The e-commerce business partners shifted their business philosophy from pursuing scale to pursuing profit, actively expanded new retail in e-commerce, explored a second growth curve, and developed new business lines on Douyin and Kuaishou. By optimizing product structure, operation mode and marketing strategy and building a flexible supply chain, the e-commerce business achieved the best operating results since its inception. In response to the dwindling chain terminals, the OTC business partners took proactive measures to strengthen cooperation with terminal stores, chain headquarters, and agents to optimize business relationships and achieve mutual benefits and win-win outcomes. Meanwhile, price and channel management was strengthened to lay the foundation for stable development. The IT and logistics support departments have also improved their efficiency and service quality.

From September 2024, the Group further promoted and improved the partnership system, which further strengthened the partner compensation incentive system with profit as the core objective. It shifted the focus from scale and short-term benefits to enhancing partners' profit awareness and concept of sustaining long-term market development. The management of the Group continued the practice of supporting business departments by working at the grassroots level, with the vice president providing targeted assistance to the OTC business unit and solving problems at the front line. The Group's headquarters and production departments optimized and streamlined staffing and enhanced work efficiency with significant achievements in cost reduction and efficiency improvement.

Looking ahead to 2025, the Company will continue to improve its partnership system, build an efficient production, service and management system, continue to promote cost reduction and efficiency improvement, and optimize its product and business layout. The Group will actively adapt to market changes, promote the rejuvenation of Besunyen brand and enhance brand awareness through multi-channel strategies such as social media marketing and content marketing. The Group will continue to increase investment in research and development, promote product innovation, enhance consumer experience, and optimize online shopping and after-sales services.

In terms of business cooperation, the Group will leverage the flexibility of new partnerships, strengthen in-depth strategic cooperation with business partners, focus on developing partnerships with the top 100 national chain stores, and carry out a variety of marketing activities and staff training in order to improve terminal distribution rate and turnover rate. The e-commerce business will focus on profitability, further improving quality and efficiency, reducing operating and logistics costs, exploring new models and sourcing new products. At the same time, it will actively explore new e-commerce models such as O2O, B2C, live streaming, short videos, and interest-based e-commerce to adapt to the changing consumer purchasing scenarios.

In addition, the Group will enhance the efficiency of its operation and management, secure product supply, strengthen data support, strengthen staff training and improve the performance management system. It will continue to make good use of its internal newsletter for better teamplay and establishing a good communication and feedback mechanism.

Chairman and CEO's Report

In 2025, Besunyen will stay true to its original intention to contribute more high-quality products to the development of the big health market and the well-being of Chinese people, and help realize China's health dream.

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

1. Overview of the industry where the Group operated

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

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

2. Policies of the health food industry

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

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

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

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

On 29 November 2023, the National Health Commission issued the Administrative Measures for Food Safety Standards (Order No. 10 of the National Health Commission), which came into effect on 1 December 2023. The Administrative Measures for Food Safety Standards have adjusted the purpose and scope of formulation, emphasized the implementation of the "most stringent standards", and clarified that food safety standards include national food safety standards and local food safety standards.

On 15 June 2023, the State Administration for Market Regulation issued the Measures for the Administration of Food Trade Licensing and Recordation (Order No. 78 of the State Administration for Market Regulation), which came into effect on 1 December 2023. The measures further clarified the scope of food trade permit and the specific circumstances under which a food trade permit is not required. In particular, a trade enterprise that only sells prepackaged food is not required to obtain a food trade permit.

On 22 December 2023, the State Administration for Market Regulation issued the Guidelines for Normative Labeling of Health Food Logo, aiming to guide health food producers and operators to further standardize the labeling of health food logos, correctly guide consumption, and create a fairer and more orderly market.

Published in December 2023, the Notice of the General Office of the National Health Commission on the Issuance of the Guiding Principles on Weight Management (2024 Edition) further implemented the "Weight Management Year" Activity Implementation Plan, advocating a civilized and healthy lifestyle, guiding medical and health personnel to carry out weight management work scientifically, further strengthening the earlier prevention and control of chronic diseases, enhancing the standardization level of weight management, especially the prevention and control of overweight and obesity, strengthening health education and promotion on chronic diseases and related risk factors, guiding the public to improve awareness and skills in weight management, and continuously improving the health literacy level of the people.

On 27 December 2023, the State Administration for Market Regulation issued a public solicitation announcement on the Key Points for the Centralized Renewal Review of Health Food Products with No Expiry Date and No Product Technical Requirements in Production and Sale (Draft for Comments). On 1 November 2024, the State Administration for Market Regulation issued the Announcement on Key Points for the Centralized Renewal Review of Health Food Products with No Expiry Date and No Product Technical Requirements in Production and Sale [2024 No. 49], which stated a 5-year transition period for renewal application starting from 31 August 2023.

3. Development of the health product industry

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

McKinsey's latest Future of Wellness research surveyed more than 5,000 consumers across the United States, the United Kingdom, and China. In China, 62% of consumers consider wellness a top priority in their everyday lives, which is significantly higher than in the United States at 41% and in the United Kingdom at 29%. More Chinese consumers are prioritizing wellness more now than a year ago. More notably, when they are asked whether they would adjust health spending if overall consumption levels declined, 74% of consumers responded that they would rise or increase health-related spending. Gen-Z and millennial consumers are particularly concerned about health. They are now purchasing more wellness products and services than older generations, across health management, sleep improvement, diet and nutrition, physical fitness, scientific skin care, and mindfulness.

According to the latest report by Technavio, the global health and wellness food market size is estimated to grow by USD627.6 billion at a compound annual growth rate of 9.8% between 2025 and 2029.


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4. Position of the Group's principal activities in the industry

The Group has focused on the research and development, production, sale and promotion of therapeutic teas for 25 years. Long-term focus and experience accumulation give the Company significant advantages in product development and market insight. The Company always adheres to the product strategy of "One Focus and Two Dimensions", focusing on core products including the "Four Health Teas of Besunyen", namely, Besunyen Detox Tea, Besunyen Slimming Tea, Besunyen Fit Tea, and Besunyen Relief Tea, and actively expanding the market of innovative products such as Orlistat capsules. Through continuous optimization of product structure, rapid upgrade of products and services, and continuous launch of products that meet diversified health needs, we have gained recognition and trust from consumers. According to the statistics of Tmall and JD.com platforms, the sales of Besunyen brand products ranked among the top of health food and weight-loss and slimming categories.

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

The business of the Company's agency sales segment developed steadily and healthily. In 2024, the Company optimized the structure and variety of agent products, significantly reducing the variety and specification of the agent products. As a result, remarkable improvement was seen in operational quality, with Orlistat weight-loss medicine, collagen, minoxidil, and cross-border Vita Eslife WEIGHT HEALTH CAPSULE ranking among the top in sales within their respective categories.

BUSINESS OPERATION AND MANAGEMENT REVIEW

Since September 2023, the Company has carried out the reform of the business partnership system, and 2024 was the first year of the official operation of the partnership system reform, in which the business partnership system was fully implemented across the e-commerce and OTC business segments as well as the IT service support and logistics service departments. Experience over the past year has proved that the implementation of the business partnership system effectively stimulates the enthusiasm of all parties and achieves satisfactory operating results. In response to the dwindling chain terminals, the OTC business partners took proactive measures to strengthen cooperation with terminal stores, chain headquarters, and agents to optimize business relationships and achieve mutual benefits and win-win outcomes. After becoming partners, the employees of the e-commerce business shifted their business philosophy from pursuing scale to pursuing profit, actively expanding new retail in e-commerce, exploring a second growth curve, and nurturing new business lines on Douyin and Kuaishou. By optimizing the product structure, operating model, and marketing strategies, a flexible supply chain was established, achieving the best operational results since the establishment of the e-commerce business. The marketing department strengthened price and channel management, laying the foundation for stable development. In the fourth quarter of 2024, the remuneration mechanism for business partners was refined, providing a systemic guarantee for higher quality operations in the future. The IT and logistics departments also enhanced efficiency and service quality, all for the sake of the business.

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

1. Utilizing chain membership for precise promotion offline, conducting diversified cooperation and live-streaming promotion activities, strengthening channel and price management, and creating a favorable marketing environment

The offline business is expanded and managed by a marketing company established through restructuring by four partners, acting as an agent for the offline operations of the OTC business. As a business partner of the Group, the marketing company's main business cadres are shareholders of the sales company, significantly enhancing their work motivation and initiative. Business management has become more refined, and the service scope covered major cities nationwide. In response to the different characteristics of NKA, LKA and the like, effective development and management were conducted, focusing on the development of partnerships with the top 100 national chain stores, covering 300 thousand pharmacies and pharmaceutical third terminals in China. They supported each other in product training, business negotiation, terminal construction and marketing strategy formulation to ensure service quality and efficiency.

In terms of marketing model, the Company leveraged the membership resources of chain pharmacies to conduct joint activities with chains and deployed its advantages in online e-commerce live streaming to assist customers in developing live streaming businesses, and reaching multiple strategic collaborations and using prime resources. In terms of the new retail business, it strengthened the cooperation with terminal businesses and enhanced deep interaction with chains and businesses. Utilizing O2O, live streaming and other sales models, it conducted consumer education by utilizing customers' own platforms and membership resources, and increased offline customer experience through online and offline interactive communication, etc., so as to attract customers and increase the number of new market channels.

Starting from August 2024, the four marketing companies have concentrated all personnel to carry out visits and cooperation activities arrangements in major cities within each region, including headquarters chains, regional headquarters chains, regional chain organizations, and terminal pharmacies, and comprehensively penetrated the market. Through nearly half a year's work, a thorough organization of terminal business was conducted, strengthening relationships with commercial institutions and terminal stores. Sales work was fostered through jointly organized promotional activities.

To create a favorable marketing environment, the four marketing companies leveraged their self-management capabilities to formulate corresponding management measures and penalty regulations. The issue of bugsell of the Company's related products through channels has been greatly improved, stabilizing the market pricing of the products and ensuring the stability of profit expectations for agents and terminals, as well as confidence in market operations.

2. Further integrating business units and resources in the e-commerce food product line, promoting new customer recruitment hyperlinks, optimizing promotional tools and strategies, and enhancing sales scale and operations

In 2024, the three agency operation companies established by e-commerce became the agency operators for the Group’s e-commerce business, as well as new retail businesses on platforms such as Douyin and Kuaishou. The agency operation of the e-commerce business aims at profitability, with refined operations continuously optimizing products, supply chain, channels, and logistics to reduce costs and enhance efficiency.

In 2024, the non-pharmaceutical line Pinduoduo department was merged from its original standalone business unit into the non-pharmaceutical retail business unit, unifying the retail operations. The adjustment of the organizational structure has facilitated the advancement of business. During the initial phase of business adjustment, there was a temporary decline in sales after coordinating and modifying the resource position for the main product, Fit Tea 32 packs. This is an inevitable throe during business adjustment. In order to boost daily sales volume and successfully excel the Double 11 event, a comprehensive plan was developed from multiple perspectives, including promotion expenses and platform resource positions, to revamp the main Besunyen Fit Tea series. Pinduoduo platform’s daily sales exceeded 50 thousand during the Double 11 period. The monthly sales revenue of Besunyen Healthcare Products Flagship Store increased from over RMB800 thousand in September-October to surpassing RMB1 million per store in November-December.

Tmall U started the new customer recruitment promotion first to support new customers to our brand. In May 2024, the Besunyen Official Flagship Store and Tmall U attracted potential customers through the “Warehouse Entry Marketing Model” trial experience, reducing the logistics cost of new customer recruitment. The original solitary mode was changed, and we started to seek in-depth cooperation with platforms. This reduced the brand’s marketing costs and enhanced the brand’s market competitiveness, helping the brand stand out in fierce market competition. Tmall Supermarket integrated resources and advanced hyperlinks. Tmall Supermarket advances the Hyperlink Formation Project. After one year, hyperlink has been developed into a beloved product with monthly sales of one million, representing a year-on-year growth of approximately 100%. Through continuous efforts in the Hyperlink Project, the sales revenue of the Tmall Supermarket channel has increased year by year, and the operational results have also grown simultaneously.

During the 2024 JD Double 11 event, the JD Besunyen flagship store successfully achieved the top sales position in the slimming and body shaping category with its high-quality slimming and body shaping products. During large-scale promotional events like Double 11, the series of marketing strategies and measures adopted by Besunyen enhanced the brand’s influence and sales performance.

3. Restructuring the business operation model of the e-commerce pharmaceutical line, adjusting product strategies and promotion methods to enhance performance

After the restructuring, Tmall Pharmaceuticals adjusted its sales strategy for pharmaceuticals to further enhance its market competitiveness. Among them, relaunching the new product Orlistat in a 6-pill package and capturing the internal market was one of the important initiatives. By signing a long-term cooperation agreement with online shoppers and leveraging their promotional capabilities, the market awareness and sales of Orlistat were rapidly increased, with the sales of a single product exceeding 1 million boxes. At the same time, Tmall Pharmaceuticals has also adopted comprehensive operational strategies such as optimizing product lines, strengthening brand building, and expanding sales channels to support the overall business development.

In 2024, the Company promptly switched its JD pharmaceutical business from a self-operated model to a POP model, actively adjusting operational strategies to adapt to the new business model and ensure stable development of the business. The joint operation of POP and self-operated models was achieved, the space for development for the Company's pharmaceutical business on the JD platform was expanded, and it is hopeful that the performance can be further enhanced.

4. Continuously exploring the operation model of new retail businesses including Douyin, Kuaishou and cross-border e-commerce to seek new growth points

With the rapid development of short video platforms such as Douyin and Kuaishou, a team was formed on the basis of traditional e-commerce business to actively explore new businesses on Douyin, Kuaishou, and cross-border e-commerce. The Douyin Supermarket business of Douyin E-commerce has developed rapidly. The Company has reached a business cooperation with Douyin Supermarket, establishing an authorized brand self-operated live streaming account for Douyin Supermarket. By leveraging the endorsement of Douyin Supermarket and Besunyen's products, they achieved a win-win situation. Through the Douyin Supermarket channel, they expanded Besunyen's growth in Douyin business, solved the issue of Douyin Supermarket connecting with KuaiMai ERP for delivery, and improved work efficiency and customer service experience.

5. Changing the business model of cross-border e-commerce to create a new model of brand operation

With the launch of the cross-border proprietary brand product, namely Besunyen Vita Eslife WEIGHT HEALTH CAPSULE, in April 2024, the previous model of low-price competition purely through product agency in cross-border e-commerce business was adjusted and improved, and gradually shifted towards the path of branded operation development. The transformation of the cross-border e-commerce business model has laid a solid foundation for the long-term development of the business.

6. Strengthening self-broadcast businesses such as Douyin and achieving multi-scenario and extensive time coverage to adapt to the characteristics of the new media era

The Company has placed great emphasis on online marketing, with a focus on strengthening its Douyin self-broadcast business. The new business line transitioned from outsourced live streaming to self-operated live streaming based on the operational status of Douyin, with plans for Douyin's self-operation and live streaming room preparation starting from the end of October, including the selection of the park location for the live streaming site, the decoration of the office and live streaming room, the procurement of equipment, and the construction of the live streaming room. As real-scene live streaming was adapted, providing higher clarity in the live streaming room, the host could easily present the products in front of the camera and offer a sense of reality to customers. As for the setting up of a live streaming team, hosts and central control staff were recruited. In the official Besunyen live streaming room, there were four hosts and three central control staff, requiring more than 15 hours of live streaming every day, and non-stop live streaming during major promotions. Single-session sales exceeded RMB27 thousand on the first live broadcast date of 12 November, and the live broadcast sales of over RMB430 thousand and the accumulated live broadcast duration of over 180 hours were recorded in the first month. The Company is gradually setting up a self-broadcast team consisting of full-time and part-time hosts, such that it can control the hosts and profits and flexibly manage live streaming traffic.

7. Using AI technology to empower content creation and enhance work efficiency

The rapid development of AI technology has provided a powerful tool for enhancing content creation efficiency and reducing design costs. Besunyen is actively exploring the application of AI in content creation. In order to attract young users, AIGC was used to establish a unified brand online VIS visual system. Besides, the Company used AI to provide diverse design solutions, reduce communication trial-and-error costs, and improve design efficiency. Combined with business, AI was used to revolutionize content work models and improve creation efficiency and effectiveness. AI empowerment significantly enhanced content creation efficiency and quality, providing strong support for brand operations and product promotion.

8. Continuously enhancing brand image offline and facilitating in-depth cooperation and win-win cooperation with marketing channels and platforms

In 2024, the Group achieved channel expansion and upgrading through close cooperation with the top 100 domestic chains. Leveraging the extensive influence and reputation of these chains, the Group expanded the product's influence and national coverage through their member's days and live-streaming operations. At the same time, the Company launched large-scale annual activities such as "Detox and Control, Faster Weight Loss" (一排一控、減肥加速) which focused on the weight-loss market and attracted a large number of weight-watchers, thereby increasing the brand's attention in the market.

9. Further optimizing the operational mechanism and improving the performance-based remuneration mechanism to promote the long-term healthy development of the business

The year 2024 marked the first full year operation of the Company's partnership system reform, with the initial effects of the reform starting to crystallize. As shareholders of the Company, the partners have established a long-term business philosophy and set a profit-centered business objective. Consequently, the partnership enterprise has undertaken a reorganization of its business departments, optimized existing businesses and expanded new businesses, readjusted work assignments, optimized relationships with business partners, and reformed the supply chain. This has resulted in product structure optimization, improved supply efficiency and quality, ultimately enhancing profitability. However, the reformed OTC business still followed the compensation performance evaluation method used prior to the reform, which was mainly linked to sales volume. This method has become completely unsuitable for the post-reform requirements aimed at profitability. Starting from 2024, the chairman of the Company personally led the reform of the partner compensation mechanism, reducing the basic salary and linking the performance mainly to profit contribution. This has laid a solid mechanism foundation for higher quality operations in future years and will strongly facilitate long-term healthy business development.

10. Establishing and improving the quality system to achieve quality objectives

The CPC Central Committee attaches great importance to food safety, which adheres to the four strictest requirements in food safety, namely "the strictest standards, the strictest supervision, the strictest penalties and the strictest accountability", to ensure the food safety of the general public. The Company attaches great importance to quality management, strives to establish and improve the quality management system, continuously improves quality management methods, and actively addresses quality risks to achieve high-quality development.

Staff education and training were strengthened. By regularly participating in quality training organized by regulators and sharing the latest information, our staff enhanced their quality awareness and were equipped with more professional skills and knowledge to ensure the effective implementation and continuous improvement of the quality system. In strict adherence to the project improvement plan, the Company constantly identified issues, formulated improvement measures and tracked implementation effects to ensure continuous optimization of the entire system. In addition, through regular reviews, it promptly identified and corrected deficiencies in the system to gain the trust and recognition of customers and third parties.

The Company has established a complete production quality management system in accordance with the laws and regulations including the Food Safety Law, the National Food Safety Standards — Good Manufacturing Practices for Health Food (GB17405), the Rules for the Examination of Production Permits for Health Food, the National Food Safety Standards — Health Food (GB16740), the Regulations on the Labeling of Health Food (Wei Jian Fa [1996] No. 38), and the Guidelines for Warning Words on the Labeling of Health Food. On this basis, the Company has passed the ISO9001 quality management system, ISO22000 food safety management system and HACCP key control point system certification, providing a strong guarantee for the Company's high-quality products, and laying a solid foundation for products to gain full trust from consumers and enhance market competitiveness.

ANALYSIS OF COMPETITIVENESS DURING THE REPORTING PERIOD

1. Building a brand communication matrix to achieve the goal of integrated marketing, focusing on the needs of Gen-Z consumers, innovating communication content and methods, expanding communication platforms, enhancing brand influence, and attracting new customers

In 2024, Besunyen made every effort to establish a brand communication matrix, focused on the habits of the younger generation of consumers, innovated communication content and methods, expanded the use of more communication platforms, conducted scene-based marketing, which enhanced brand influence and customer loyalty.

(1) Continuing to build a brand communication matrix for market promotion to achieve the goal of integrated marketing

By conducting an in-depth analysis of the competitive environment of the market and gaining insights into the needs of the target audience, a strategy was formulated to transition from single-point communication to a systematic brand communication matrix. Through integrating various channel resources, including advertising placement, social media promotion, and collaboration with influencers, a complete marketing chain has been established. Brand image and recognition were significantly enhanced, with a substantial increase in brand visibility, leading to a marked improvement in consumer awareness and favorability, thereby laying a solid foundation for product sales.

(2) Adapting to the demand characteristics of young consumers and keeping up with marketing trends

By analyzing the consumption needs and habits of Gen-Z consumers, precise content seeding focusing on products was conducted, with carefully designed content realization pathways to highlight the differentiation of product content selling points. High-quality images, videos, and other means were used for promotion on social media platforms like Douyin and Xiaohongshu, as well as e-commerce platforms, to enhance the product's perception in the minds of consumers.

(3) Adopting innovative marketing methods, actively exploring creative forms such as Douyin short dramas, AI content creativity, and trending topic marketing

Leveraging popular events and topics to create brand-specific hotspots, and tailoring communication strategies to align with the brand's tone, the Company has greatly accelerated the pace of marketing, significantly increased brand exposure and interaction on social media, and enhanced the brand image to be more youthful and fashionable, attracting numerous new users.

(4) Enhancing brand visibility and traffic to drive product sales, integrating brand TVC with sales content, and deeply exploring user needs to enhance brand influence

Creating from the user's perspective to enhance communication effectiveness; conducting brand promotion, collaborating with multiple companies on proposals, and ultimately producing several brand promotional videos, such as the Profit Edition and Fishing Edition, so as to strengthen brand impression. A creative short film with the theme "Losing weight is actually not that hard," was created using viral advertising methods that align with the logic of short video platforms, setting up reversal points, and coordinating with sales to establish a unified visual hammer. The brand influence has significantly increased, with significant growth in visibility and traffic, strongly driving product sales.

(5) Expanding the brand's influence on the Xiaohongshu platform, Besunyen established a Xiaohongshu operation team to define operational goals and strategies

In mid-November 2024, the Xiaohongshu department was established, a 7+1 framework was constructed to define objectives and assessment indicators, and to conduct training for new personnel accordingly. Timelines and objectives were also formulated with work progress recorded, and the direction of content creation was clarified with emphasis on the value and sentiment of notes, providing consumers reasons to choose us. Our Xiaohongshu platform operations achieved phased results, and laid the foundation for the brand's long-term development on the platform.

(6) Continuously carrying out the theme activity of "Detox and Control, Faster Weight Loss" offline

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

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

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

In 2024, the Company continued to carry out cooperation among the industry, universities and research institutes. As the responsible unit of the "Modernization of Chinese Medicine Project", a key research and development plan of the Ministry of Science and Technology, the Company cooperated with well-known universities and research institutes in China for conducting collaborative research, and completed the building of platforms for "Demonstration Research Office for Trial Production and Research of Traditional Chinese Medicine and Compound Health Products", "Demonstration Research Office for Mass Production of Traditional Chinese Medicine and Compound Health Products", and "Demonstration Research Office for Comprehensive Evaluation of the Efficacy of Large Samples of Traditional Chinese Medicine and Compound Health Products". Focusing on "Besunyen Detox Tea", a demonstration research product with good modern research foundation and application prospect, the Company conducted research on functional ingredients, interpretation of modern scientific connotation, research on functional factors and large sample clinical trial and research, which fully demonstrated the scientificity, efficacy, safety and stability of the Besunyen Detox Tea. The successful acceptance of the project will provide a series of research and development and evaluation standards for the TCM health product industry and provide a scientific basis for the precise application and development of TCM health products.

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

In 2024, a series of new regulations for the health food industry were implemented to encourage enterprises to innovate and develop and stimulate the endogenous power of the industry. Focusing on the "One Focus and Two Dimensions" product development strategy, the research and development department accelerated the process of development of new health products, promoted the establishment of new product development projects, and completed a number of safety evaluation studies and registration inspections of new health products.

(3) Strengthening the secondary development of products, and preparing for the centralized renewal of product certification to ensure the compliance of its products

The Group deepened the collation of health food approvals, developed health food products for the second time, completed quality research and production review, and facilitated the successful completion of technical upgrade and conversion of the new health products, namely Besunyen Lingzhi Ginseng Granules (碧生源牌靈芝人參顆粒) and Besunyen Lingzhi Goji Berry Poria Tea (碧生源牌靈芝枸杞茯苓茶), effectively expanding the market of healthcare functions such as liver protection, sleep aid and immunity enhancement, so as to better meet the diversified health needs of consumers. It completed the renewal of registration of Besunyen Lingzhi Goji Berry Poria Tea, a health food product with the health function of "assisting in liver protection against toxicity", hence the validity period of the approval was renewed successfully.

On 1 November 2024, the State Administration for Market Regulation issued the Announcement on Key Points for the Centralized Renewal Review of Health Food Products with No Expiry Date and No Product Technical Requirements in Production and Sale [2024 No. 49], which stated a 5-year transition period for renewal application starting from 31 August 2023. The Company has made all the preparation works for the centralized renewal of certificates to ensure that the renewal is completed with high quality.

(4) Deepening the layout of intellectual property rights

In 2024, the Company actively facilitated the development and deepening of layout of intellectual property rights, and conducted the exploration and declaration of invention patents, utility model patents and design patents. The intellectual property management system was improved to comprehensively protect its knowledge and achievements. During the year, the Company applied for 2 invention patents and was granted 3 invention patents and 1 utility model patent authorisation. In particular, the invention patent declared to protect the technology of Besunyen Slimming Tea was granted successfully, which helps to enhance the technological content and increase the market recognition and consumer trust of the product.

(5) *Independently conducting academic research on products and publishing high-level academic articles*

In recent years, health food regulators have required health food products to strengthen scientific research and clinical validation, increasing registration requirements and market entry thresholds. In order to ensure the smooth declaration of the new healthcare product of slimming chewy bites, the R&D department independently carried out basic research and product efficacy validation, and successfully published two academic articles in core journals in July 2024. An academic article titled "Optimization of Extraction Process for α-AI from White Kidney Beans and Evaluation of Its Efficacy in Combination with L-carnitine" (《白蕓豆澱粉酶抑制劑提取工藝優化及與左旋肉堿復配物功效評價》) was published in the journal "Tianjin Agricultural Sciences"; and another academic article titled "Weight Loss and Blood Sugar Reduction Effects of L-carnitine and White Kidney Bean Extract Compound Preparation on Obese Rats" (《左旋肉堿與白蕓豆提取物複合製劑對肥胖大鼠的減重降糖功效》) was published in the journal "Specialty Research". The R&D department actively leveraged its expertise to design reasonable experimental plans, systematically assess the safety and effectiveness of products, and generate reliable data support while saving R&D costs for the Company.

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

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

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

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

(2) *Improving the intelligent technology route continuously*

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

(3) Controlling and improving product quality parameters

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

4. Continuously upgrading data analysis capabilities and further optimizing the BI system, with AI systems and virtual humans widely applying in marketing and promotion

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

The rapid development of AI technology has provided excellent tools for enhancing the Company's operational management. The marketing department extensively used AI technology in product packaging design, promotional content creation, event planning, video shooting, and copywriting editing and optimization. Virtual human technology was used in online live broadcasts. The adoption of these technologies has improved efficiency, saved labor, and enhanced work quality.

FULFILMENT OF SOCIAL RESPONSIBILITIES DURING THE REPORTING PERIOD

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

1. Social welfare activities

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

Since 2017, Besunyen has cooperated with environmental protection and public welfare organizations such as China Green Carbon Foundation and Beijing Green Sunshine Environmental Protection Public Welfare Foundation, and has donated more than RMB3.5 million in total to initiate the establishment of the "Special Fund for Combating Illegal Trade in Endangered Wildlife", which has raised public awareness of and participation in the protection of wildlife.

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

In 2024, the Company participated in the pairing assistance organized by Fangshan District, Beijing, to support towns and villages in regions such as Hebei and Inner Mongolia, aiding local industrial development and addressing economic development and community difficulties in these regions. Besunyen places great importance on the protection of Chinese traditional cultural relics and art, funding the restoration, reconstruction, and protection work of Jixiang Temple in Pingyao County, Shanxi Province, and sponsoring emergency rescue training to enable more people to acquire first aid knowledge.

In addition, Besunyen also participated in public welfare activities such as environmental protection and health promotion to advocate a healthy lifestyle.

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

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

3. Adhering to the low-carbon economy and promoting energy saving and emission reduction

Regarding the production process, Besunyen pragmatically fulfilled its corporate social responsibilities by actively carrying out technological transformation to improve the process, simplify packaging, reduce emissions, and promote the paperless office through system tools.

Over the years, Besunyen was always dedicated to public welfare and charity undertakings, and pragmatically fulfilled its corporate social responsibilities.

FUTURE DEVELOPMENT OUTLOOK

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

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

The Group believes that it will seize the opportunities of the development of the big health industry. In 2025, the Group will continue to adhere to the goal of profitability and positive cash flow, further optimize the product structure, continuously innovate marketing models, achieve high-quality development with its operating policy, consolidate the foundation and capability, and create a new pattern of high-quality development.

We will implement the following tasks in order to achieve the Group's business objectives for 2025.

Firstly, leveraging the advantages in online operations and offline membership resources to achieve mutual benefits through in-depth cooperation

After years of cultivation, the Group's products have established a solid market foundation. As consumer habits change, offline business customers are also actively engaged in offline business transformation and activation of member resources. The Company has extensive experience in online business operations and can expand the influence and business development of Besunyen through deep cooperation with offline channels, utilizing models such as live streaming, membership marketing, private domain marketing, and B2B. Simultaneously, efforts should be increased in developing distributor channels and third-party terminals, leveraging merchant and platform resources, increasing advertising investment, and enhancing store activities to boost the sales of the Four Tea products. The Company will focus on market trends and identify new marketable products. Also, it will enhance the service system for terminals and distributors, creating innovations and upgrades including brand communication, deep consumer interaction, and optimization of product experience.

Secondly, exerting the autonomy of partners, actively managing channels and prices through internal mechanisms and systems, and jointly creating a favorable operating environment

After the reform of the partnership system, the Company has set up companies operating various online and offline channels and in various regions. These companies operate the same products, thus the management of channels and pricing not only affects the market order of the Company but also impacts the market order and development of other related companies. Therefore, standardized management of product channels and pricing is particularly important. Four OTC agency companies and heads of e-commerce business have established an independent management organization to formulate channel bugsell management and pricing management systems. This aims to enhance the control over sales channels, manage the pricing system across different channels and levels, continuously strengthen market supervision and terminal maintenance capabilities, and create a favorable sales environment.

Thirdly, continuously advancing Douyin, Kuaishou and other new retail and cross-border businesses

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

Fourthly, consolidating the market position of the brand by leveraging the advantages of content marketing and brand penetration of Xiaohongshu

During the year, the Group will continue to enhance the professionalism and attractiveness of the promotion content, and improve the effectiveness of communication through high-quality content. In terms of communication channels, it will make full use of media platforms such as elevator media to accurately reach target customer groups and consolidate the brand's leading position in the weight loss and laxative fields. By giving full play to its brand influence and actively utilizing media resources, the Group will deeply cooperate with chain stores and other sales channels, and launch integrated brand promotion and promotional activities, in a bid to facilitate interaction with consumers and meet their increasing demand for healthy life. The Group will continuously develop the multi-faceted value of new media channels, incubate major distributors and social e-commerce platforms, and jointly promote brand influence through products and channels. It will strive to deepen and consolidate the market position of Besunyen brand in Xiaohongshu, serving as the main platform for cultivating and expanding new users.

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

In 2025, the Company will persist in promoting process improvement, technological innovation, and development and research of new products. Through technological improvement, the unit cost of products will be reduced to a certain extent and the economic benefits of the Company will be improved. Meanwhile, the Company will pay close attention to the development of the big health industry, and focus on its own development and future according to market demand, technological research and development, company strategies, etc. The Company will actively expand new products and new channels, develop and explore core single major product, and continuously try new marketing models to provide subsequent products and operation capabilities for the future development of the Company.

Sixthly, continuously facilitating cost reduction and efficiency improvement, and improving operation quality

In 2025, the Company will continue to facilitate the gross margin management of products, reduce various costs and expenses, improve the turnover rate of inventories and accounts receivable, improve the input-output efficiency, and enhance its operation quality, thereby laying a solid foundation for the long-term development of the Company.

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

ZHAO Yihong
Chairman and CEO

Hong Kong, 31 March 2025

Management Discussion and Analysis

REVENUE

	For the year ended 31 December			
	2024		2023	
	RMB'000	**Percentage of revenue**	RMB'000	Percentage of revenue
Revenue:				
Besunyen Detox Tea	**79,911**	**16.5%**	103,034	19.0%
Besunyen Slimming Tea	**98,935**	**20.4%**	109,072	20.1%
Besunyen Fit Tea	**71,219**	**14.7%**	64,138	11.8%
Besunyen Relief Tea	**6,571**	**1.4%**	13,162	2.4%
Weight-loss medicines	**147,999**	**30.6%**	161,822	29.8%
Other health food	**69,547**	**14.3%**	81,713	15.1%
Other medicines	**10,119**	**2.1%**	9,935	1.8%
Total	**484,301**	**100%**	542,876	100%

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

The revenue of the Group was RMB484.3 million in 2024, representing a decrease of 10.8% from RMB542.9 million in 2023.

Revenue from the Four Health Teas of Besunyen in 2024 was RMB256.6 million, representing a decrease of 11.3% from RMB289.4 million in 2023, mainly due to the Group's strategic adjustment and reform of operation model. Since the end of 2023, there was a downward adjustment in the unit price of the Group's core products, namely therapeutic teas, resulting in an increase in sales volume of Besunyen Detox Tea and Besunyen Slimming Tea by 2.2% and 8.7% respectively in 2024 as compared to 2023, but a decrease in sales amount by 22% and 9% respectively as compared to 2023.

Revenue from weight-loss medicines in 2024 was RMB148.0 million, representing a decrease of 8.5% from RMB161.8 million in 2023, mainly due to the impact of the macroeconomic environment and market changes, which led to a decline in the market share of Orlistat products, with sales volume decreasing by 6% as compared to 2023.

Revenue from other health food in 2024 was RMB69.5 million, representing a decrease of 14.9% from RMB81.7 million in 2023, mainly due to the Group's optimization of original equipment manufacturer (OEM) products and trading products with small volume and no profit prospects, and the adjustment of operation model for cross-border business, resulting in a decrease in sales revenue by RMB12.2 million in 2024 as compared to 2023.

COST OF SALES, GROSS PROFIT AND GROSS PROFIT MARGIN

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Cost of sales	**158,459**	196,656
Gross profit	**325,842**	346,220
Gross profit margin	**67.3%**	63.8%

The Group's cost of sales decreased by 19.4% from RMB196.7 million in 2023 to RMB158.5 million in 2024, while the gross profit margin increased by 3.5 percentage points from 63.8% in 2023 to 67.3% in 2024, which was mainly due to (i) the continuous optimization of the Group's products with weaker market competitiveness, thereby increasing the gross profit margin of other medicines and other health food in 2024 as compared to 2023; (ii) the decrease in procurement cost of weight-loss medicines in 2024 as compared to 2023.

OTHER INCOME

In 2024, the Group's other income was RMB11.8 million (2023: RMB11.0 million), which mainly comprised interest income on loan receivable and other interest income of RMB6.7 million (2023: RMB4.2 million) and government grants of RMB3.1 million (2023: RMB4.4 million) provided by the PRC government to support the Group's operation of business.

SELLING AND MARKETING EXPENSES

	For the year ended 31 December			
	2024		2023	
	RMB'000	**Percentage of revenue**	RMB'000	Percentage of revenue
Marketing and promotional expenses	**91,446**	**18.9%**	112,768	20.8%
Outsourced operating service fees	**57,646**	**11.9%**	11,847	2.2%
Advertising costs	**26,315**	**5.4%**	67,472	12.4%
Employee benefit expenses	**9,210**	**1.9%**	91,101	16.8%
Others	**14,760**	**3.1%**	37,516	6.9%
Total	**199,377**	**41.2%**	320,704	59.1%

The selling and marketing expenses of the Group were RMB199.4 million in 2024, representing a decrease of 37.8% from that of RMB320.7 million in 2023.

The employee benefit expenses in 2024 decreased by RMB81.9 million as compared to 2023, mainly due to the reduction in the number of sales staff as a result of the implementation of strategic adjustments of the business system and operation model.

The advertising costs in 2024 decreased by RMB41.2 million as compared to 2023, mainly due to the decrease in expenditure on advertising activities.

The marketing and promotional expenses in 2024 decreased by RMB21.3 million as compared to 2023, mainly due to the decrease in the expenses of marketing and promotion via e-commerce platform.

The outsourced operating service fees in 2024 increased by RMB45.8 million as compared to 2023, mainly due to the adjustment of the operation model of e-commerce business.

ADMINISTRATIVE EXPENSES

	For the year ended 31 December			
	2024		2023	
	RMB'000	**Percentage of revenue**	RMB'000	Percentage of revenue
Employee benefit expenses	**32,042**	**6.6%**	100,618	18.5%
Professional and consultation service fees	**23,352**	**4.8%**	22,242	4.1%
Entertainment and travelling expenses	**6,829**	**1.4%**	4,881	0.9%
Office expenses	**6,678**	**1.4%**	3,880	0.7%
Impairment losses on non-current assets	**—**	**—**	3,000	0.6%
Others	**20,611**	**4.3%**	18,429	3.4%
Total	**89,512**	**18.5%**	153,050	28.2%

The administrative expenses of the Group were RMB89.5 million in 2024, representing a decrease of 41.5% from that of RMB153.1 million in 2023.

The employee benefit expenses in 2024 decreased by RMB68.6 million as compared to 2023, mainly due to the Group's strategic adjustments of its business system, operation model and organizational management system in 2023, which led to a significant reduction in the number of employees. As such, the Group paid one-off severance payment to the relevant employees, resulting in a significant decrease of employee benefit expenses in 2024 as compared to 2023.

The professional and consultation service fees in 2024 increased by RMB1.1 million as compared to 2023, mainly due to the increase in information technology fees.

RESEARCH AND DEVELOPMENT COSTS

	For the year ended 31 December			
	2024		2023	
	RMB'000	**Percentage of revenue**	RMB'000	Percentage of revenue
Research and development costs	**29,359**	**6.1%**	34,922	6.4%

The research and development costs were RMB29.4 million in 2024, representing a decrease of 15.8% from that of RMB34.9 million in 2023, mainly due to the optimization of the Group's organizational management system in 2023, resulting in the decrease in the number of research and development staff and the reduction in salary of employees, as well as the decrease in outsourced research and development activities.

OTHER GAINS, NET

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Other gains, net	**6,413**	675

In 2024, other gains, net amounted to RMB6.4 million (2023: RMB0.7 million), mainly included gains on investments measured at fair value through profit or loss of RMB2.7 million (2023: RMB2.9 million) and donation expenses of RMB0.8 million (2023: RMB2.1 million).

SHARE OF PROFITS OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Group's share of profits of investments accounted for using the equity method for 2024 was RMB5.1 million (2023: RMB1.0 million), which was mainly comprised of the profits of RMB5.3 million from shares held by the Group in the joint ventures, with significant contributions of Jiangxi Besunyen Trading Co., Ltd. (江西碧生源商貿有限公司), Guangzhou Bihan Network Technology Co., Ltd. (廣州碧瀚網絡科技有限公司), Hangzhou Bihan Network Technology Co., Ltd. (杭州碧瀚網絡科技有限公司) and Beijing Bihan E-commerce Co., Ltd. (北京碧瀚電子商務有限公司).

TAXATION

The income tax expense of the Group in 2024 was RMB12.7 million, while the income tax expense in 2023 was RMB9.4 million. The increase in income tax expense was due to the taxable items arising from the distribution of dividends between subsidiaries during the year.

TOTAL COMPREHENSIVE INCOME FOR THE YEAR OF THE GROUP

Due to the factors set out above, the Group recorded a total comprehensive income of RMB16.8 million in 2024 (2023: total comprehensive loss of RMB358.6 million). The changes were mainly due to (i) the total profit and loss from discontinued operations of RMB198.4 million arising from the Group's disposal of its indirect subsidiaries, namely Zhongshan Wanhan Pharmacy Co., Ltd. (中山萬漢製藥有限公司), Zhongshan Wanyuan New Medicine Research and Development Co., Ltd. (中山萬遠新藥研發有限公司), Zhongshan Wanhan Pharmaceutical Co., Ltd. (中山萬漢醫藥有限公司) and Henan Xueyinghua Pharmaceutical Co., Ltd. (河南雪櫻花製藥有限公司) in 2023; (ii) the implementation of the partnership model since 2023 which has significantly improved the overall operational quality of the Group, with a substantial decrease in the ratio of selling expenses to revenue, leading to a significant increase in total comprehensive income in 2024 as compared to 2023.

LIQUIDITY AND CAPITAL RESOURCES

In 2024, the capital required for the Group's operation and capital expenditure was mainly derived from the cash flows generated from operating activities.

CASH FLOWS

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

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Continuing Operations:		
Net cash inflow/(outflow) from operating activities	**10,538**	(33,003)
Net cash inflow from investing activities	**59,360**	66,759
Net cash outflow from financing activities	**(103,837)**	(94,915)
Discontinued Operations:		
Net cash inflow from operating activities	**—**	42,988
Net cash outflow from investing activities	**—**	(58,366)
Net cash inflow from financing activities	**—**	13,799
Net decrease in cash and cash equivalents	**(33,939)**	(62,738)
Exchange (losses)/gains on cash and cash equivalents	**(988)**	1,500
Net decrease in cash and cash equivalents	**(34,927)**	(61,238)

In 2024, the Group's net cash inflow from operating activities of continuing operations was RMB10.5 million (2023: net cash outflow from operating activities of continuing operations of RMB33.0 million), such difference was mainly due to the decrease in losses in 2024 as compared to 2023. In 2024, the Group's net cash inflow from investing activities of continuing operations was RMB59.4 million, which was mainly due to the withdrawal of financial assets subscribed by the Group (2023: net cash inflow from investing activities of continuing operations of RMB66.8 million, which was mainly due to the disposal of the Company's indirect subsidiaries, namely Zhongshan Wanhan Pharmacy Co., Ltd. (中山萬漢製藥有限公司), Zhongshan Wanyuan New Medicine Research and Development Co., Ltd. (中山萬遠新藥研發有限公司), Zhongshan Wanhan Pharmaceutical Co., Ltd. (中山萬漢醫藥有限公司) and Henan Xueyinghua Pharmaceutical Co., Ltd. (河南雪櫻花製藥有限公司)). In 2024, the Group's net cash outflow from financing activities of continuing operations was RMB103.8 million, which was mainly due to the distribution of dividends to owners of the Company (2023: net cash outflow from financing activities of continuing operations of RMB94.9 million, which was mainly due to the repayment of borrowings).

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2024, the Group's financial assets measured at fair value through profit or loss amounted to RMB79.4 million (31 December 2023: RMB90.1 million), which mainly include:

(i) The Group's investment in Vstar Investment Fund Limited Partnership amounted to approximately RMB13.9 million.

(ii) The Group's investment in ERX Pharmaceuticals Inc. amounted to approximately RMB18.0 million.

(iii) The Group's investment in Nanjing Jinbi Venture Capital Partnership (Limited Partnership) amounted to approximately RMB20.8 million.

(iv) The Group's investment in Shanghai Yuanxing Zhiyin Venture Capital Partnership (Limited Partnership) amounted to approximately RMB13.4 million.

(v) The Group's financial investments held through Central China Dragon Global Opportunity Fund SP6 which were measured at fair value through profit or loss amounting to approximately RMB12.9 million.

The Company subscribed for the participating shares of Central China Dragon Global Opportunity Fund SP6 (the "GOSP6") for approximately RMB91.8 million in October 2023, and the GOSP6 is principally engaged in managing and holding the investment in wealth management as acquired by the Company through the manager (please refer to the announcements of the Company dated 26 September 2023 and 5 October 2023 for details). The investment objective of the GOSP6 is to provide investors with a stable return through a combination of current income and capital appreciation, with fixed income investment products accounting for not less than 80% and mainly focusing on private and public general bonds, as well as investment products in Asia, America and Europe. Since the Company's subscription, the GOSP6 selected assets in accordance with its established investment strategy.

Given that the Company is the only holder of participating shares in the GOSP6 and the fees paid to the manager are comparable to the services it provided as an agent, the Group treats the GOSP6 as a consolidated structured entity under IFRS Accounting Standards. As at 31 December 2024, except for the abovementioned investments measured at fair value through profit or loss, the Company also held loan receivable, through the GOSP6, which is measured at amortized cost amounting to approximately RMB69.8 million (please refer to Note 12(c)(ii) and Note 8 to the consolidated financial statements for details), and cash and cash equivalents for investment purpose which were presented as restricted bank deposits amounting to approximately RMB13.5 million.

BANK BALANCES AND CASH

The Group's bank balances and cash, comprising cash and cash equivalents, term deposits and restricted bank deposits, amounted to RMB147.8 million as at 31 December 2024 (31 December 2023: RMB288.5 million).

BORROWINGS AND PLEDGE OF ASSETS

As at 31 December 2024, the Group had no bank borrowings (31 December 2023: nil).

As at 31 December 2024, the Group had no pledge of assets (as at 31 December 2023: nil).

CAPITAL EXPENDITURE

In 2024, the capital expenditure of the Group amounted to RMB5.0 million (2023: RMB6.8 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	
	2024	2023
	RMB'000	RMB'000
Property, plant and equipment	**(4,994)**	(6,542)
Intangible assets	—	(256)
Total	**(4,994)**	(6,798)

INVENTORIES

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

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Raw materials and packaging materials	**3,743**	5,111
Work in progress	**1,648**	1,765
Finished goods	**21,020**	16,693
Total	**26,411**	23,569

The turnover of the Group's inventories in 2024 (calculated by dividing the average inventory balances at the beginning and the end of the period by the cost of sales of the period, then multiplying by the number of days during the year) was 58 days (2023: 123 days).

RISK OF FOREIGN EXCHANGE RATE

Almost all of the revenue, costs of sales and expenses of the Group are denominated in Renminbi. Apart from some bank deposits, restricted bank deposits and financial assets measured at fair value through profit or loss that are denominated in HK dollar and US dollar, most assets and liabilities of the Group are also denominated in Renminbi. Since Renminbi is the functional currency of the Group, risks of foreign exchange rate mainly come from assets denominated in HK dollar and US dollar.

As at 31 December 2024, the Group did not purchase any foreign exchange, interest rate derivative products or hedging instruments (2023: Nil).

MATERIAL ACQUISITIONS OR DISPOSALS

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures in 2024.

SIGNIFICANT INVESTMENTS AND PLANS

Save as disclosed in this report, as at 31 December 2024, the Group had no single significant investment with a carrying amount of 5% or more of the Group's total assets.

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

GEARING RATIO

As at 31 December 2024, the Group's gearing ratio (total liabilities divided by total assets, in percentage) was 15.2% (31 December 2023: 21.4%).

CONTINGENT LIABILITIES AND GUARANTEES

As at 31 December 2024, the Group had no material contingent liability and guarantee (31 December 2023: Nil).

CAPITAL COMMITMENTS

As at 31 December 2024, capital commitments for property, plant and equipment as contracted for but not yet incurred amounted to RMB0.2 million (31 December 2023: RMB2.4 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 inform relevant staff and operation teams in time. In addition, the Group ensured its compliance with such requirements via numerous measures, such as internal control and approval procedures as well as training and supervision on different business departments.

In 2024, so far as known to the Directors, there was no non-compliance with any relevant laws and regulations which would have a material impact on the Group.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group endeavored to maintain sustainable development in the long term, continuously create value for its employees and customers, and foster good relationships with its suppliers. The Group understood that employees are its valuable assets, and the realization and enhancement of employees' values will facilitate the achievement of the Group's overall goals. As at 31 December 2024, the Group provided generous social insurance benefits to its employees to motivate their proactivity at work and heighten their sense of belonging. The Group also understood the importance of maintaining good relationships with its suppliers and customers to the overall development of the Group. The Group placed emphasis on supplier selection and encouraged fair and open competition to foster long-term relationships with quality suppliers on the basis of mutual trust. To maintain the competitiveness of its brand and products, the Group abided by the principles of honesty and trustworthiness and committed itself to consistently providing quality products to establish a reliable service environment for its customers. As at 31 December 2024, 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 2024, the Group had 128 employees in mainland China and Hong Kong (31 December 2023: 179 employees). The staff costs of the Group (including remunerations of the Directors) were RMB56.9 million as at 31 December 2024 (2023: RMB210.9 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.

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

Directors and Senior Management Profile

DIRECTORS

Executive Directors

Mr. ZHAO Yihong, aged 58, is our co-founder, Chairman and Chief Executive Officer and was appointed as an executive Director of our Company in August 2009. Mr. Zhao is also a member of the remuneration committee, the nomination committee and the strategic investment committee of our Company and a director of several subsidiaries of our Group. Mr. Zhao is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Mr. Zhao established Beijing Outsell in 2000 and embarked on the business of production and sale of therapeutic tea products, and has played a vital role in the development of our Group. Mr. Zhao has 35 years of experience in food and beverage industry in the PRC. Between 1988 and 1991, Mr. Zhao has served as an officer at the Jinan Municipal Bureau of Grain of the Shandong Province. Between 1991 and 2000, Mr. Zhao served in various positions, including a sales and a vice manager, responsible for the beverage business in the Northern China region, at Ting Hsin International Group, a food conglomerate in the PRC. Mr. Zhao graduated from China Coal Economic College, now known as Shandong Technology and Business University, in 1988 with a bachelor's degree in economics. He completed the China New Entrepreneur Development Program, a joint program organised by the Enterprise Research Institution, DRC-ERI and the Stanford Center for Professional Development, in 2006 and obtained an executive master of business administration degree from The Hong Kong University of Science and Technology in 2012. Mr. Zhao is currently a council member and an adjunct professor of Shandong University of Science and Technology. Mr. Zhao is the spouse of Ms. Gao Yan, our Vice Chairman and executive Director.

Ms. GAO Yan, aged 56, is our co-founder, Vice Chairman and Vice President and was appointed as an executive Director of our Company in October 2009. Ms. Gao is also a director of several subsidiaries of our Group. Ms. Gao has served as the vice chairman of Beijing Outsell since 2000. Between 1997 and 2000, Ms. Gao worked as a director at Beijing Ruipule Commerce and Trade Co., Ltd., a private trading company. Ms. Gao is the spouse of Mr. Zhao Yihong, our Chairman, Chief Executive Officer and executive Director.

Mr. YU Hongjiang, aged 60, is our Executive Vice President, Chief Operating Officer, Chief Financial Officer and Company Secretary and was appointed as an executive Director of our Company in November 2022. Mr. Yu is also the chairman of the strategic investment committee, a member of the remuneration committee and the nomination committee of our Company and a director, a supervisor and the legal representative of several subsidiaries of our Group. Mr. Yu joined our Group in July 2000 and has more than 34 years of experience in the field of finance. Between 1987 and 1989, Mr. Yu served as a manager of the finance department at Tianjin Binhai Company Limited (now known as Tianjing Zhongxin Pharm. Binhai Corp., Ltd.). Between 1997 and 2000, Mr. Yu worked at Beijing Green World Nutrition Health Products Co., Ltd., a health food manufacturer, as the chief financial officer. Mr. Yu graduated from Shanxi University of Finance and Economics in 1987 and obtained a bachelor's degree in economics with a major focus in accounting. He completed the Advanced Workshop on Private Equity Funds organised by the School of Continuing Education of Tsinghua University in July 2009 and obtained an Executive MBA degree from the National School of Development at Peking University in 2013. Mr. Yu obtained the qualification as an Accountant in Accounting (Corporate) conferred by Ministry of Finance of the People's Republic of China in November 1993, obtained the certificate as an International Registered Internal Control Specialist in December 2010 and passed the AMAC (Asset Management Association of China) Fund Practitioner Qualification Examination organised by Asset Management Association of China in October 2017.

Independent Non-executive Directors

Mr. HE Yuanping, aged 58, was appointed as an independent non-executive Director of our Company in October 2016. He is the chairman of the audit committee and a member of the remuneration committee, the nomination committee and the strategic investment committee of our Company. Mr. He has years of experience in senior operation and management, with rich theoretical knowledge and practical experience in investment and financing, business management, industrial operations, finance and other fields. Since August 2018, Mr. He is the director and chairman of Bescient Technologies Co. Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 688671). Mr. He served as a director, deputy general manager, chief financial officer and board secretary of Beijing OriginWater Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300070) ("**Beijing OriginWater**") from June 2007 to March 2018. He worked as a director, deputy general manager and chief financial officer of Beijing OriginWater Science and Technology Development Co., Ltd. (predecessor of Beijing OriginWater) from September 2005 to June 2007. Mr. He worked as a deputy general manager and the chief investment officer of Beijing Allianz Investment Co. Ltd. from April 2003 to August 2005. Mr. He assumes several social positions, including a member of the Fixed Income Committee of the Securities Association of China, an expert in the Public-Private Partnership (PPP) Expert Database of the National Development and Reform Commission, a vice president of Western Returned Scholars Association ANZ branch and a guest teacher of the School of Accountancy of Central University of Finance and Economics. He has won several prizes and social recognitions, including China CFO of the Year 2015 by New Fortune Magazine, The Most Popular CFO among Investors of the Year 2012 by the Chartered Institute of Management Accountants and Golden Shield Award for Excellent Board Secretary of China's Listed Companies of the Year 2014. Mr. He received a bachelor's degree in engineering from Nanjing University of Science and Technology in July 1987, a master's degree in engineering from University of Science and Technology Beijing in March 1992 and a master's degree in financial mathematics from Victoria University of Wellington in New Zealand in June 2000.

Mr. SHI Xiangxin, aged 68, was appointed as an independent non-executive Director of our Company in May 2023. He is the chairman of the nomination committee and a member of the audit committee and the remuneration committee of our Company. Mr. Shi is the chairman of Beijing Daston Science Co., Ltd. since July 2005. Between May 1995 and December 2005, he served as a vice president of Beijing Huaxun Group. Mr. Shi is an independent director of Goodwill E-Health Info Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 688246), Bescient Technologies Co. Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 688671), Beijing CTJ Information Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 301153) and BE Communications Co., Ltd. (a company listed on the National Equities Exchange and Quotations, stock code: 430191). He has served as an independent director of Nancal Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603859). Mr. Shi obtained a MBA degree from the National School of Development at Peking University in 2002.

Mr. FENG Bing, aged 57, was appointed as an independent non-executive Director of our Company in October 2023. He is the chairman of the remuneration committee and a member of the audit committee and the nomination committee of our Company. Mr. Feng has more than 31 years of experience in corporate management and consulting. Since March 2019, Mr. Feng is the chief executive officer of Create World Real Estate Inc. in Seattle. Between June 1996 and January 2005, he worked for Deloitte Consulting in New York and lastly as a partner. Between January 2005 and January 2009, he was the managing partner of 中華財務管理諮詢公司 (China Financial Management and Consulting Company*) in Beijing. Between February 2009 and January 2015, Mr. Feng successively served as the executive president, the chief strategy officer and the chairman of the investment committee of 大亞科技集團有限公司 (DareGlobal Technologies Group Co., Ltd.*) in Shanghai. Between January 2014 and March 2019, he served as the chief executive officer of Home Legend Inc. in Atlanta. Between July 2017 and March 2019, he served as the chief executive officer of PowerDekor North America in Montreal. He is an executive member of China Mergers & Acquisitions Association. Mr. Feng graduated from Northwestern Polytechnical University in 1989 with a bachelor's degree in computer software. He obtained a master's degree in computer engineering from Institute of Computing Technology, Chinese Academy of Sciences in 1992 and a master's degree in finance from Syracuse University in 1996.

SENIOR MANAGEMENT

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

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

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

Mr. LIN Ruhai, aged 56, is our Vice President principally in charge of our public relationships. Mr. Lin joined our Group in September 2012 and has over 35 years of experience in the media and health industry. He has served as a manager of China Optoelectro Industries Co., Ltd. and a TV program producer in Hunan TV & Broadcast Intermediary since 1998. Between 2002 and 2005, Mr. Lin served as the Deputy Managing Director of Beijing Orient Power Advertising Co., Ltd. Between 2006 and 2012, he served as a vice secretary-general of the Healthcare Consultancy Services Working Committee under the China Health Care Association. Mr. Lin has been serving as a part-time vice secretary-general of the China Health Care Association after joining our Group. Since December 2018, Mr. Lin was appointed as the Vice Chairman of the Big Health Committee under the Pharmaceutical Division of All-China Federation of Industry and Commerce.

Mr. LIU Jian, aged 57, is our Vice President principally in charge of our supply chain and CEO office. Mr. Liu joined our Group in August 2018 and has more than 32 years of experience in pharmaceutical production and corporate management. Between September 1986 and July 1990, Mr. Liu worked in China Otsuka Pharmaceutical Co., Ltd. for pharmaceutical production and management. Between August 1990 and December 2009, he served as a production manager in 中美天津史克製藥有限公司 (Tianjin Smith Kline & French Laboratories Ltd.*). Between January 2010 and September 2013, Mr. Liu served as the operation director of Yabao Pharmaceutical Co., Ltd. Beijing. Between October 2013 and July 2018, he served as the director of the pharmaceutical factories (Beijing and Cangzhou) of Beijing Beilu Pharmaceutical Co., Ltd.

Mr. YANG Ming, aged 52, is our Vice President principally in charge of our operation management division of marketing department and OTC business division. Mr. Yang joined our Group in 2000 till June 2021, re-joined our Group in April 2023 and has more than 21 years of experience in marketing and corporate management. From 1996 to 2000, Mr. Yang served in Beijing Green World Nutrition Health Products Co., Ltd., a health food manufacturer, as a sales manager responsible for regional sales. He held various senior positions in our Group, including assistant to the Chairman, director of North Region and consultant. Mr. Yang graduated from Xi'an Geological Institute in 1994 with a bachelor's degree in engineering survey.

* *for identification purpose only*

Environmental, Social and Governance Report

ABOUT THIS REPORT

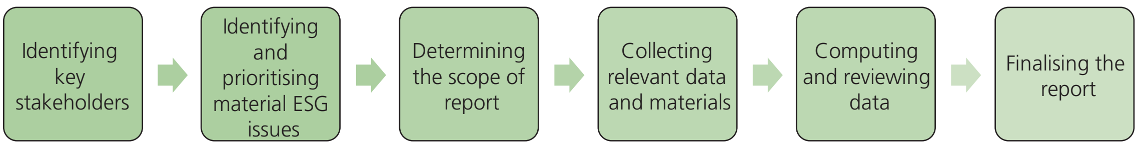
This report aims to summarise the performance of the Group in environmental, social and governance aspects during the reporting period (the "**ESG Report**"). This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**")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

Scope of report

The scope of this report includes Besunyen Holdings Company Limited (the "**Company**") and its subsidiaries (the "**Group**").

Procedures for preparation of report

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



Reporting principles

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

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

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

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

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

Data collection and assurance

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

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

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

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

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

STAKEHOLDER ENGAGEMENT

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

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

MATERIALITY ASSESSMENT

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

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

Step 1: Identification — Identifying material issues

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

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

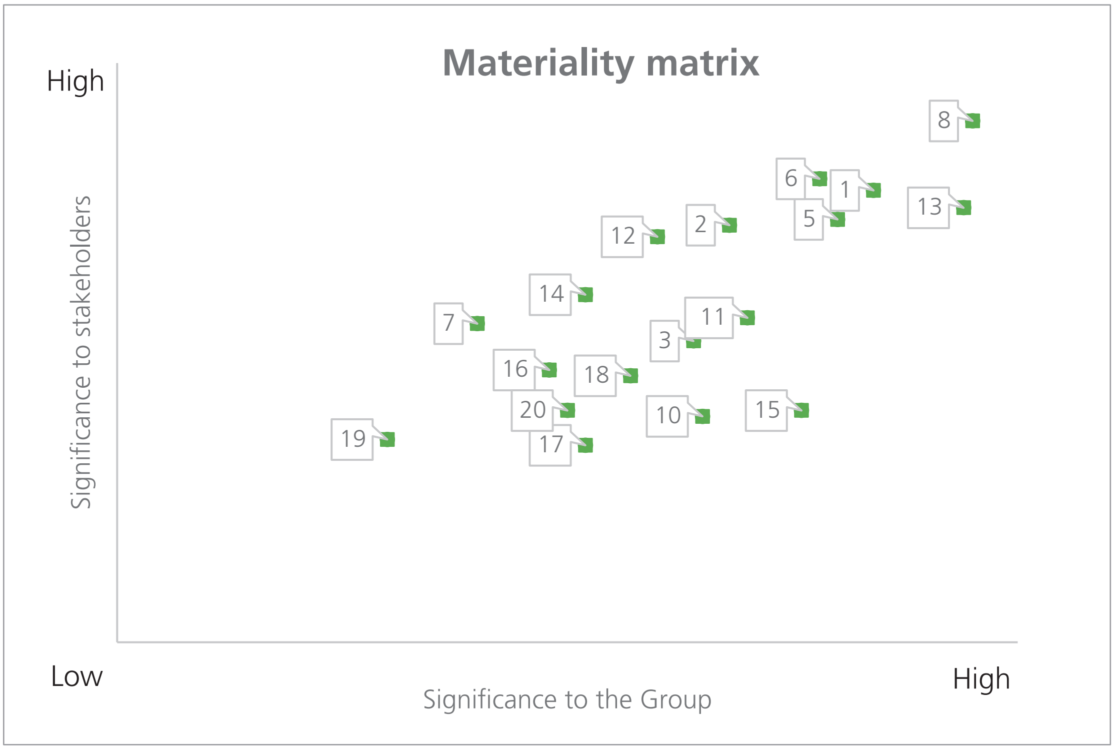
Step 2: Sorting — Stakeholder engagement

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

Step 3: Confirmation — Determining issues with significance

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

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



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

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

TABLE OF ISSUES

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

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

A. ENVIRONMENTAL

A1. Emissions

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

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

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

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

Key performance indicator

1. *Exhaust gas emission*

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

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

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

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

Types of exhaust gas	Units	For the year ended 31 December 2024	For the year ended 31 December 2023
Nitrogen oxides	kg	108.09	112.67
Sulfur oxides	kg	2.82	2.94
Industrial exhaust gas	m^3	784,552.00	820,933.00
Intensity of industrial exhaust gas[Note 1]	m^3/million revenue	1,619.97	1,512.13

Note 1: Calculated based on the revenue of the Group of RMB542.9 million in 2023 and RMB484.3 million in 2024. Same below.

Compared to 2023, the Group's exhaust gas emissions decreased in 2024, mainly due to the more refined management and flexible control of boiler temperatures in accordance with weather conditions, which reduced the consumption of natural gas during the year and, in turn, reduced the exhaust gas emissions.

2. *Greenhouse gas emission*

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

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

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

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

Indicators		**Units**	**For the year ended 31 December 2024**	**For the year ended 31 December 2023**
Scope one: direct emission	Amount of emission of greenhouse gas	tCO_2e	331.69	356.37
	Greenhouse gas emission intensity	tCO_2e/million revenue	0.68	0.66
Scope two: indirect emission	Amount of emission of greenhouse gas	tCO_2e	1,224.83	1,331.90
	Greenhouse gas emission intensity	tCO_2e/million revenue	2.53	2.45

Compared to 2023, the Group's direct greenhouse gas emissions decreased in 2024 due to the reduction in annual electricity and natural gas consumption, resulting in a decrease in greenhouse gas emissions.

3. Hazardous and non-hazardous waste

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

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

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

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

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

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

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

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

Indicators		Units	For the year ended 31 December 2024	For the year ended 31 December 2023
Hazardous waste	Total emissions	T	5.84	10.35
	Emission intensity	T/million revenue	0.01	0.02
Non-hazardous waste	Total emissions	T	140.00	140.00
	Emission intensity	T/million revenue	0.29	0.26

4. *Sewage management*

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

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

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

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

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

A2. Use of Resources

Policies on efficient use of resources

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

Key performance indicator

1. *Energy consumption and management*

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

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

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

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

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

Indicators		Units	For the year ended 31 December 2024	For the year ended 31 December 2023
Electricity	Total consumption	kWh	1,365,900.00	1,493,900.00
	Total consumption intensity	kWh/million revenue	2,820.36	2,751.70
Natural Gas	Total consumption	m^3	57,802.00	60,252.00
	Total consumption intensity	m^3/million revenue	119.35	110.98
Fuel	Total consumption	L	30,000.00	38,118.00
	Total consumption intensity	L/million revenue	61.95	70.21

Compared to 2023, the Group's electricity consumption decreased in 2024 due to lower electricity consumption by management department in cost reduction and efficiency improvement, resulting in a decrease in energy consumption.

2. *Water consumption and management*

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

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

Indicators	Units	For the year ended 31 December 2024	For the year ended 31 December 2023
Water consumption	T	8,329.00	15,068.00
Water consumption intensity	T/million revenue	17.20	27.75

Compared to 2023, the Group's water consumption decreased in 2024 due to the decrease in water consumption of green plants in the plant area.

3. *Packaging materials*

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

Indicators	Units	For the year ended 31 December 2024	For the year ended 31 December 2023
Packaging materials	T	710.00	585.00
Packaging material intensity	T/million revenue	1.47	1.08

Environmental goals

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

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

The table below summarizes the sustainable development goals that are planning to be achieved by the Group by Year 2024.

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

In 2024, all of the above performance indicators were met.

A3. The Environment and Natural Resources

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

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

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

Key performance indicator

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

A4. Climate Change

Policies on identification and mitigation of significant climate-related issues

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

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

Key performance indicator

Physical risks

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

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

Transitional risks

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

B. SOCIAL

B1. Employment

Recruitment, promotion and dismissal

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

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

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

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

Work-life balance

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

Policies on remuneration and welfare

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

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

Equal opportunity, policies on diversification and anti-discrimination

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

Key performance indicator

1. *Total number of workers*

For the year ended 31 December 2024, the total number of workers by gender, employment type, age group and region are as follows:

		For the year ended 31 December 2024 (Number of people)
Gender	— Male	73
	— Female	55
Employment type	— Full-time	128
	— Part-time	0
Age group	— Below 30	21
	— 30 to 50	75
	— Above 50	32
Region	— Hong Kong	6
	— Mainland	122

2. *Employee turnover rate*[Note 2]

For the year ended 31 December 2024, the employee turnover rates by gender, age group and region are as follows:

		For the year ended 31 December 2024 (%)
Gender	— Male	2.45%
	— Female	4.48%
Age group	— Below 30	2.69%
	— 30 to 50	3.35%
	— Above 50	3.92%
Region	— Hong Kong	4.17%
	— Mainland	3.38%

Note 2: Employee turnover rate = Number of resigned employees in a category/monthly average number of employees in that category for the 12 months ended 31 December 2024 × 100%.

B2. Health and Safety

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

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

Key performance indicator

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

	For the year ended 31 December 2024	For the year ended 31 December 2023	For the year ended 31 December 2022
Number of work-related fatalities	0	0	0
Rate of work-related fatalities	0%	0%	0%
Lost days due to work injury	0	0	0

2. *Occupational health and safety measures*

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

B3. Development and Training

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

Key performance indicator

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

		For the year ended 31 December 2024 (%)
Gender	— Male	69.62%
	— Female	30.38%
Employee category	— Senior management	7.59%
	— Middle management	12.66%
	— Junior employees	79.75%

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

2. *Average training hours completed per employee*

		For the year ended 31 December 2024 (hours)
Gender	— Male	232
	— Female	166
Employee category	— Senior management	300
	— Middle management	98
	— Junior employees	76

B4. Labour Standards

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

Key performance indicator

Avoid child and forced labour

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

B5. Supply Chain Management

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

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

Key performance indicator

1. *Suppliers by geographical region*

For the year ended 31 December 2024, the Group made procurement from a total of 131 suppliers located in 18 provinces and 3 municipalities in China (including 2 suppliers located abroad), of which one is located in the United States, one from New Zealand, 41 from Guangdong Province, ten from Zhejiang Province, nine from Anhui Province, 13 from Jiangsu Province, three from Fujian Province, four from Henan Province, six from Hebei Province, five from Shandong Province, three from Hainan Province, six from Hubei Province, four from Jiangxi Province, three from Shanxi Province, one from Shaanxi Province, one from Yunnan Province, one from Liaoning Province, four from Sichuan Province, one from Heilongjiang Province, one from Jilin Province, one from Chongqing, four from Tianjin and eight from Beijing.

2. *Practices relating to supplier engagement*

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

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

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

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

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

B6. Product Responsibility

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

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

Key performance indicator

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

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

2. *Product and service related complaints*

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

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

During the reporting period, no material complaint and litigation on product quality and service against the Group arose. A total of 15 complaints from consumers were received by the 400 consumer consultation hotlines, and such complaints were mainly related to logistics express delivery time and packaging damage. For complaints related to express delivery time, the customer service team proactively communicated with consumers through WeChat, and a certain amount of compensation was provided. For complaints related to packaging damage, the customer service team replaced well-packaged products in a timely manner.

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

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

4. *Quality assurance processes and recall procedures*

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

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

5. *Consumer data protection and privacy policies*

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

B7. Anti-corruption

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

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

Key performance indicator

1. *Integrity-related system*

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

2. *Whistle-blowing procedures*

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

3. *Anti-corruption training*

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

B8. Community Investment

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

Key performance indicator

Focus areas of contribution and resources contributed

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

Corporate Governance Report

CORPORATE GOVERNANCE

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

The Company has applied the principles and complied with the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 of The Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for the year ended 31 December 2024, except for code provision C.2.1 of the CG Code.

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

CORPORATE CULTURE

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 of the Listing Rules as its own securities dealing code for the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they complied with the required standard as set out in the Model Code during the year ended 31 December 2024.

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.

BOARD OF DIRECTORS

Composition

As at 31 December 2024, the Board comprises six Directors, including three executive Directors, namely Mr. Zhao Yihong (Chairman and Chief Executive Officer), Ms. Gao Yan (Vice Chairman) and Mr. Yu Hongjiang (Executive Vice President, Chief Operating Officer and Chief Financial Officer); and three independent non-executive Directors, namely Mr. He Yuanping, Mr. Shi Xiangxin and Mr. Feng Bing. Biographical details of the Directors are set out under the section headed "Directors and Senior Management Profile" of this annual report on pages 40 to 43.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of both Chairman and Chief Executive Officer are performed by Mr. Zhao Yihong. Mr. Zhao is a co-founder of the Group and has 35 years of experience in food and beverage industry in the PRC. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies currently and in the foreseeable future. The Board is of the view that as all major decisions are made in consultation with members of the Board which comprises experienced and professional individuals (including three independent non-executive Directors), a balance of power and authority is adequately ensured. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

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

Roles and Responsibilities

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

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

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

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

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

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

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

Training

A kit of corporate information and an induction regarding the management, operations and governance practices of the Group and general compliance regulations under the Listing Rules have been provided to all Directors shortly upon their appointments as Directors of the Company. Updates on the amendments of applicable rules and regulations have been given to the Directors from time to time. During the year, Mr. Zhao Yihong, Ms. Gao Yan, Mr. Yu Hongjiang, Mr. He Yuanping, Mr. Shi Xiangxin and Mr. Feng Bing participated in comprehensive trainings on topics including Listing Rules compliance, director's duties, capital raisings, corporate governance and environment, social and governance, etc. by attending training courses conducted by qualified professionals and reading relevant updated materials. Each of the above-mentioned Directors received more than 15 hours of training in 2024. The company secretary, Mr. Yu Hongjiang, received more than 15 hours of professional training in 2024.

Procedures

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

Corporate Governance Responsibilities

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

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

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

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

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

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

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

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

(i) reviewed the Corporate Governance Report of the Company for 2023; and

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

Board Independence

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

COMMITTEES UNDER THE BOARD

Audit Committee

As at 31 December 2024, the audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. He Yuanping, a Director with the appropriate professional qualifications and serving as the chairman of the Audit Committee, Mr. Shi Xiangxin and Mr. Feng Bing. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2024, reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters.

The primary responsibilities of the Audit Committee include:

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

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

In the Audit Committee meetings held in 2024, the following works, inter alia, were performed by the Audit Committee:

(i) reviewed and discussed with PricewaterhouseCoopers, the Group's external auditor, on the audit scope, audit approach and audit areas of focus for the financial years ended 31 December 2023 and 2024;

(ii) reviewed and approved the audit fees;

(iii) reviewed the 2023 auditors' report issued by PricewaterhouseCoopers;

(iv) reviewed and approved the 2023 annual report and audited financial statements, the 2023 annual results announcement, the 2024 interim report and the 2024 interim results announcement; and

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

For the year ended 31 December 2024, the fees payment by the Group to PricewaterhouseCoopers and its member firm for audit services amounted to RMB2.89 million, while none of these is payable for non-audit services.

Remuneration Committee

As at 31 December 2024, the remuneration committee of the Company (the "**Remuneration Committee**") comprises three independent non-executive Directors, namely Mr. Feng Bing, who serves as the chairman of the Remuneration Committee, Mr. He Yuanping and Mr. Shi Xiangxin and two executive Directors, Mr. Zhao Yihong and Mr. Yu Hongjiang.

The primary responsibilities of the Remuneration Committee include:

- reviewing and approving the management's remuneration proposals;
- determining, with delegated responsibility by the Board, the remuneration package of individual executive Director and senior management; and
- reviewing, approving and advising the Directors and senior management on the compensation arrangement.

In the Remuneration Committee meetings held in 2024, the following works, inter alia, were performed by the Remuneration Committee:

(i) reviewed share-based remuneration arrangements;

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

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

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

Nomination Committee

As at 31 December 2024, the nomination committee of the Company (the "**Nomination Committee**") comprises three independent non-executive Directors, namely Mr. Shi Xiangxin, who serves as the chairman of the Nomination Committee, Mr. He Yuanping and Mr. Feng Bing and two executive Directors, Mr. Zhao Yihong and Mr. Yu Hongjiang.

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

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Company has adopted a Board diversity policy, which aims to set out the approach to achieve diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the merits and contributions that the selected candidates can bring to the Board. The Board of the Company will comprise at least one female Director (currently, Ms. Gao Yan serves as the executive Director and Vice Chairman of the Company). The Group has implemented fair employment practices and the recruitment is merit-based and non-discriminatory. As at 31 December 2024, the gender ratio of the Group's workforce (including the senior management) was 70% (male) to 30% (female). The Group will strive to enhance female representation and achieve an appropriate balance of gender diversity with reference to the shareholders' expectation and recommended best practices.

In the Nomination Committee meetings held in 2024, the following works, inter alia, were performed by the Nomination Committee:

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

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

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

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

Strategic Investment Committee

As at 31 December 2024, the strategic investment committee of the Company (the "**Strategic Investment Committee**") comprises Mr. Yu Hongjiang, executive Director, who serves as the chairman of the Strategic Investment Committee, Mr. Zhao Yihong, executive Director, and Mr. He Yuanping, independent non-executive Director.

The primary responsibilities of the Strategic Investment Committee include:

- researching and reviewing for the long-term strategic development plans and major investment decisions of the Group; and
- managing and supervising the legal and compliance aspects of the Group's investment activities.

In the Strategic Investment Committee meetings held in 2024, the following works, inter alia, were performed by the Strategic Investment Committee:

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

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

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

	Number of Attending/Convening Meetings					
DIRECTORS	**Board Meetings**	**Audit Committee Meetings**	**Remuneration Committee Meetings**	**Nomination Committee Meetings**	**Strategic Investment Committee Meetings**	**General Meetings**
Executive Directors						
Mr. Zhao Yihong	6/6	—	3/3	2/2	1/1	3/3
Ms. Gao Yan	6/6	—	—	—	—	3/3
Mr. Yu Hongjiang	5/6	—	3/3	2/2	1/1	3/3
Independent Non-executive Directors						
Mr. He Yuanping	5/6	4/4	3/3	2/2	1/1	3/3
Mr. Shi Xiangxin	5/6	4/4	3/3	2/2	—	3/3
Mr. Feng Bing	5/6	4/4	3/3	2/2	—	2/3

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for each financial year, which gives a true and fair view of the state of affairs of the Group and of the results of operations and cash flows of the Group. In preparing the financial statements for the year ended 31 December 2024, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates which are reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy the financial position, results of operations, cash flows and changes in equity of the Group.

The Directors' and auditor's responsibilities for the financial statements of the Company are set out in the independent auditor's report on pages 105 to 106 of this annual report.

Risk Management and Internal Control

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

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

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

Risk Governance Structure

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

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

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

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

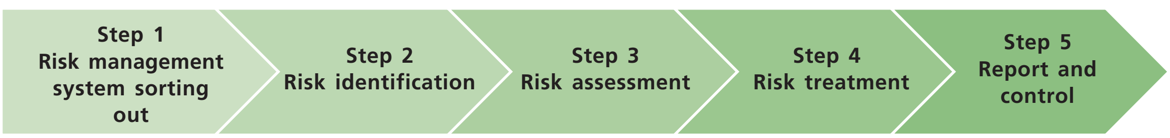
The Audit Committee shall report to the Board after the review of the effectiveness of the risk management and internal control systems of the Group. The Board will give opinion on the effectiveness of the risk management and internal control systems after considering the works and review results of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

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

1. Risk Management Procedures

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

Major contents of risk management procedures



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

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

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

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

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

2. Reviewing the effectiveness of risk management and internal control systems in 2024

The Board is highly concerned about the circumstances that led the Company's independent auditor to issue a qualified audit opinion, as detailed in the section headed "Response to the Independent Auditor's Audit Opinion." The Board notes that before investing in GOSP6, the decision was made following the Company's internal investment decision-making procedures. During the investment period, the Company reviewed the relevant information provided by GOSP6 quarterly and tracked and evaluated the investment situation according to the fund investment documents. The Company actively communicated with the Fund Manager and made every effort to provide the auditor with the necessary audit evidence. However, the Company was not involved in the investment and decision-making activities of the GOSP6, and its ability to manage the GOSP6's daily operations and obtain documents is limited. It could only rely on the cooperation of GOSP6 in providing necessary documents and information for audit purposes.

To prevent re-occurrence of similar audit issues in relation to GOSP6 or other investments in the future and generally mitigate investment management risks, the Company will adopt the following treasury management and investment measures to further strengthen its internal control procedure:

(a) The Company will formulate a more stringent treasury management policy for its future investment, identifying the types of investments of low, medium and high risks, considering concentration risks (if any), and set out internal guidance on different types of investments. It will also remind directors and senior management to exercise extra prudence and caution in selecting its investment portfolios and strive to avoid high-risk investment products.

(b) The Company will ensure that a sufficient safeguard mechanism is agreed upon with the investment target in writing, allowing the Company and its auditor access to all necessary documents and information to allow the Company to evaluate its investment in such target. The investment target must cooperate with the Company and its auditor for the Company's preparation of financial statements and audit. The Company will proceed with an investment only when it is satisfied that there is minimal, or no commercial, legal or financial risk involved.

(c) The Company will ensure that investments align with its business strategies and will refrain from investing or re-investing in any target or financial products that deviate from the Company's business strategy or treasury management policy.

(d) Senior management and the internal audit team will continue to enhance their knowledge and skills in financial and investment management, particularly regarding new requirements under applicable accounting standards related to new and complex financial products and industry changes.

Save as disclosed above, for the year ended 31 December 2024, the Board reviewed the effectiveness of the risk management and internal control systems and considered that the Group's risk management and internal control systems were effective and sufficient, and was not aware of any material matters which might affect the financial control, operation control, compliance control and risk management functions of the Group.

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

3. Significant Risks and Response Plans

In 2024, the Group reviewed each of the identified risks of the Group and assessed the potential risks arising from the existing and new businesses in accordance with the aforesaid risk management structure and risk management procedures.

The significant risks identified by the Group in 2024 are as follows:

Risk	Risk Description	Change in 2024	Risk Counter-measures and Plans
Risks relating to competition	In the prevailing market environment, the influence of the Internet business model on the traditional business model is more prominent. The Group needs to pay close attention to the competitors on e-commerce platform as well as their over-aggressive competitive strategies such as low pricing, while taking active countermeasures. Currently there are more and more homogeneous products and alternative products in the market, which provide more options to consumers. In the meantime, the overall market demand and retail price for Orlistat show a downward trend, which in turn adversely affect the Group.		The Group keeps an eye on changes in the market environment and business model. Apart from continuous enhancement of the management, the Group also keeps abreast of the status of its competitors in different channels and sectors. The Group is continuously expanding into the e-commerce sector. While focusing on the depth and cohesiveness of the cooperation with Ali and JD, the Group commences its marketing cooperation with experienced external teams in order to attract new consumer groups. During the year, the Group implemented an agency operation cooperation model on Douyin, Kuaishou and other platforms, which established a self-broadcast team, increased proprietary live-streaming items, and, at the same time, acquired more traffic by way of short videos. Going forward, the Group will improve its terminal coverage and penetration in existing markets and geographical regions, and actively explore new channels such as the cross-border e-commerce platform and new retail model, thus enabling the Group to provide quality health services to more consumers by offering its quality products.

Risk	Risk Description	Change in 2024	Risk Counter-measures and Plans
Risks relating to price and channel management	Selling price of a product is a key factor affecting the results of the Group. In case of insufficient supervision on online and offline selling price and product flow, it may cause market price difference and affect sales. Positive inventory at channels and terminals is also a key factor affecting the sales results. In case any channel intentionally overstocking, certain effects may be achieved in a short term, but in the long run, such act will significantly hinder positive growth of sales.	↑	The Group formulates and enhances the implementation of requirements on selling price and unregulated transregional sale management. For customers with malicious low pricing and unregulated transregional sale, the Group may undertake measures such as warning and deduction of rebates. For serious violations, the qualification of sales agency would be revoked. The Group has set up an effective pricing and product flow supervision mechanism to constantly enhance the supervision on aspects such as selling price and channel inventory. Meanwhile, the Group strengthens its management on sales orders and delivery. Through setting safe inventory level and safe turnover days for its channel customers, the Group prevents the risks of overstocking and product return by channels to ensure positive growth of sales.

Risk	Risk Description	Change in 2024	Risk Counter-measures and Plans
Social and economic risks	The adjustments to relevant policies and the changes in market layout bring uncertainties to the development of health products and drug industries. The PRC will continue to strengthen the respective supervision on health products and drugs. Business GSP and GMP certifications will be more stringent, while the frequency of relevant unannounced inspection, random inspection and various specific inspections will also increase. With the improvement of people's living standard, the demand for big health products becomes increasingly urgent. In the meantime, as we are moving towards a deeply aging society, the demands for health and elder-care increase steadily, there are greater opportunities and challenges in the big health sector in the long run.	↓	The Group tends to position its products as youthful, and on the basis of existing products, the Group continues to research and develop new products to cater for the demands from the young generation. Meanwhile, China is gradually entering the aging society, the continuous increase in demand for drugs and health products from the elderly provides new opportunities for the drugs and health products of the Group, which are being researched and developed to cater for the needs of the elderly.

Risk	Risk Description	Change in 2024	Risk Counter-measures and Plans
Risks relating to precise advertising	The Group advertised on different major online media for the purpose of enhancing brand image and increasing market share of the brand, however according to the analysis on advertisement, the advertising effect of the current year cannot match with that of last year.	↑	In response to the low advertisement conversion rate, on the one hand, the Group increases its effort in the marketing and promotion on e-commerce channels, including the establishment of e-commerce channels on Xiaohongshu, TikTok and Kuaishou, to organize and establish live-streaming system by utilizing the popular live-streaming trend, and it also enters the social e-commerce sector by operating accounts for its brands and cooperating with KOLs in the pursuit of formulating a relatively complete online advertising matrix. On the other hand, the Group continues to deepen its development in new retail business, and to serve all C-end customers of the Company and enlarge the repurchase rate of its products.
Risks relating to product structure	In case that a new product is not marketable because its design is old-fashioned or overly-advanced and does not cater for the needs of the market and customers, it will significantly hamper the Company's performance results. New products should meet customers' demands, otherwise such products will become unsalable, and bring significant risk to the Company.	↔	The Group continues to invest in research and development, and introduces new products, including cosmeceutical, food and medical devices, via OEM method to further enrich and optimize its product structure. During the year, the Group continued to optimize the profitability of products. In the future, the Group will continue to explore safe products that are more popular and meet the health needs of consumers based on market conditions and consumer demands, so as to further optimize the product structure and enhance the competitiveness of the Group.

Risk	Risk Description	Change in 2024	Risk Counter-measures and Plans
Risk relating to external disasters	In 2024, the global economy was still on a trend of recession and uncertainties remained. Natural disasters occurred frequently around the world, which have varying degrees of impact on the production and lives of people.	↔	Since 2022, the Group has reformed its offline sales and operation models and commenced community fission project. By utilizing all employees as well as upstream and downstream customer resources, the Group made use of WeChat and community platforms to realise consumer attraction and sales. In 2024, the Group continued to actively develop online sales channels and strengthen cooperation with emerging e-commerce platforms such as Douyin, Kuaishou and Pinduoduo, so as to cope with the impact of offline sales disruption.

Notes:

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

↓ "Internal Risk" decreased

↔ "Internal Risk" remained unchanged

MANAGEMENT OF INSIDE INFORMATION

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

INDEPENDENCE OF EXTERNAL AUDITOR

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

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

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

SHAREHOLDERS' RIGHTS

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

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

MEMORANDUM AND ARTICLES OF ASSOCIATION

There was no change in the Company's memorandum or articles of association during the year.

Directors' Report

The Board hereby presents its report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

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

RESULTS AND APPROPRIATIONS

Pursuant to the board resolution on 9 August 2024, the Board has resolved to recommend for declaration and payment of an interim dividend of HK$0.9 per share (approximately HK$110,039,000 in aggregate) for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil). The shareholders of the Company approved the interim dividend at the extraordinary general meeting held on 2 September 2024. The interim dividend was paid on 23 September 2024 to the shareholders whose names appear on the register of members of the Company on 10 September 2024.

The results of the Group for the year ended 31 December 2024 are set out in the Consolidated Statement of Comprehensive Income on pages 108 to 109 of this annual report.

Taking into account the Group's annual performance, the Board has resolved to recommend for declaration and payment of a final dividend of HK10 cents per share (approximately HK$12,227,000 in aggregate) for the year ended 31 December 2024, subject to the approval by the shareholders of the Company at the forthcoming annual general meeting.

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

FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years is set out on page 196 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the issued share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2024 amounted to RMB939 million.

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

Movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on page 112 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024:

(a) the revenue attributable to the five largest customers of the Group as a percentage of the goods sold or services rendered by the Group was 39%;

(b) the revenue attributable to the largest customer of the Group as a percentage of the goods sold or services rendered by the Group was 9%;

(c) the purchases attributable to the five largest suppliers of the Group accounted for 69% of the purchases of the Group;

(d) the purchases attributable to the largest supplier of the Group accounted for 50% of the purchases of the Group; and

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

DIRECTORS

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

Executive Directors

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

Independent Non-executive Directors

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

In accordance with article 16.18 of the articles of association of the Company, Mr. Zhao Yihong and Mr. Yu Hongjiang will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

REMUNERATION OF THE DIRECTORS

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

Emolument bands (in HK$)	**Number of individuals in 2024**	Number of individuals in 2023
Under HK$1,000,000	**—**	1
HK$1,000,001—HK$1,500,000	**3**	2
HK$1,500,001—HK$2,000,000	**—**	—
HK$2,000,001—HK$2,500,000	**—**	—
HK$2,500,001—HK$3,000,000	**—**	—
HK$3,000,001—HK$3,500,000	**—**	—

EMOLUMENTS POLICY

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

DIRECTORS' INTEREST IN CONTRACTS

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

RETIREMENT BENEFIT PLANS

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

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

As at 31 December 2024, so far as known to the Directors, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code:

Name of Director/ Chief Executive	Nature of interest	Number of Shares/options	Number of options granted under the Share Option Scheme	Approximate percentage of total issued Shares (%)(8)
Mr. ZHAO Yihong	Beneficial owner, interest of his spouse, founder of a discretionary trust and interest of corporation controlled by the Director(1)(3)	62,975,657(1)(L)	200,000(1)(L)	51.51%
Ms. GAO Yan	Beneficial owner and interest of her spouse(2)(3)	62,975,657(2)(L)	200,000(2)(L)	51.51%
Mr. YU Hongjiang	Beneficial owner	1,280,025(4)(L)	1,222,000(4)(L)	1.05%
Mr. HE Yuanping	Beneficial owner	100,000(5)(L)	100,000(5)(L)	0.08%
Mr. SHI Xiangxin	Beneficial owner	100,000(6)(L)	100,000(6)(L)	0.08%
Mr. FENG Bing	Beneficial owner	100,000(7)(L)	100,000(7)(L)	0.08%

(1) Mr. Zhao Yihong, executive Director, beneficially owns 100,000 options granted under the Share Option Scheme and 313,017 Shares directly. Mr. Zhao is the sole director of Foreshore Holding Group Limited and Better Day Holdings Limited. Mr. Zhao is also deemed or taken to be interested in the following Shares for the purposes of the SFO:

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

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

(iii) 100,000 options granted under the Share Option Scheme and 174,075 Shares, which are beneficially owned by Ms. Gao Yan, Mr. Zhao's spouse.

(2) Ms. Gao Yan, executive Director, beneficially owns 100,000 options granted under the Share Option Scheme and 174,075 Shares directly. Ms. Gao is also deemed or taken to be interested in the following Shares for the purposes of the SFO:

(i) 100,000 options granted under the Share Option Scheme and 313,017 Shares, which are beneficially owned by Mr. Zhao Yihong, Ms. Gao's spouse;

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

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

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

(4) Mr. Yu Hongjiang, executive Director, beneficially owns 1,222,000 options granted under the Share Option Scheme and 58,025 Shares directly.

(5) Mr. He Yuanping, independent non-executive Director, beneficially owns 100,000 options granted under the Share Option Scheme.

(6) Mr. Shi Xiangxin, independent non-executive Director, beneficially owns 100,000 options granted under the Share Option Scheme.

(7) Mr. Feng Bing, independent non-executive Director, beneficially owns 100,000 options granted under the Share Option Scheme.

(8) This is calculated based on 122,265,585 Shares, being the number of Shares in issue as at 31 December 2024.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2024, so far as known to the Directors, persons (other than the Directors or chief executive of the Company) who had an interest in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

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

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

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

(3) This is calculated based on 122,265,585 Shares, being the number of Shares in issue as at 31 December 2024.

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

Save as disclosed above, as at 31 December 2024, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

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

Purpose

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

Eligible participants

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

Number of Shares available for issue

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

Maximum entitlement of each participant

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

Consideration for the acceptance of share option

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

Vesting period

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

Exercise period

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

Exercise price

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

OPTIONS DETAILS

On 8 May 2024, the Company granted 12,226,000 share options under the Share Option Scheme. Please see the table below for details.

Date of grant	Share options granted	Date of vesting	Lapse date	Exercise Price HK$	Fair value of option at grant date HK$
8 May 2024	1,222,000	7 May 2025	7 May 2034	2.822	599,000
	11,004,000	17 October 2024			4,405,000

The following table discloses the movement of the Company's options held by the Directors, employees and related entity participant under the Share Option Scheme for the year ended 31 December 2024:

	Date of grant (note 1)	Date of vesting	Granted during the period (note 2)	Cancelled during the period	Lapsed during the period	Exercised during the period	Outstanding at 31/12/2024
Executive directors							
Zhao Yihong	8 May 2024	17 October 2024	100,000	—	—	—	100,000
Gao Yan	8 May 2024	17 October 2024	100,000	—	—	—	100,000
Yu Hongjiang	8 May 2024	17 October 2024	1,222,000				1,222,000
			1,422,000	—	—	—	1,422,000
Independent non-executive directors							
He Yuanping	8 May 2024	17 October 2024	100,000	—	—	—	100,000
Shi Xiangxin	8 May 2024	17 October 2024	100,000	—	—	—	100,000
Feng Bing	8 May 2024	17 October 2024	100,000	—	—	—	100,000
			300,000	—	—	—	300,000
Employees aggregate	8 May 2024	17 October 2024	9,282,000	—	—	—	9,282,000
Related entity participant (note 3)	8 May 2024	7 May 2025	1,222,000	—	—	—	1,222,000
			10,504,000	—	—	—	10,504,000
	Total		12,226,000	—	—	—	12,226,000
Exercise price (HK$)			2.822	—	—	—	2.822
Exercisable at the end of the period							—

Notes:

1. The closing price of the Company's shares immediately before the date of grant was HK$2.61.

2. On 8 May 2024, the Company granted a total of 12,226,000 share options to 16 eligible participants in accordance with the terms of the Share Option Scheme. The share options will be vested on the business day immediately following the date on which the relevant vesting conditions are satisfied and 12 months from the date of grant for employee participants (including Directors) and related entity participants, respectively. The exercise period of these share options is ten years from the date of grant. According to the vesting condition notification letter issued by the Company on 29 September 2024, the vesting condition (for employee participants (including Directors)) is that the net profit of the Group for the nine months ending 30 September 2024 reach RMB2 million. The management of the Company calculated the net profit for such period on 16 October 2024 and confirmed that the vesting condition had been satisfied.

3. As disclosed in the announcement of the Company dated 8 May 2024, the 1,222,000 Share Options were granted to Mr. Zhao Yiyin, the general manager of e-commerce business of an associated company of the Company. The Board is of the view that maintaining stable cooperation with and procuring continuous contributions from such Related Entity Participant is crucial to the sustainable development of the Group. Such associated company provides the Group with business operating services related to e-commerce and marketing as well as service guarantee.

4. As at 31 December 2024, the number of shares available for future grant under the Share Option Scheme was 558 shares, and the number of shares which may be issued in respect of share options granted under the Share Option Scheme divided by the weighted average number of shares of the Company in issue was approximately 9.9995%.

5. As disclosed in the announcement of the Company dated 8 May 2024, the vesting period for the grant of the share options to the employee participants (including Directors) is shorter than 12 months because the Options are subject to performance-based vesting conditions in lieu of time-based vesting criteria. The Remuneration Committee is of the view that such arrangement aligns with the purpose of the share option scheme as it provides an incentive to motivate, attract and retain employee participants and to encourage employee participants to optimize their performance efficiency, enhance the value of the Company and promote the long-term growth of the Company.

6. Except for the share options granted to Mr. Zhao Yiyin, the vesting period of which has not yet expired, the vesting of the share options granted by the Company to other grantees on 8 May 2024 was completed on 17 October 2024 as the vesting conditions had been met. The closing price of the Company's shares immediately before 17 October 2024 was HK$2.41.

The Group recognised expense of RMB3,970,000 and share of profit of investments accounted for using the equity method of RMB228,000 for the year ended 31 December 2024 (2023: nil) in relation to share options granted by the Company.

CONNECTED TRANSACTIONS

Pursuant to the requirements of the Listing Rules, the transactions between the Company and the connected person (as defined in the Listing Rules) constitute a connected transaction of the Company. The Company monitors and manages these transactions in accordance with the Listing Rules. There were no non-exempt connected transactions carried out by the Group for the year ended 31 December 2024.

For the year ended 31 December 2024, there is no related party transaction or continuing related party transaction as set out in note 39 to the consolidated financial statements that constitutes discloseable "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules. During the reporting period, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

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

CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

PERMITTED INDEMNITY PROVISION

The Company maintained Directors' liability insurance to protect them from any loss to which the Directors might be liable arising from their actual or alleged misconduct. The Directors' liability insurance were in force during the year ended 31 December 2024 and as of the date of this report.

PRE-EMPTIVE RIGHTS

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

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

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company or sell any treasury shares during the year ended 31 December 2024. As at 31 December 2024, the Company did not hold any treasury shares.

DONATION

The Group made charitable donations of RMB0.8 million in aggregate during the year ended 31 December 2024.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

SUFFICIENCY OF PUBLIC FLOAT

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

RESPONSE TO THE AUDIT OPINION OF THE INDEPENDENT AUDITOR

In October 2023, the Company subscribed for the participating shares of the GOSP6. As Company is the only holder of participating shares in the GOSP6 and the fees paid to the manager are comparable to the services it provided as an agent, the Group treats GOSP6 as a consolidated structured entity under IFRS Accounting Standards. For details, please refer to the section headed "Management Discussion and Analysis — Financial Assets Measured at Fair Value through Profit or Loss."

The Company's independent auditor issued a qualified opinion on a loan receivable and a preferred share investment by the GOSP6. For details, please refer to the section headed "Independent Auditor's Report — Basis for Qualified Opinion."

(I) THE VIEWS OF THE MANAGEMENT

(1) Regarding the Loan Receivable

As stated in Note 12 to the consolidated financial statements, the Loan Receivable is secured by the equity interest in a non-listed private company incorporated in the PRC (the "**Domestic Company**") indirectly held by the Borrower, and guaranteed by the individual shareholder who held 100% equity interest in the Borrower (the "**Loan Transaction**"). The Company's independent auditor believes, given the scope of limitation, there were no other satisfactory procedures that they could perform to satisfy themselves as to the nature of the Loan Receivable, its existence, classification, measurement, impairment and related disclosures. Management understands the position of the independent auditor and has been actively communicating with the Fund Manager over the past few months to seek relevant audit evidence and information. After repeated negotiations by the Company, the Fund Manager and the Borrower agreed to pledge approximately 35.01% equity interest in the Domestic Company in favor of Beijing Bihai Yuanyuan Enterprise Management Co., Ltd., a wholly-owned subsidiary of the Company, (the "**Pledge**") as an additional credit enhancement measure for the Loan Transaction. The parties have completed the industrial and commercial registration for the Pledge. However, GOSP6 is operated by the Fund Manager as an independent structured entity in accordance with the contract documents in relation to the Company's subscription of the participating shares of the GOSP6. So long as the Fund Manager executes investment decisions and manages the investments within the authorized scope as agreed under the contract documents, the

Company was not informed of the investments, nor does it have the right to interfere with the daily operations and investments of GOSP6 upfront; and only has the right to be informed after the investment on a quarterly basis. Nevertheless, based on the summary of key terms of the Loan Receivable provided by the Fund Manager and the Pledge acquired by the Group, management did not find significant evidence to suggest that the credit risk of the loan has increased significantly and therefore no provision for ECL is required.

(2) Regarding the Preferred Share Investment

The Company's independent auditor believes that, although management of the Company has provided a revaluation statement for the Preferred Share Investment as at 31 December 2024, it has not obtained detailed fair value assessment documents as of that date, nor has it been provided supporting details such as specific valuation techniques, significant assumptions or key judgments used to support the assessment. Consequently, the Company's independent auditor is unable to determine whether the fair value adjustment of the Preferred Share Investment was necessary, and whether the disclosures related to the fair value assessment were sufficient and appropriate, in the consolidated financial statements for the year ended 31 December 2024.

Management acknowledges the independent auditor's requirements for valuation transparency and has been actively communicating with the Fund Manager over the past few months to seek relevant audit evidence and information. The Fund Manager only informed management that the fair value of the Preferred Share Investment was determined by it based on market data and independent valuation model, and that there was no contractual obligation to cooperate with management's audit requirements. Therefore, the Group was unable to fully obtain the valuation details of the Preferred Share Investment. However, based on the revaluation statement provided by the Fund Manager regarding the Preferred Share Investment as at 31 December 2024, the register of members of Inmagene Biopharmaceuticals, and the Company's verification of relevant information about Inmagene Biopharmaceuticals collected through public channels, management believes that no fair value adjustment of the Preferred Share Investment is required.

In light of the above circumstances, management respects the professional judgment of the auditor and agrees with the qualified opinion expressed regarding the above matters due to insufficient existing audit evidence. The Company is of the view that the qualified opinion will not have any material adverse impact on the Company's liquidity or financial position.

(II) THE VIEWS OF THE AUDIT COMMITTEE

The Audit Committee continues to follow up on the audit matters related to the underlying investments of GOSP6. This includes communicating its concerns regarding GOSP6 to the Company's management, receiving quarterly updates from management, actively participating in audit process of this year, discussing with the Company's independent auditor, and reviewing the relevant matters towards qualified opinion of this year in a stringent manner.

The Audit Committee understands that although the Company is the only holder of participating shares in GOSP6 and the fees paid to the Fund Manager are comparable to the services it provided as an agent, thereby treating GOSP6 as a consolidated structured entity, the Company does not have the right to interfere with the management, daily operation and investment of GOSP6, and will rely on the cooperation of GOSP6 in providing necessary documents and information for audit purposes.

The Audit Committee agrees with management's position regarding the key judgments and acknowledges that, given the aforementioned position involves estimates and assumptions, the Company's independent auditor believes that it has not obtained sufficient appropriate audit evidence. Accordingly, with respect to the type of audit opinion expressed by the auditor, the Audit Committee acknowledges and agrees with the audit opinion issued by the auditor based on its professional and independent assessment, and requires the Company to make every effort to implement the redemption of GOSP6, ensuring asset safety and process compliance.

(III) THE GROUP'S ACTION PLAN

To address the qualified opinion, as of the date of this report, management has been actively communicating with the Fund Manager to take action to redeem the Company's investment in GOSP6, and it has issued a written redemption notice to the Fund Manager. Through continuous discussions and communications with the Fund Manager, both parties have agreed on a specific redemption plan, the details of which are set out in the section headed "Subsequent Event" in this report.

SUBSEQUENT EVENT

On 3 March 2025, the Board has passed a resolution authorizing the Chairman and CEO to initiate the redemption of the Participating Shares and make every effort to ensure the recovery of the investments' principal and related returns. On 26 March 2025, the Group has issued a written redemption notice to the fund manager, requesting the fund manager to dispose of such investments by:

(1) Cash and equity redemption: The fund manager will repay the Company HK$12,000,000 in cash and transfer to the Company 3,318,470 Class C-1 preferred shares of Inmagene Biopharmaceuticals held by it amounting to HK$14,094,900; and

(2) Asset swap: the fund manager will procure an asset swap between an independent third party and the Company, whereby the Company will swap the remaining Participating Shares after cash and equity redemption (valued at approximately HK$78,000,000) held by the Company with certain shares in a third-party private company of equivalent value held by the independent third party.

The Company has decided to adopt a hybrid redemption plan (cash redemption + asset swap) to expedite the redemption process and mitigate potential risks associated with the investment in GOSP6. At the same time, the Company will complete the due diligence for the asset swap as soon as possible to effectively advance and implement the redemption plan. The Company will perform the applicable approval procedures and disclosure obligations in accordance with the applicable laws and regulations, regulatory rules and the provisions of the Articles of Association based on the redemption progress and redemption method of GOSP6.

Save as disclosed above, no significant event affecting the Group has occurred subsequent to 31 December 2024 and up to the date of this report.

AUDITOR

The Company has appointed PricewaterhouseCoopers as the auditor of the Company for the year ended 31 December 2024. The Company has engaged PricewaterhouseCoopers to act as the auditor of the Company since 2015.

On behalf of the Board
ZHAO Yihong
Chairman and CEO

Hong Kong, 31 March 2025

Independent Auditor's Report

羅兵咸永道

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

QUALIFIED OPINION

What we have audited

The consolidated financial statements of Besunyen Holdings Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 108 to 195, comprise:

- the consolidated balance sheet as at 31 December 2024;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our qualified opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

As disclosed in Note 12(c) to the consolidated financial statements, the Group invested in a segregated portfolio of a fund (the "Fund") managed by a third-party asset management company (the "Fund Manager"). The Fund was accounted for as a controlled structured entity and was consolidated in the Group's consolidated financial statements.

Loan Receivable

During the year ended 31 December 2024, the Fund advanced a loan (the "Loan Receivable") to a third party ("Borrower") amounting to HK$70,000,000 (equivalent to approximately RMB64,823,000) (Note 12(c)(ii), Note 23 to the consolidated financial statements). The Loan Receivable is interest bearing, matures three years from the date of grant and is classified in the consolidated balance sheet as at 31 December 2024 as a financial asset measured at amortised cost net of impairment charge. For the year ended 31 December 2024, interest income was accrued on the Loan Receivable and recorded as other income in the consolidated statement of comprehensive income (Note 8 to the consolidated financial statements). As at 31 December 2024, the carrying amount of the Loan Receivable including accrued interest of RMB4,899,000 was RMB69,793,000.

Management of the Group provided us with a summary of the key terms of the Loan Receivable (the "Summary") obtained from the Fund Manager. The Summary consists of certain information regarding the Loan Receivable, including the name of Borrower and the guarantor, interest rate, tenure, collateral etc.

Management, however, was unable to provide sufficient and appropriate evidence to support the details of the Loan Receivable, such as a complete version of the loan agreement, supporting documents for the fund flows to the Borrower or the business rationale and commercial substance for advancing the Loan Receivable. In addition, we were not able to arrange a direct confirmation of the Loan Receivable with the Borrower.

Management has provided us with a report of the net asset value of the Fund (the "NAV Report") as at 31 December 2024, including an amount related to the Loan Receivable of HK$75,367,000 (equivalent to approximately RMB69,793,000), which was obtained from the Fund Manager. As represented by management, the Fund Manager performed an expected credit loss ("ECL") assessment and concluded that no ECL allowance was necessary for the Loan Receivable as at 31 December 2024. Management, however, was unable to provide us with the detailed ECL assessment as at the same date, nor was it able to provide details of the estimation technique, financial condition of Borrower and the guarantor, or the valuation of the collateral supporting management's ECL assessment of the Loan Receivable.

Given the above scope limitations, there were no other satisfactory procedures that we could perform to satisfy ourselves as to the nature of the Loan Receivable, its existence, classification, measurement, impairment and related disclosures. Consequently, we were unable to determine whether any adjustments might be necessary to the Loan Receivable and the related interest income accrual included in other income to the consolidated financial statements as at 31 December 2024 and for the year then ended; and whether disclosures of the Loan Receivable are sufficient and appropriate.

Preferred Share Investment

As at 31 December 2024, the Fund held a preferred share investment in a third-party entity (the "Preferred Share Investment") classified in the consolidated balance sheet as a financial asset measured at fair value through profit or loss amounting to RMB12,947,000 (Note 12(c)(i), Note 22(c) to the consolidated financial statements). The initial investment cost of such Preferred Share Investment was USD1,800,000. Management recognised the fair value of the Preferred Share Investment based on a revaluation statement provided by the Fund Manager. As represented by management, the Fund Manager performed a fair value assessment of the Preferred Share Investment and concluded that the fair value changes on this Preferred Share Investment for the year ended 31 December 2024 were attributable to immaterial foreign exchange changes.

Management has provided us with the aforesaid revaluation statement as of 31 December 2024, showing the valuation of the Preferred Share Investment amounting to HK$13,981,000 (equivalent to approximately RMB12,947,000). Management, however, was unable to provide us with the detailed fair value assessment, nor was it able to provide details of the valuation techniques used, significant assumptions and critical estimates made in supporting management's assessment of the fair value of the Preferred Share Investment. Consequently, we were unable to determine whether any adjustments might be necessary to the fair value of the Preferred Share Investment and whether disclosures on the fair value assessment of the Preferred Share Investment are sufficient and appropriate.

Any adjustments to the Loan Receivable and the Preferred Share Investment might have consequential effects on the financial position of the Group as at 31 December 2024 and its financial performance for the year ended, and the related disclosures in the consolidated financial statements.

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

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

Independence

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matter described below to be the key audit matter to be communicated in our report.

The key audit matter identified in our audit is related to revenue recognition.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition: Sales of goods Refer to Note 5 to the consolidated financial statements. During the year ended 31 December 2024, the Group recognised revenue from sales of goods amounted to RMB484,301,000. The Group manufactures and sells a range of tea, weight-loss and other medicine products. Revenue is recognised when control of the products has been transferred, being when the products are delivered to customers. We identified revenue recognition as a key audit matter as significant resources and efforts were involved in auditing this area due to the large volume of transactions from sales of different kinds of products.	In response to this key audit matter, we have performed the following procedures: • We understood, evaluated and validated management's internal controls over revenue recognition from sales of goods; • We understood and evaluated the appropriateness of the accounting policies for revenue recognition; • We inspected, on a sample basis, sales contracts with major customers to understand key terms and conditions and assessed their implications for revenue recognition; • We tested, on a sample basis, sales transactions that took place shortly before and after the balance sheet date, by reconciling recognised revenue with the goods delivery notes and goods receipt records, to assess whether revenue was recognised in the correct reporting periods; • We tested revenue transactions, on a sample basis, by examining the relevant supporting documents such as customer contracts, orders, goods delivery notes, goods receipt records, invoices and cash receipts; • For wholesale customers, we performed confirmation procedures, on a sample basis, to confirm the trade receivable balances and revenue transactions with customers. Based on the procedures performed, we found the Group's revenue from sale of goods were supported by the available evidence.

OTHER INFORMATION

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence to substantiate the nature of the Loan Receivable and its existence, classification, measurement, impairment and related disclosures; and to support the fair value assessment of the Preferred Share Investment. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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

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

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

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

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

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2025

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Continuing operations			
Revenue	5	**484,301**	542,876
Cost of sales	7	**(158,459)**	(196,656)
Gross profit		**325,842**	346,220
Selling and marketing expenses	7	**(199,377)**	(320,704)
Administrative expenses	7	**(89,512)**	(153,050)
Research and development costs	7	**(29,359)**	(34,922)
Credit impairment losses		**(1,699)**	20
Fair value changes on financial assets measured at fair value through profit or loss	22	**(1,749)**	501
Other income	8	**11,835**	11,035
Other expenses	7	**(517)**	(62)
Other gains, net	9	**6,413**	675
Losses on disposal of subsidiaries	27	**(326)**	—
Operating profit/(loss)		**21,551**	(150,287)
Finance income		**1,121**	1,634
Finance costs		**(228)**	(1,998)
Finance income/(costs), net	11	**893**	(364)
Share of profit of investments accounted for using the equity method	13	**5,077**	970
Profit/(loss) before income tax		**27,521**	(149,681)
Income tax expense	14	**(12,717)**	(9,424)
Profit/(loss) for the year from continuing operations		**14,804**	(159,105)
Discontinued operations			
Loss for the year from discontinued operations, net of tax	27	**—**	(198,409)
Profit/(loss) for the year		**14,804**	(357,514)

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Profit/(loss) attributable to:			
Owners of the Company			
— Continuing operations		**14,804**	(159,105)
— Discontinued operations		**—**	(140,138)
		14,804	(299,243)
Non-controlling interests			
— Discontinued operations		**—**	(58,271)
		—	(58,271)
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**2,028**	(1,124)
Total comprehensive income/(loss) for the year		**16,832**	(358,638)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**16,832**	(300,367)
Non-controlling interests		**—**	(58,271)
		16,832	(358,638)
Total comprehensive income/(loss) for the year attributable to owners of the Company:			
— Continuing operations		**16,832**	(160,229)
— Discontinued operations		**—**	(140,138)
		16,832	(300,367)
Earnings/(losses) per share attributable to owners of the Company for the year (RMB):			
Basic earnings/(losses) per share	15		
— Continuing operations		**0.12**	(1.30)
— Discontinued operations		**—**	(1.15)
		0.12	(2.45)
Diluted earnings/(losses) per share	15		
— Continuing operations		**0.12**	(1.30)
— Discontinued operations		**—**	(1.15)
		0.12	(2.45)

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

Consolidated Balance Sheet

	Note	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**108,087**	117,216
Right-of-use assets	17	**21,752**	22,128
Intangible assets	18	**1,774**	2,799
Investments accounted for using the equity method	13	**10,689**	14,788
Financial assets measured at fair value through profit or loss	22	**79,434**	68,947
Loan receivable	12(c)(ii), 23	**69,793**	—
Deferred income tax assets	32	**33,802**	41,927
Other non-current assets		**—**	9,268
Total non-current assets		**325,331**	277,073
Current assets			
Inventories	19	**26,411**	23,569
Trade receivables	20	**20,592**	48,195
Bills receivable		**—**	4,864
Deposits, prepayments and other receivables	21	**40,547**	41,577
Financial assets measured at fair value through profit or loss	22	**—**	21,130
Restricted bank deposits	24	**13,657**	56,877
Short-term bank deposits	25	**—**	62,576
Cash and cash equivalents	26	**134,155**	169,082
Total current assets		**235,362**	427,870
Total assets		**560,693**	704,943

Consolidated Balance Sheet

	Note	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	28	**288**	288
Share premium		**939,484**	1,039,108
Other reserves	29	**347,973**	341,747
Accumulated losses		**(812,369)**	(827,173)
Total equity		**475,376**	553,970
LIABILITIES			
Non-current liabilities			
Deferred government grants	31	**2,051**	2,187
Lease liabilities	35	**2,474**	1,875
Deferred income tax liabilities	32	**1,407**	1,250
Total non-current liabilities		**5,932**	5,312
Current liabilities			
Trade and bills payables	33	**3,156**	16,547
Other payables and accrued expenses	34	**66,156**	120,004
Contract liabilities	6	**6,487**	5,052
Lease liabilities	35	**3,207**	3,239
Current income tax liabilities	14	**379**	819
Total current liabilities		**79,385**	145,661
Total liabilities		**85,317**	150,973
Total equity and liabilities		**560,693**	704,943

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

The financial statements on pages 108 to 195 were approved by the Board of Directors on 31 March 2025 and were signed on its behalf.

Zhao Yihong
Director

Gao Yan
Director

Consolidated Statement of Changes In Equity

		Attributable to owners of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023		288	1,039,108	342,871	(527,930)	854,337	198,073	1,052,410
Comprehensive loss								
Loss for the year		—	—	—	(299,243)	(299,243)	(58,271)	(357,514)
Other comprehensive loss for the year		—	—	(1,124)	—	(1,124)	—	(1,124)
Total comprehensive loss for the year		—	—	(1,124)	(299,243)	(300,367)	(58,271)	(358,648)
Total transactions with owners in their capacity as owners:								
Disposals of subsidiaries	27	—	—	—	—	—	(139,802)	(139,802)
Balance at 31 December 2023		288	1,039,108	341,747	(827,173)	553,970	—	553,970
Balance at 1 January 2024		**288**	**1,039,108**	**341,747**	**(827,173)**	**553,970**	**—**	**553,970**
Comprehensive income								
Profit for the year		**—**	**—**	**—**	**14,804**	**14,804**	**—**	**14,804**
Other comprehensive income for the year		**—**	**—**	**2,028**	**—**	**2,028**	**—**	**2,028**
Total comprehensive income for the year		**—**	**—**	**2,028**	**14,804**	**16,832**	**—**	**16,832**
Total transactions with owners in their capacity as owners:								
Dividends	37	**—**	**(99,624)**	**—**	**—**	**(99,624)**	**—**	**(99,624)**
Share-based payments	30	**—**	**—**	**4,198**	**—**	**4,198**	**—**	**4,198**
		—	**(99,624)**	**4,198**	**—**	**(95,426)**	**—**	**(95,426)**
Balance at 31 December 2024		**288**	**939,484**	**347,973**	**(812,369)**	**475,376**	**—**	**475,376**

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

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Cash flows from operating activities			
Continuing operations			
Cash generated from/(used) in operations	36(a)	**14,130**	(34,612)
Income taxes paid		**(4,713)**	(25)
Interest received		**1,121**	1,634
		10,538	(33,003)
Discontinued operations		**—**	42,988
Net cash generated from operating activities		**10,538**	9,985
Cash flows from investing activities			
Continuing operations:			
Purchases of wealth management products and structured deposits measured at fair value through profit or loss ("**FVTPL**")		**(639,200)**	(747,917)
Proceeds from wealth management products and structured deposits measured at FVTPL		**641,192**	729,464
Purchases of debt securities measured at FVTPL		**—**	(21,453)
Proceeds from maturity/disposals of debt securities measured at FVTPL		**21,800**	—
Capital injection of an investment in funds measured at FVTPL		**(13,400)**	—
Distribution from investments in funds measured at FVTPL		**1,756**	—
Placement of loan receivable		**(63,663)**	—
Placement of term deposits		**—**	(62,693)
Withdrawal of term deposits		**64,800**	113,721
Decrease/(increase)in restricted bank deposits		**43,220**	(57,523)
Purchases of property, plant and equipment		**(4,994)**	(6,542)
Purchases of intangible assets		**—**	(256)
Distribution from joint ventures		**3,268**	24,228
Liquidation of joint ventures		**2,122**	—
Investments in joint ventures		**—**	(8,850)
Proceeds from disposal of equity interest held on joint ventures		**190**	—
Proceeds from disposals of property, plant and equipment	36(b)	**2,608**	409
Deposits received in connection with a subsidiary to be disposed		**—**	3,000
Proceeds from disposals of subsidiaries, net	27	**(339)**	101,171
		59,360	66,759
Discontinued operations		**—**	(58,366)
Net cash generated from investing activities		**59,360**	8,393

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2024 RMB'000	2023 RMB'000
Cash flows from financing activities			
Continuing operations:			
Repayment of borrowings		—	(84,872)
Principal elements of lease payments		**(3,985)**	(8,045)
Bank loan interest and other finance costs paid		**(228)**	(1,998)
Dividends paid to owners of the Company	37	**(99,624)**	—
		(103,837)	(94,915)
Discontinued operations		—	13,799
Net cash used in financing activities		**(103,837)**	(81,116)
Net decrease in cash and cash equivalents		**(33,939)**	(62,738)
Cash and cash equivalents at beginning of year		**169,082**	230,320
Exchange (losses)/gains on cash and cash equivalents		**(988)**	1,500
Cash and cash equivalents at end of year		**134,155**	169,082

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

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

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

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

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

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards,
- International Accounting Standards, and
- Interpretations developed by the IFRS Interpretations Committee or its predecessor body, the Standing Interpretations Committee.

(a) Historical cost convention

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 ("**FVTPL**").

(b) New and amended standards adopted by the Group

The Group has applied the following standards, amendments for the first time for its annual reporting period commencing 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants — Amendments to IAS 1
- Lease Liability in Sale and Leaseback — Amendments to IFRS 16
- Supplier Finance Arrangements — Amendments to IAS 7 and IFRS 7

The amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 BASIS OF PREPARATION *(Continued)*

(c) New and amended standards not yet adopted

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for 31 December 2024 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027

The Group does not expect above mentioned amendments to have a material impact on its operations and financial statements except for the adoption of IFRS 18.

Impact of IFRS 18

IFRS 18 will replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements. From the high-level preliminary assessment performed, the following potential impacts have been identified:

- Although the adoption of IFRS 18 will have no impact on the Group's net profit, the Group expects that grouping items of income and expenses in the statement of profit or loss into the new categories will impact how operating profit is calculated and reported. From the high-level impact assessment that the Group has performed, the following item might potentially impact operating profit:

    - o Foreign exchange differences currently aggregated in the line item "Other gains, net" in operating profit might need to be disaggregated, with some foreign exchange gains or losses presented below operating profit.

- The line items presented on the primary financial statements might change as a result of the application of the concept of "useful structured summary" and the enhanced principles on aggregation and disaggregation.

2 BASIS OF PREPARATION *(Continued)*

(c) New and amended standards not yet adopted *(Continued)*

Impact of IFRS 18 *(Continued)*

- The Group does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required for:

  - o management-defined performance measures;

  - o a break-down of the nature of expenses for line items presented by function in the operating category of the statement of profit or loss — this break-down is only required for certain nature expenses; and

  - o for the first annual period of application of IFRS 18, a reconciliation for each line item in the statement of profit or loss between the restated amounts presented by applying IFRS 18 and the amounts previously presented applying IAS 1.

- From a cash flow statement perspective, there will be changes to how interest received and interest paid are presented. Interest paid will be presented as financing cash flows and interest received as investing cash flows, which is a change from current presentation as part of operating cash flows.

The Group will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with IFRS 18.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Market risk

(a) Foreign exchange risk

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

The Group's exposure to foreign currency risk at the end of the reporting period was as follows:

	2024 **RMB'000**	2023 RMB'000
US$		
Assets	**185**	2,859
HK$		
Assets	**1,641**	68,303

As at 31 December 2024, if RMB strengthened/weakened by 5% against US$ and HK$ with all other variables held constant, the pre-tax profit for the year would have been approximately RMB91,000 lower/higher (2023: pre-tax loss RMB3,558,000 higher/lower), mainly as a result of foreign exchange gain or loss on translation of US$ and HK$ denominated cash and cash equivalents and other receivables.

(b) Price risk

The Group's exposure to price risk arises from corporate fixed rate bonds held by the Group and classified as financial assets measured at FVTPL (Note 22). The Group is not exposed to commodity price risk. The sensitivity analysis is performed by management, see Note 3.3 for detail.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk

For cash and cash equivalents, short-term bank deposits, restricted bank deposits and financial assets measured at FVTPL, the Group manages the credit risk by placing all the bank deposits in or purchasing all the short-term investments from state-owned financial institutions or reputable commercial banks, in view of the sound rating of bond issuers, management believes that the credit risk inherent in those investments due from them is not significant; for bills receivable, the Group only accepts bank acceptance notes issued by reputable banks located in PRC, and the Group believes the credit risk of these banks and financial institutions is relatively low. Therefore, the Group's credit risk arises primarily from trade receivables, other receivables and loan receivables. Aging analysis of the Group's trade receivables is disclosed in Note 20. The Group assesses the credit quality of its customers by taking into account various factors including their financial position, past experience and forward-looking information. Management does not expect any significant losses from non-performance by these counterparties except for those recognised. The Group's other receivables as at 31 December 2024 mainly consisted of receivables for trademark applications, consideration receivable for deposits for rental of properties and deposits for the use of e-commerce platform. The Group's loan receivable as at 31 December 2024 consisted of a private loan to a third party. The credit risk of such receivable is assessed by taking into the ability of repayment of counter parties, nature of the receivables, etc.

(a) Impairment of financial assets

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

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(a) Impairment of financial assets (Continued)

Trade receivables

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

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2024 or 1 January 2024 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the business climate index in China, including GDP, PPI and CPI etc., and collection schedule of the trade receivable to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2024 and 31 December 2023 was determined as follows for trade receivables:

	Current	Less than 1 year past due	1–2 years past due	More than 2 years past due	Total
As at 31 December 2024					
Expected loss rate	**0.03%**	**0.41%**	**22.73%**	**—**	**0.20%**
Gross carrying amount — trade receivables	**15,422**	**5,145**	**66**	**—**	**20,633**
Loss allowance	**5**	**21**	**15**	**—**	**41**
As at 31 December 2023					
Expected loss rate	0.03%	1.00%	26.36%	100.00%	0.19%
Gross carrying amount — trade receivables	43,657	4,516	110	3	48,286
Loss allowance	14	45	29	3	91

The Group was exposed to concentration of credit risk on its trade receivables. As at 31 December 2024, the top trade receivables balance due from a single external customer amounted to approximately RMB3,725,000, representing 18% of total trade receivables (2023: RMB15,991,000, representing 33% of total trade receivables). The single external customer is a reputable organization. Management considers that the credit risk is limited in this regard.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(a) Impairment of financial assets (Continued)

Bills receivable

Bills receivable are issued mainly by the four state-owned banks and other listed commercial banks whose risks of non-acceptance are quite low. The directors of the Company do not expect any significant losses from non-performance by the counterparties of bills receivable. Thus no loss allowance provision for bills receivable was recognised.

Other receivables

For the other receivables, the Group applies the IFRS 9 three-stages model to assess the expected credit loss for other receivables. The Group performs periodic collective and individual assessments of other receivables' recoverability, considering historical settlement records, past experience, external credit ratings, and industry non-performing loan ratios of commercial banks to determine expected credit loss rates. The Group has identified the business climate index in China, including GDP, PPI and CPI etc. to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Loan receivables

For the loan receivables, the Group considered the credit risk based on whether the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The Group makes individual assessment on the recoverability of loan receivables based on the mortgage value of the collateral.

3.1.3 Liquidity risk

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.3 Liquidity risk *(Continued)*

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

	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2024					
Trade and bills payables	**3,087**	**69**	**—**	**3,156**	**3,156**
Other payables and accrued expenses (excluding non-financial liabilities)	**42,088**	**8,986**	**—**	**51,074**	**51,074**
Lease liabilities	**901**	**2,561**	**2,875**	**6,337**	**5,681**
	46,076	**11,616**	**2,875**	**60,567**	**59,911**
As at 31 December 2023					
Trade and bills payables	15,925	622	—	16,547	16,547
Other payables and accrued expenses (excluding non-financial liabilities)	40,687	43,902	—	84,589	84,589
Lease liabilities	1,104	2,320	1,924	5,348	5,114
	57,716	46,844	1,924	106,484	106,250

3.2 Capital management

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

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

The Group monitors capital on the basis of the liability-to-asset ratio. As at 31 December 2024, the Group's liability-to-asset ratio was approximately 15.22% (2023: 21.42%).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

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

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

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

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for investment in wealth management products and structured deposits, fund and unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- a combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

The Group had three types of financial assets measured at fair value which are preferred share investment in a private company held in a controlled structured entity, equity investment in other private companies, and investments in funds as at 31 December 2024 (31 December 2023: five types of financial assets measured at fair value which are bills receivables carried at FVOCI, preferred share investment in a private company held in a controlled structured entity, equity investment in other private companies, investments in funds and debt investment), and had no financial liabilities measured at fair value.

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

The financial assets measured at FVPTL represented the Group's wealth management products purchased from bank, preferred share investment, equity investments and debt investments (Note 22).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

The following table presents the Group's financial assets that are measured at fair values at 31 December 2024 and 2023.

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000	**Total** RMB'000
At 31 December 2024				
Assets				
Financial assets measured at FVTPL (Note 22)	**—**	**—**	**79,434**	**79,434**
	—	**—**	**79,434**	**79,434**
At 31 December 2023				
Assets				
Financial assets measured at FVTPL (Note 22)	21,130	—	68,947	90,077
Financial assets measured at FVOCI	—	—	4,864	4,864
	21,130	—	73,811	94,941

The following table presents the changes in level 3 items for the periods ended 31 December 2024 and 31 December 2023:

	Financial assets measured at FVTPL RMB'000	**Financial assets measured at FVOCI** RMB'000
Opening balance as at 1 January 2023	47,283	5,153
Additions	747,873	112,460
Disposals	(729,464)	(111,849)
Disposals of subsidiaries	—	(900)
Gains recognised in "Fair value changes on financial assets measured at FVTPL"	391	—
Gains recognised in "Other gains, net"	2,864	—
Closing balance as at 31 December 2023	68,947	4,864
Opening balance as at 1 January 2024	**68,947**	**4,864**
Additions	**652,600**	**50,087**
Disposals	**(642,948)**	**(54,951)**
Loss recognised in "Fair value changes on investments measured at FVTPL"	**(1,749)**	**—**
Gains recognised in "Other gains, net"	**2,306**	**—**
Currency translation differences	**278**	**—**
Closing balance as at 31 December 2024	**79,434**	**—**

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case-by-case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The Group determines the fair value of the preferred share investment in a private company held in a controlled structured entity based on the revaluation statements of the private equity fund with underlying assets measured at fair value as reported by the Fund Manager (Note 12(c)(i)).

For equity investment in other private companies as at 31 December 2024, the fair values are determined by using the market approach, and the significant unobservable inputs include the discount for lack of marketability ("**DLOM**") of 20%. Management determines the valuation multiples with reference to the respective multiples of comparable companies, as adjusted by the lack of marketability that market participants would consider when estimating the fair value of these investments. As at 31 December 2024, if increased DLOM by 5% with all other variables held constant, the fair value would have decreased RMB1,438,000. Conversely, if decreased DLOM by 5% with all other variables held constant, the fair value would have increased RMB719,000.

The Group determines the fair value of the investments in funds as at 31 December 2024 based on the net asset values of the private equity funds with underlying assets and liabilities measured at fair value as reported by the general partners of the funds.

There were no changes in valuation techniques during the years ended 31 December 2024 and 2023. There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended 31 December 2024 and 2023.

4 CRITICAL ESTIMATES AND JUDGEMENTS

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

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

(a) Current and deferred income tax

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

(b) Recoverability of property, plant and equipment

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

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

4 CRITICAL ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Fair value of financial assets measured at FVTPL

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

5 REVENUE AND SEGMENT INFORMATION

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

The CODM had identified the manufacturing and sales of tea products (including Detox tea, Slimming tea, Fit tea, Relief tea and others) and sales of weight-loss and other medicines as separate reportable segments, namely the tea products segment and the weight-loss and other medicines segment.

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

(a) Revenue

The revenue segment information from continuing operations reported to CODM for the years ended 31 December 2024 and 2023 is as follows:

	2024 RMB'000	2023 RMB'000
Continuing operations		
Tea products segment		
— Detox tea	**79,911**	103,034
— Slimming tea	**98,935**	109,072
— Fit tea	**71,219**	64,138
— Relief tea	**6,571**	13,162
— Others	**69,547**	81,713
	326,183	371,119
Weight-loss and other medicines segment		
— Weight-loss medicines	**147,999**	161,822
— Other medicines	**10,119**	9,935
	158,118	171,757
	484,301	542,876

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Revenue *(Continued)*

For the year ended 31 December 2024, the revenue derived from any of the external customers was less than 10% of the Group's total revenue.

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

Accounting policies of revenue recognition

Sales of goods

Wholesales

The Group produces and sells therapeutic tea products (including Detox tea, Slimming tea, Fit tea, Relief tea and other tea products) and weight-loss and other medicines in the wholesale market. Sales are recognised when control of the products has transferred. Control is considered to be transferred at the point in time when the products have been delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery has occurred when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and the wholesaler has accepted the goods.

The products are often sold with volume rebates based on aggregate sales over a specific period as defined in the contracts. Revenue from sales is recognised based on the price specified in the sales contracts, net of the estimated volume rebates at the time of sale. Accumulated experience is used to estimate and provide for the rebates, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Expected volume rebates payable to customer (included in other payables and accrued expenses) in relation to sales made until the end of reporting period are assessed based on anticipated annual purchases. During the years ended 31 December 2024 and 2023, the wholesalers have no right to return any goods after its acceptance of the products, therefore there was no any refund liability and right to returned goods have been recognised.

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

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

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Revenue *(Continued)*

Accounting policies of revenue recognition *(Continued)*

Sales of goods (Continued)

Internet sales

Revenue from the sale of goods on the internet is recognised when control of the products has been transferred, being the acceptance of the delivery of the products by the customer. Payment of the transaction price is due immediately when the customer places the order for the products online. It is the PRC regulation to sell any products online to the end customer with a right of return within 7 days. Therefore, a refund liability (included in other payables and accrued expenses) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale. As of 31 December 2024 and 2023, there was no any refund liability and right to returned goods have been recognised since the estimated return is immaterial.

Financing components

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

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment information

The segment results from continuing operations for the year ended 31 December 2024 are as follows:

	Tea products segment RMB'000	Weight-loss and other medicines segment RMB'000	Total RMB'000
Total revenue	**326,183**	**158,118**	**484,301**
Revenue from external customers	326,183	158,118	484,301
Timing of revenue recognition			
At a point in time	326,183	158,118	484,301
Cost of sales	(77,749)	(80,710)	(158,459)
Gross profit	248,434	77,408	325,842
Selling and marketing expenses	(114,191)	(85,186)	(199,377)
Research and development costs	(8,045)	(21,314)	(29,359)
Segment results	**126,198**	**(29,092)**	**97,106**
Administrative expenses			(89,512)
Credit impairment losses			(1,699)
Fair value changes on financial assets measured at FVTPL			(1,749)
Other income			11,835
Other expenses			(517)
Other gains, net			6,413
Losses on disposal of subsidiaries			(326)
Operating profit			21,551
Finance income			1,121
Finance costs			(228)
Finance income, net			893
Share of profit of investments accounted for using the equity method			5,077
Profit before income tax			27,521
Income tax expense			(12,717)
Profit for the year from continuing operations			14,804
Other segment information:			
Depreciation	(16,446)	(1,130)	(17,576)
Amortisation	(310)	(66)	(376)

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

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

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

As at 31 December 2024, non-current assets of the Group except for those amounting to RMB47,649,000 (31 December 2023: RMB46,967,000) are all located in the PRC.

6 CONTRACT LIABILITIES

Contract liability is recognised when a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, preceding the Group's performance. The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligations as at 31 December 2024 and 2023 are expected to be recognised within one year.

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Tea products	**2,106**	3,166
Weight-loss and other medicines	**4,381**	1,886
	6,487	5,052

The Group's contract liabilities balance at the beginning of the year were all recognised as revenue in 2024.

7 EXPENSES BY NATURE

	2024 RMB'000	2023 RMB'000
Continuing operations		
Changes in inventories of finished goods and work in progress	**(4,210)**	21,628
Raw materials and consumables used	**138,190**	147,499
Write-off of inventories	**1,425**	493
Impairment losses on non-current assets	**—**	3,000
Employee benefit expenses (Note 10)	**56,874**	210,878
Marketing and promotional expenses	**91,446**	112,768
Advertising costs	**26,315**	67,472
Depreciation and amortisation (Note 16, 17 and 18)	**17,952**	23,611
Outsourced researching and development expenses	**22,982**	25,878
Professional and consulting service fees	**21,349**	20,459
Entertainment and travelling expenses	**7,563**	12,761
Logistics expenses	**11,328**	12,061
Outsourced operating services fees	**57,646**	11,847
Maintenance and testing costs	**4,063**	4,551
Office expenses	**6,942**	4,175
Stamp duties, property and other taxes	**2,193**	3,203
Rental expenses (note (a))	**2,158**	1,953
Auditors' remunerations		
— audit services	**2,890**	2,190
— non-audit services	**—**	290
Others	**10,118**	18,677
Total cost of sales, selling and marketing expenses, administrative expenses, research and development costs and other expenses	**477,224**	705,394

Note:

(a) Rental expenses for the years ended 31 December 2024 and 2023 derived from short-term leases and leases of low-value assets which were recognised on a straight-line basis as an expense in profit or loss (Note 35(b)).

8 OTHER INCOME

	2024 RMB'000	2023 RMB'000
Continuing operations		
Government grants	**3,118**	4,437
Interest income from loan receivable (Note 12(c)(ii))	**4,899**	—
Interest income from others	**1,835**	4,197
Others	**1,983**	2,401
	11,835	11,035

Government grants

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

Interest income

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

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

Interest income is presented as other income where it is earned from financial assets that are held for cash management purposes.

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

9 OTHER GAINS, NET

	2024 RMB'000	2023 RMB'000
Continuing operations		
Net fair value gains on wealth management products and structured deposits measured at FVTPL (Note 22(a))	**1,992**	2,864
Net fair value gains on debt securities measured at FVTPL (Note 12 and Note 22(b))	**415**	—
Net fair value gains on investment in funds measured at FVTPL (Note 22)	**314**	—
Donation	**(790)**	(2,080)
Net losses on disposals of property, plant and equipment and lands use rights	**(39)**	(59)
Net foreign exchange (losses)/gains	**(1,694)**	1,026
Others	**6,215**	(1,076)
	6,413	675

10 EMPLOYEE BENEFIT EXPENSES

	2024 RMB'000	2023 RMB'000
Continuing operations		
Salaries, bonus and other allowances	**43,001**	129,949
Share-based payments	**3,970**	—
Severance payment	**6,624**	69,680
Pension cost — defined contribution plan	**3,279**	11,249
	56,874	210,878

The Group did not have any forfeited contribution for the years ended 31 December 2024 and 2023 in connection with the defined contribution plan operated by the PRC governments. The Group did not have defined benefit plan for the years ended 31 December 2024 and 2023.

10 EMPLOYEE BENEFIT EXPENSES *(Continued)*

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2023: three) directors whose emoluments are reflected in the analysis shown in Note 40. The emoluments payable to the remaining two(2023: two) individuals during the year are as follows:

	2024 RMB'000	2023 RMB'000
Salaries and other allowances	**1,660**	2,817
Share-based payments	**882**	—
Pension cost — defined contribution plan	**133**	98
	2,675	2,915

The emoluments fell within the following bands:

	Number of individuals	
	2024	2023
Emolument bands (in HK$)		
HK$1,000,001 — HK$1,500,000	**2**	1
HK$1,500,001 — HK$2,000,000	**—**	1

11 FINANCE INCOME/(COSTS), NET

	2024 RMB'000	2023 RMB'000
Continuing operations		
Interest income from financial assets held for cash management purpose	**1,121**	1,634
Finance income	**1,121**	1,634
Interest expenses		
— borrowings	**—**	(1,102)
— lease liabilities (Note 35(b))	**(228)**	(663)
Guarantee fee for bank borrowings	**—**	(233)
	(228)	(1,998)
Less: Amount capitalised	**—**	—
Finance costs	**(228)**	(1,998)
Finance income/(costs), net	**893**	(364)

12 MAJOR SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITY

(a) Subsidiaries

The Group's principal subsidiaries at 31 December 2024 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares/equity interests that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business of each entity.

Name of subsidiaries	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Ownership interest held by the Group	
				2024	2023
Besunyen Investment (BVI) Co., Ltd. ("**Besunyen BVI**")	British Virgin Islands ("**BVI**"), limited liability company	Investment holding in BVI	US$1	**100%**	100%
Besunyen (Hong Kong) Co., Ltd. 碧生源(香港)有限公司	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$1	**100%**	100%
Zenith City Limited 運眾有限公司	Hong Kong, limited liability company	Sales of therapeutic tea products in PRC	HK$1	**100%**	100%
Beijing Outsell Health Product Development Co., Ltd. ("**Beijing Outsell**") (note i) 北京澳特舒爾保健品開發有限公司	The PRC, limited liability company	Manufacture and sales of therapeutic tea products in PRC	RMB829,413,849	**100%**	100%
Beijing Pincha Online Ecommerce Co., Ltd. (note ii) 北京品茶在線電子商務有限公司	The PRC, limited liability company	Sales of therapeutic tea products in PRC	RMB80,000,000	**100%**	100%
Heilongjiang Besunyen Trading Co., Ltd. (note ii and note iv) 黑龍江碧生源商貿有限公司	The PRC, limited liability company	Sales of therapeutic tea products in PRC	RMB15,000,000	**–**	100%
Guangdong Runliang Pharmaceutical Co., Ltd. (note ii) 廣東潤良藥業有限公司	The PRC, limited liability company	Sales of weight-loss medicine in PRC	RMB133,000,000	**100%**	100%
Zhuhai Kangbaina Pharmaceutical Co., Ltd. (note ii and note iii) 珠海康百納藥業有限公司	The PRC, limited liability company	Sales of therapeutic tea products and medicines in PRC	RMB1,000,000	**–**	100%
Zhuhai Aolixin Pharmaceutical Co., Ltd. (note ii) 珠海奧利新醫藥有限公司	The PRC, limited liability company	Sales of medicine in PRC	RMB54,000,000	**100%**	100%

Notes to the Consolidated Financial Statements

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

(a) Subsidiaries *(Continued)*

Name of subsidiaries	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Ownership interest held by the Group 2024	2023
Beijing Besunyen E-Commerce Co., Ltd. (note ii) 北京碧生源電子商務有限公司	The PRC, limited liability company	Sales of therapeutic tea products in PRC	RMB45,000,000	**100%**	100%
Guangdong Runze Supply Chain Management Co., Ltd. (note ii) 廣東潤澤供應鏈管理有限公司	The PRC, limited liability company	Sales of therapeutic tea products in PRC	RMB5,000,000	**100%**	100%
Hangzhou Besunyen Ecommerce Co., Ltd. (note ii) 杭州碧生源電子商務有限公司	The PRC, limited liability company	Sales of therapeutic tea products in PRC	RMB1,000,000	**100%**	100%
Guangzhou Bihai Health Industry Co., Ltd. (note ii) 廣州碧海健康產業有限公司	The PRC, limited liability company	Sales of therapeutic tea products in PRC	RMB1,000,000	**100%**	100%
Jiangxi Yize Trading Co., Ltd. (note ii and note iv) 江西易澤商貿有限公司	The PRC, limited liability company	Sales of therapeutic tea products in PRC	RMB5,000,000	**–**	100%
Jiangxi Outsell Trading Co., Ltd. (note ii) 江西澳特舒爾商貿有限公司	The PRC, limited liability company	Sales of therapeutic tea products in PRC	RMB5,000,000	**100%**	100%
Jiangsu Besunyen Ecommerce Co., Ltd. ("**Jiangsu Besunyen Ecommerce**") (note ii) 江蘇碧生源電子商務有限公司	The PRC, limited liability company	Sales of therapeutic tea products in PRC	RMB10,000,000	**100%**	100%

Note:

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

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

iii. The subsidiary was disposed by the Group in 2024 (refer to Note 27).

iv. These subsidiaries were liquidated by the Group in 2024.

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

(b) Significant restrictions

Cash and cash equivalents and term deposits of approximately RMB132,373,000 (2023: RMB160,355,000) were held in Mainland China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

(c) Controlled structured entity

On 5 October 2023, the Group subscribed the 100% participating shares of Central China Dragon Global Opportunity Fund SPC ("**SPC Fund**") at HK$100 million (equivalent to approximately RMB91,747,000) in respect of Central China Dragon Global Opportunity Fund SP6「中州龍騰環球機會六號基金」, which is a segregated portfolio of the SPC Fund ("**GOSP6**"), according with the subscription application form signed with the SPC Fund and a third party asset management company, Central China Asset Management Company Limited (the "**Fund Manager**") for the purpose of wealth management.

As the Company is the only equity holder of GOSP6, and the fee paid to the Fund Manager is comparable to its service provided as an agent, the Group controls GOSP6. As a result, the directors of the Company considered that it is appropriate to consolidate the GOSP6.

Structured entity	Principal activities
GOSP6	Administering and holding the Company's investment acquired through the Fund Manager for the purpose of wealth management

The major assets held by GOSP6 are as follows:

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Restricted bank deposits (Note 24)	**13,548**	56,877
Financial assets measured at fair value through profit or loss:		
Investment in debt securities (Note 22(b))	**—**	21,130
Preferred share investment in a private company (note i and Note 22(c))	**12,947**	12,738
Loan receivable (note ii and Note 23):		
Principal	**64,823**	—
Interest	**4,970**	—
	69,793	—
	96,288	90,745

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

(c) Controlled structured entity *(Continued)*

Note:

i. It represented an investment of 3,318,470 preferred shares in a private pharmaceutical company amounting to USD1,800,000, which was acquired in November 2023 ("**Preferred Share Investment**"). Based on a revaluation statement provided by the Fund Manager, the Company considers the fair value of the investment approximates its investment cost, with changes of RMB209,000 due to change of foreign exchange rate.

ii. During the year, GOSP6 advanced a three-year private loan to a third-party, a company incorporated in BVI (the "**Borrower**"), amounting to HK$70,000,000 (equivalent to approximately RMB64,823,000). According to a term sheet of the loan provided by the Fund Manager, the loan is secured by the Borrower's indirect equity interests in a private company incorporated in the PRC and guaranteed by an individual who is a 100% shareholder of the Borrower. The interest rate of the private loan is fixed at 8% per annum. During the year, the Group accrued related interest amounting to HK$5,367,000 (equivalent to approximately RMB4,899,000), as disclosed in Note 8.

    The private loan is measured at amortised cost net of impairment charge. Based on a net asset value statement provided by the Fund Manager, the Company considers the recoverable amount of the private loan approximates its carrying value, accordingly no provision for impairment charge was made for the loan.

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Joint ventures (a)	**10,689**	14,788

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

	2024 RMB'000	2023 RMB'000
Continuing operations		
Joint ventures	**5,077**	970

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

(a) Investments in joint ventures

	RMB'000
Carrying amounts at 1 January 2023	29,196
Capital distributed to the Group (note i)	(24,228)
Investments in joint ventures (note ii)	8,850
Share of profit	970
Carrying amounts at 31 December 2023	14,788
Carrying amounts at 1 January 2024	**14,788**
Dividends from joint ventures	**(3,268)**
Disposal of equity interest held on joint ventures	**(192)**
Share of profit	**5,305**
Liquidation of joint ventures (note i)	**(5,944)**
Carrying amounts at 31 December 2024	**10,689**

The Group's investments in joint ventures are all jointly incorporated in the PRC with third parties and measured using the equity method. Details of the joint ventures as at 31 December 2024 and 2023 are as below:

Name of entity	Initial investments	% of equity interest	
	RMB	**2024**	2023
Ningbo Yuanyuan Liuchang Investment Management Co., Ltd. (the "**Yuanyuan Liuchang**") (note i) 寧波源遠流長投資管理有限公司	50,000	**50%**	50%
Ningbo Yuanyuan Liuchang Investment Centre (Limited Partnership) (the "**Yuanyuan Liuchang Fund**") (note i) 寧波源遠流長投資中心(有限合夥)	79,210,000	**89.5%**	89.5%
Beijing Bishengjuyuan Enterprise Management Consulting Co., Ltd. (the "**Bishengjuyuan**") (note ii) 北京碧生聚源企業管理諮詢有限公司	1,800,000	**30%**	30%
Jiangsu Besunyen Trading Co., Ltd. (the "**Jiangsu Trading**") (note ii) 江蘇碧生源商貿有限公司	1,500,000	**39%**	39%
Jiangxi Besunyen Biotechnology Co., Ltd. (the "**Jiangxi Biotechnology**") (note ii) 江西碧生源生物有限公司	1,500,000	**39%**	39%

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

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

Name of entity	**Initial investments** RMB	**% of equity interest** **2024**	2023
Jiangxi Besunyen Trading Co., Ltd. (the "**Jiangxi Trading**") (note ii) 江西碧生源商貿有限公司	1,500,000	**39%**	39%
Jiangxi Besunyen Technology Co., Ltd. (the "**Jiangxi Technology**") (note ii) 江西碧生源科技有限公司	1,500,000	**39%**	39%
Guangzhou Bihan Network Technology Co., Ltd. (the "**Guangzhou Bihan Network**") (note ii) 廣州碧瀚網路科技有限公司	300,000	**30%**	30%
Hangzhou Bihan Network Technology Co., Ltd. (the "**Hangzhou Bihan Network**") (note ii) 杭州碧瀚網路科技有限公司	300,000	**30%**	45%
Beijing Bihan E-commerce Co., Ltd. (the "**Beijing Bihan E-commerce**") (note ii) 北京碧瀚電子商務有限公司	300,000	**30%**	30%
Beijing Zhongke Huikai Technology Co., Ltd. (the "**Zhongke Huikai Technology**") 北京中科匯凱科技有限公司 (note ii)	90,000	**30%**	—

Note:

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

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

In 2024, the Yuanyuan Liuchang Fund and Yuanyuan Liuchang was in the process of liquidation. In August 2024, the Group received related proceeds of approximately RMB2,122,000, and recognised an investment loss of RMB3,822,000 represented in "Other gains, net".

ii In 2023, in order to realise the co-creation and co-sharing incentive model, the Group has made strategic adjustments to the business operation model and staff structure (the "**Strategic Adjustments**") by inviting the Group's core personnels to jointly establish certain joint venture entities. Meanwhile, the Group has entered into series services/distribution agreements with the new established joint ventures which became customers/vendors of the Group to distribute the Group's product offline or provide operational services related to OTC, e-commerce as well as marketing.

The Companies were all established following the Group's Strategic Adjustments.

Commitments and contingent liabilities in respect of joint ventures

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

14 INCOME TAX EXPENSE

	2024 RMB'000	2023 RMB'000
Continuing operations		
Current income tax	**4,273**	119
Deferred income tax	**8,444**	9,305
Income tax expense	**12,717**	9,424

The Company was incorporated in the Cayman Islands and Besunyen BVI was incorporated in the BVI and they are tax exempted under the tax laws of the Cayman Islands and the BVI respectively.

Certain subsidiaries of the Group are Hong Kong tax residents and subject to Hong Kong profit tax.

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

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

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

Jiangsu Besunyen Ecommerce which was established by the Group in May 2023, is entitled to the preferential policy of Small and Micro-sized enterprises from establish date to 31 December 2024, for which the applicable income tax rate is 5%.

All other PRC subsidiaries of the Group are subject to the statutory corporate income tax rate of 25% (2023: 25%).

14 INCOME TAX EXPENSE *(Continued)*

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

	2024 **RMB'000**	2023 RMB'000
Continuing operations		
Gains/(losses) from continuing operations before income tax expense	**27,521**	(149,681)
Tax at statutory income tax rate	**5,611**	(32,256)
Effect of preferential tax rate granted	**(1,104)**	(2,663)
Tax losses or temporary differences for which no deferred income tax asset was recognised	**3,636**	39,056
Reversal of deferred tax assets	**—**	4,534
Utilisation or recognition of unrecognised tax losses/deductible temporary differences	**(2,096)**	(815)
Additional tax deduction for research and development expenses according to the laws and regulations	**(863)**	(1,905)
Dividend tax provision for distributable profits of PRC subsidiaries	**3,703**	(1,071)
Tax effect of expenses not deductible for tax purposes and others	**3,830**	4,544
Income tax expense	**12,717**	9,424

15 EARNINGS/(LOSSES) PER SHARE

(a) Basic

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

	2024	2023
Profit/(loss) attributable to owners of the Company (RMB'000)		
— Continuing operations	**14,804**	(159,105)
— Discontinued operations	**—**	(140,138)
	14,804	(299,243)
Weighted-average number of ordinary shares in issue (thousands)	**122,266**	122,266
Basic earnings/(losses) per share (RMB)		
— Continuing operations	**0.12**	(1.30)
— Discontinued operations	**—**	(1.15)
	0.12	(2.45)

(b) Diluted

Diluted earnings/(losses) 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 by the Company (collectively forming the denominator for computing the diluted earnings per share).

The computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options granted in 2024 as the exercise prices of the share options were higher than the average market price of the Company's shares at the period when the share options were outstanding.

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	Plant and machinery RMB'000	Furniture and others RMB'000	Construction in progress RMB'000	Total RMB'000
COST					
At 1 January 2023	335,249	354,688	92,742	5,826	788,505
Additions	—	2,160	717	3,870	6,747
Transfer	79	2,151	74	(2,304)	—
Disposals/write-off (Note 36(b))	(1,071)	(42)	(4,093)	—	(5,206)
Disposals of subsidiaries	(177,121)	(158,929)	(38,989)	(5,214)	(380,253)
At 31 December 2023	157,136	200,028	50,451	2,178	409,793
At 1 January 2024	**157,136**	**200,028**	**50,451**	**2,178**	**409,793**
Additions	**563**	**62**	**4,058**	**1,535**	**6,218**
Transfer	**3,713**	**—**	**—**	**(3,713)**	**—**
Disposals/write-off (Note 36(b))	**(2,163)**	**(29,079)**	**(1,481)**	**—**	**(32,723)**
Disposals of subsidiaries (Note 27(a))	**(9,537)**	**—**	**(711)**	**—**	**(10,248)**
At 31 December 2024	**149,712**	**171,011**	**52,317**	**—**	**373,040**
ACCUMULATED DEPRECIATION					
At 1 January 2023	103,413	211,663	61,050	—	376,126
Charge for the year					
— Continuing operations	8,551	3,275	3,409	—	15,235
— Discontinued operations	7,403	5,476	2,833	—	15,712
Disposals/write-off (Note 36(b))	(779)	(40)	(3,919)	—	(4,738)
Disposals of subsidiaries	(46,410)	(33,747)	(30,629)	—	(110,786)
At 31 December 2023	72,178	186,627	32,744	—	291,549
At 1 January 2024	**72,178**	**186,627**	**32,744**	**—**	**291,549**
Charge for the year					
— Continuing operations	**8,997**	**1,655**	**2,404**	**—**	**13,056**
Disposals/write-off (Note 36(b))	**(1,948)**	**(27,228)**	**(1,349)**	**—**	**(30,525)**
Disposals of subsidiaries (Note 27(a))	**(8,420)**	**—**	**(707)**	**—**	**(9,127)**
At 31 December 2024	**70,807**	**161,054**	**33,092**	**—**	**264,953**
ACCUMULATED IMPAIRMENT					
At 1 January 2023	2,658	11,607	—	—	14,265
Impairment charge					
— Discontinued operations	87,095	18,531	6,083	2,523	114,232
Disposals of subsidiaries	(88,725)	(30,138)	(6,083)	(2,523)	(127,469)
At 31 December 2023	1,028	—	—	—	1,028
At 1 January 2024	**1,028**	**—**	**—**	**—**	**1,028**
Disposals of subsidiaries (Note 27(a))	**(1,028)**	**—**	**—**	**—**	**(1,028)**
At 31 December 2024	**—**	**—**	**—**	**—**	**—**
NET BOOK VALUE					
At 31 December 2024	**78,905**	**9,957**	**19,225**	**—**	**108,087**
At 31 December 2023	83,930	13,401	17,707	2,178	117,216

16 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) Depreciation methods and useful lives

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

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

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

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

	2024 RMB'000	2023 RMB'000
Continuing operations		
Cost of sales	**4,693**	4,665
Administrative expenses	**6,533**	5,851
Research and development costs	**411**	659
Selling and marketing expenses	**1,419**	4,060
	13,056	15,235

(c) The addition in construction in progress in 2024 included the finance costs capitalised is nil (2023: nil).

(d) As at 31 December 2024 and 31 December 2023, the Group has no pledges of assets.

17 RIGHT-OF-USE ASSETS

		Leased properties	
	Land use rights	Office premises and staff quarters	Total
	RMB'000 (note a)	RMB'000	RMB'000
At 1 January 2023	60,569	17,650	78,219
Additions	—	3,542	3,542
Depreciation			
— Continuing operations	(411)	(7,260)	(7,671)
— Discontinued operations	(400)	(556)	(956)
Termination	—	(6,592)	(6,592)
Impairment			
— Discontinued operations	(16,691)	—	(16,691)
Disposals of subsidiaries	(26,111)	(1,612)	(27,723)
At 31 December 2023	16,956	5,172	22,128
At 1 January 2024	**16,956**	**5,172**	**22,128**
Additions	**—**	**5,529**	**5,529**
Depreciation			
— Continuing operations	**(396)**	**(4,124)**	**(4,520)**
Termination	**(449)**	**(936)**	**(1,385)**
At 31 December 2024	**16,111**	**5,641**	**21,752**

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

	2024	2023
	RMB'000	RMB'000
Continuing operations		
Cost of sales	**433**	626
Research and development costs	**148**	344
Selling and marketing expenses	**971**	2,834
Administrative expenses	**2,968**	3,867
	4,520	7,671

Note:

(a) As at 31 December 2024 and 31 December 2023, the Group has no pledges of assets.

18 INTANGIBLE ASSETS

	Goodwill	Trade-marks and brand name	Computer software	Exclusive medicine distribution right	Medicine production licenses	Patents and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2023	60,253	15,548	11,994	7,740	126,000	17,971	239,506
Additions	—	58	—	—	—	198	256
Disposals of subsidiaries	(56,137)	(19)	(1,115)	(4,802)	(126,000)	(17,856)	(205,929)
At 31 December 2023	4,116	15,587	10,879	2,938	—	313	33,833
At 1 January 2024	**4,116**	**15,587**	**10,879**	**2,938**	**—**	**313**	**33,833**
Additions	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Disposals (Note 36(b))	**—**	**—**	**(78)**	**—**	**—**	**—**	**(78)**
Disposals of subsidiaries (Note 27(a))	**(4,116)**	**(1,900)**	**(730)**	**—**	**—**	**—**	**(6,746)**
At 31 December 2024	**—**	**13,687**	**10,071**	**2,938**	**—**	**313**	**27,009**
ACCUMULATED AMORTISATION							
At 1 January 2023	—	13,422	10,856	2,938	42,839	5,788	75,843
Charge for the year							
— Continuing operations	—	484	212	—	—	9	705
— Discontinued operations	—	—	8	—	3,013	66	3,087
Disposals of subsidiaries	—	(15)	(1,070)	—	(45,852)	(5,780)	(52,717)
At 31 December 2023	—	13,891	10,006	2,938	—	83	26,918
At 1 January 2024	**—**	**13,891**	**10,006**	**2,938**	**—**	**83**	**26,918**
Charge for the year							
— Continuing operations	**—**	**215**	**141**	**—**	**—**	**20**	**376**
Disposals (Note 36(b))	**—**	**—**	**(78)**	**—**	**—**	**—**	**(78)**
Disposals of subsidiaries (Note 27(a))	**—**	**(1,203)**	**(778)**	**—**	**—**	**—**	**(1,981)**
At 31 December 2024	**—**	**12,903**	**9,291**	**2,938**	**—**	**103**	**25,235**
ACCUMULATED IMPAIRMENT							
At 1 January 2023	7,916	—	—	4,802	15,161	3,825	31,704
Addition							
— Discontinued operations	52,337	—	—	—	32,385	—	84,722
Disposals of subsidiaries	(56,137)	—	—	(4,802)	(47,546)	(3,825)	(112,310)
At 31 December 2023	4,116	—	—	—	—	—	4,116
At 1 January 2024	**4,116**	**—**	**—**	**—**	**—**	**—**	**4,116**
Addition							
Disposals of subsidiaries (Note 27(a))	**(4,116)**	**—**	**—**	**—**	**—**	**—**	**(4,116)**
At 31 December 2024	**—**	**—**	**—**	**—**	**—**	**—**	**—**
NET BOOK VALUE							
At 31 December 2024	**—**	**784**	**780**	**—**	**—**	**210**	**1,774**
At 31 December 2023	—	1,696	873	—	—	230	2,799

18 INTANGIBLE ASSETS *(Continued)*

(a) Amortisation methods and periods

The Group amortises intangible assets with a finite useful life by using the straight-line method as follows:

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

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

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

	2024 RMB'000	2023 RMB'000
Continuing operations		
Cost of sales	**135**	215
Administrative expenses	**188**	270
Research and development costs	**12**	32
Selling and marketing expenses	**41**	188
	376	705

19 INVENTORIES

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Raw materials and packaging materials	**3,743**	5,111
Work in progress	**1,648**	1,765
Finished goods	**21,020**	16,693
	26,411	23,569
Less: Provision for impairment	**—**	—
	26,411	23,569

For continuing operations, the cost of inventories recognised as expense and included in "cost of sales" and "research and development costs" amounted to approximately RMB133,932,000 and RMB48,000 (2023: RMB169,062,000 and RMB65,000), respectively.

20 TRADE RECEIVABLES

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Trade receivables	**20,633**	48,286
Less: Loss allowance	**(41)**	(91)
	20,592	48,195

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

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

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
0–90 days	**20,398**	47,740
91–180 days	**57**	316
181–365 days	**86**	55
Over 365 days	**51**	84
	20,592	48,195

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

20 TRADE RECEIVABLES *(Continued)*

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

	2024 **RMB'000**	2023 RMB'000
Opening loss allowance as at 1 January	**91**	127
Increase in loss allowance recognised in profit or loss for the year	**26**	59
Unused amount reversed	**(76)**	(79)
Disposals of subsidiaries	**—**	(16)
At 31 December	**41**	91

(e) As at 31 December 2024 and 2023, the carrying amounts of trade receivables approximate their fair values due to the short maturities of the related assets.

21 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Prepayment for advertisement	**—**	7,323
Prepayment to suppliers	**14,987**	15,779
Other receivables	**22,575**	16,098
Others	**4,734**	2,377
	42,296	41,577
Less: loss allowance	**(1,749)**	—
	40,547	41,577

Movement in the allowance for impairment of other receivables is as follows:

	2024 **RMB'000**	2023 RMB'000
Opening loss allowance as at 1 January	**—**	—
Increase in loss allowance recognised in profit or loss for the year	**1,749**	—
At 31 December	**1,749**	—

As at 31 December 2024, the carrying amounts of other receivables approximate their fair values due to the short maturities of the related assets.

21 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

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

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
HK$	**52**	51

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

22 FINANCIAL ASSETS MEASURED AT FVTPL

Financial assets mandatorily measured at FVTPL include the following:

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Current assets		
Wealth management products and structured deposits (note a)	—	—
Investments in debt securities (note b)	—	21,130
	—	21,130
Non-current assets		
Preferred Share Investment (note c, Note 12 (c) (i))	**12,947**	12,738
Equity investment in other private company (note c)	**18,471**	19,880
Investments in funds (note d)	**48,016**	36,329
	79,434	68,947
	79,434	90,077

22 FINANCIAL ASSETS MEASURED AT FVTPL *(Continued)*

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

	2024 RMB'000	2023 RMB'000
Continuing operations		
Realised fair value gains recognised in "Other gains, net"		
Wealth management products and structured deposits (note a and Note 9)	**1,992**	2,864
Investments in debt securities (note b, Note 9 and Note 12)	**415**	—
Investments in funds (note d and Note 9)	**314**	—
	2,721	2,864
Unrealised fair value (losses)/gains		
Preferred Share Investment (note c and Note 12)	**(68)**	(35)
Equity investments in other private companies (note c)	**(1,409)**	—
Investments in funds (note d)	**(272)**	426
Investments in debt securities (note b and Note 12)	**—**	110
	(1,749)	501
	972	3,365

Note:

a. The Group's wealth management products and structured deposits purchased from commercial financial institutes are denominated in RMB, with expected rates of return ranging from 2.14% to 2.90% per annum for the year ended 31 December 2024 (2023: 1.00% to 3.21%). The returns of these wealth management products and structured deposits are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at FVTPL, and the fair values are based on discounted cash flow using the expected return based on management estimation and are within level 3 of the fair value hierarchy. There are no balance amounts as at 31 December 2024 and 2023.

b. The investments in debt securities are fixed-rate corporate bonds denominated in US$, and are mainly issued by corporates and banks and the fair value of such debt securities was determined based on quoted price on bond market. As at 31 December 2024, the abovementioned investments has been fully redeemed.

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

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

   In August 2024, Beijing Outsell, a subsidiary of the Group, invested RMB13.4 million in Shanghai Yuanxing Zhiyin Venture Capital Partnership (Limited Partnership) (the "**Yuanxing**") to acquire 16.067% equity interest of Yuanxing. Considering that the Group can neither control nor exercise significant influence on Yuanxing, the management recognised this investment as financial assets measured at FVTPL.

23 LOAN RECEIVABLE

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Loan receivable	**69,793**	—

This represented a private loan advanced to a third party. The details of the loan receivable are disclosed in note 12(c)(ii).

24 RESTRICTED BANK DEPOSITS

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Cash and cash equivalent held in GOSP6 (Note 12)	**13,548**	56,877
Cash in transit	**109**	—
	13,657	56,877

25 SHORT-TERM BANK DEPOSITS

An analysis of the Group's term deposits as at 31 December 2024 and 2023 are listed as below:

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Short-term bank deposits	**—**	62,576

There is no short-term bank deposits of the Group for the year ended 31 December 2024 (2023: effective interest rate of 1.84% to 5.16%).

The term deposits are denominated in currencies are as follow:

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
HK$	**—**	62,576

26 CASH AND CASH EQUIVALENTS

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Cash at bank and on hand	**134,155**	169,082

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

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
US$	**185**	2,859
HK$	**1,589**	5,723

27 DISPOSALS OF SUBSIDIARIES

(a) Disposals of Zhuhai Kangbaina Pharmaceutical Co., Ltd. (the "Kangbaina")

Pursuant to an equity transfer agreement entered into by Qianruiwanfu and an independent third party, Zhuhai Hengqin Duomei Medical Technology Co., Ltd. ("**Hengqin Duomei**") dated on 20 November 2023, Qianruiwanfu has agreed to dispose of 100% equity interests in Kangbaina, which is a wholly-owned subsidiary of Qianruiwanfu, to Hengqin Duomei, at a cash consideration of RMB3,000,000. On 10 April 2024, the disposal of Kangbaina was completed and resulted in a net loss of approximately RMB326,000.

(i) Details of net loss on the disposal were as below:

	2024 RMB'000
Total cash consideration (note)	**3,000**
Carrying amount of net assets of Kangbaina at the date of disposal	**(3,326)**
Net loss on the disposal of Kangbaina	**(326)**

Note:

The consideration of RMB3,000,000 was prepaid by Hengqin Duomei on 29 December 2023 as deposits for the transaction.

27 DISPOSALS OF SUBSIDIARIES *(Continued)*

(a) Disposals of Zhuhai Kangbaina Pharmaceutical Co., Ltd. (the "Kangbaina") *(Continued)*

(ii) The carrying amounts of net assets of Kangbaina as at the date of disposal was as below:

	As at 10 April 2024 RMB'000
Property, plant and equipment (Note 16)	93
Intangible assets (Note 18)	649
Inventories	101
Trade receivables	2,629
Deposits, prepayment and other receivables	348
Cash and cash equivalents	339
Total assets	**4,159**
Deferred income tax liabilities	(162)
Trade and bills payables	(80)
Other payables and accrued expenses	(438)
Contract liabilities	(153)
Total liabilities	**(833)**
Carrying amount of net assets of Kangbaina at the date of disposal	**3,326**

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

	2024 RMB'000
Cash received	—
Cash and cash equivalents disposed	(339)
Cash outflow from disposal of Kangbaina, net	**(339)**

27 DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) Disposal of Zhongshan Wanhan Pharmacy Co., Ltd., Zhongshan Wanyuan New Medicine Research and Development Co., Ltd. and Zhongshan Wanhan Pharmaceutical Co., Ltd. (collectively the "Wanhan and Wanyuan")

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

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

On 30 June 2023, the disposals of the Wanhan and Wanyuan were completed.

(i) Loss for the year from discontinued operations of Wanhan and Wanyuan was as below :

	2023 RMB'000
Loss for the year	(167,225)
Net loss on the disposals	(8,547)
	(175,772)
Loss for the year from discontinued operations attributable to:	
— Owner of the Company	(117,501)
— Non-controlling interests	(58,271)

(ii) The cash flows from the disposals of Wanhan and Wanyuan were as below:

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

27 DISPOSALS OF SUBSIDIARIES *(Continued)*

(c) Disposal of Henan Xueyinghua Pharmaceutical Co., Ltd. ("Henan Xueyinghua")

Pursuant to an equity transfer agreement entered into by Qianruiwanfu and a third party, Tibet Jing Zhiyuan Trading Co., Ltd. (the "**Jing Zhiyuan**") dated on 8 September 2023, Qianruiwanfu has agreed to dispose of 100% equity interests in Henan Xueyinghua, which is a wholly-owned subsidiary of Qianruiwanfu, to Jing Zhiyuan, at a cash consideration of RMB14.8million.

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

On 19 September 2023, the disposal of Henan Xueyinghua was completed and resulted in a net loss of approximately RMB16.74 million.

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

	2023 RMB'000
Loss for the year	(5,894)
Net loss on the disposal	(16,743)
	(22,637)
Loss for the year from discontinued operations attributable to:	
— Owner of the Company	(22,637)
— Non-controlling interests	—

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

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

28 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Nominal value of ordinary shares US$	Equivalent nominal value of ordinary share RMB'000
Authorised:			
Ordinary shares of US$0.0003333332 each			
At 1 January 2023, 31 December 2023 and 2024	150,000,000	50,000	341
Issued and fully paid:			
At 1 January 2023, 31 December 2023 and 2024	122,265,585	40,755	288

29 OTHER RESERVES

	Merger reserve RMB'000	Capital redemption reserve and capital reserve RMB'000	Statutory surplus reserve RMB'000	Share based payment reserve RMB'000	Other reserve RMB'000	Total RMB'000
At 1 January 2023	230,864	(9,886)	78,410	43,483	—	342,871
Currency translation differences	—	—	—	—	(1,124)	(1,124)
At 31 December 2023	230,864	(9,886)	78,410	43,483	(1,124)	341,747
At 1 January 2024	**230,864**	**(9,886)**	**78,410**	**43,483**	**(1,124)**	**341,747**
Share-based payments	**—**	**—**	**—**	**4,198**	**—**	**4,198**
Currency translation differences	**—**	**—**	**—**	**—**	**2,028**	**2,028**
At 31 December 2024	**230,864**	**(9,886)**	**78,410**	**47,681**	**904**	**347,973**

30 SHARE-BASED PAYMENTS

The Company's share option scheme (the "**Share Option Scheme**") was adopted pursuant to a resolution passed on 11 April 2024 for the purpose of providing incentives or rewards for eligible participants for their contribution to the Group. Under the Share Option Scheme, the board of directors of the Company may grant 12,226,000 share options to eligible directors and employees of the Group (the "**Employee Participants**") and an eligible employee of a joint venture of the Group (the "**Related Entity Participant**") to subscribe for shares in the Company within 10 years.

Set out below are summaries of options granted under the Share Option Scheme:

	Share Option Scheme		
	Average exercise price (HK$)	**Number of options**	**Total number of options**
At 1 January 2024	—	—	—
Granted	**2.82**	**12,226,000**	**12,226,000**
At 31 December 2024	**2.82**	**12,226,000**	**12,226,000**
Exercisable as at 31 December 2024	**2.82**	**12,226,000**	**12,226,000**

Details of specific category of options are as follows:

Option type	Grant Date	Number of share option granted	Vesting period	Expiry date	Exercise price HK$	Fair value of option at grant date HK$
Batch I	29 September 2024	1,222,000	29 September 2024 to 7 May 2025	7 May 2034	2.822	0.49
Batch II	29 September 2024	11,004,000	29 September 2024 to 30 September2024	7 May 2034	2.822	0.40

Pursuant to the Share Option Scheme, up to 100% of the Batch I option type granted on 29 September 2024 shall be exercisable during the period from the date of grant to 7 May 2025 and ending on the expiry of the option period.

Pursuant to the Share Option Scheme, up to 100% of the Batch II option type granted on 29 September 2024 shall be exercisable during the period from the business day immediately after the date of satisfaction of the relevant vesting conditions and ending on the expiry of the option period.

30 SHARE-BASED PAYMENTS *(Continued)*

Fair values of options were estimated by the directors with reference to valuations carried out by an independent firm of professional valuer. The binomial option pricing model has been used to estimate the fair value of the options. The following assumptions were used to calculate the fair value of share options granted during the year ended 31 December 2024:

	Option types	
	Batch I	**Batch II**
Exercise price (HK$)	2.822	2.822
Expected volatility	51.22%	51.22%
Time to maturity	9.61	9.61
Dividend yield	5.39%	5.39%
Risk-free interest rate	2.70%	2.70%
Total estimated fair value of the options granted (RMB'000)	540	3,970

Expected volatility: the selected volatility was estimated based on based on the annualized standard deviation of the daily return embedded in historical stock prices of the Company with a time horizon close to the expected term as of each grant date.

Risk-free interest rate: The risk-free interest rates are based on yield to maturity of Hong Kong government bond with time to maturity close to expected term of the options as of each grant date.

Dividend yield: the selected dividend yield was estimated based on the management's best estimation and historical dividend yield of the Company with a term close to the remaining time to maturity as of each grant date.

The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised expense of RMB3,970,000 and share of loss of investments accounted for using the equity method of RMB228,000 for the year ended 31 December 2024 (2023: nil) in relation to share options granted by the Company.

31 DEFERRED GOVERNMENT GRANTS

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

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
At 1 January	**2,187**	41,679
Income recognition for the year	**(136)**	(967)
Disposals of subsidiaries	**—**	(38,525)
At 31 December	**2,051**	2,187

32 DEFERRED INCOME TAX

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

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Deferred income tax assets:		
— Deferred income tax asset to be recovered after more than 12 months	**23,998**	29,353
— Deferred income tax assets to be recovered within 12 months	**10,648**	13,272
	34,646	42,625
Offsetting of deferred tax liabilities	**(844)**	(698)
Net deferred tax assets	**33,802**	41,927
Deferred income tax liabilities:		
— Deferred income tax liability to be settled after more than 12 months	**(1,169)**	(435)
— Deferred income tax liability to be settled within 12 months	**(1,082)**	(1,513)
	(2,251)	(1,948)
Offsetting of deferred tax assets	**844**	698
Net deferred tax liabilities	**(1,407)**	(1,250)

32 DEFERRED INCOME TAX *(Continued)*

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

Deferred income tax assets

	Accrued expenses and payables RMB'000	Lease liabilities RMB'000	Deferred government grants RMB'000	Tax losses RMB'000	Unrealised profit for intra-group transaction RMB'000 (Note)	Total RMB'000
At 1 January 2023	12,570	2,342	6,266	47,414	4,506	73,098
Charges to profit or loss						
— Continuing operations	(6,682)	(1,267)	(348)	(1,658)	(1,345)	(11,300)
— Discontinued operations	(830)	(389)	(5,906)	(12,048)	—	(19,173)
At 31 December 2023	5,058	686	12	33,708	3,161	42,625
At 1 January 2024	**5,058**	**686**	**12**	**33,708**	**3,161**	**42,625**
(Charges)/credit to profit or loss						
— Continuing operations	**(2,277)**	**199**	**(12)**	**(5,835)**	**(54)**	**(7,979)**
At 31 December 2024	**2,781**	**885**	**—**	**27,873**	**3,107**	**34,646**

Note:

The unrealised profit for intra-group transaction mainly comprised the gain on the transfer to certain properties within the Group subsidiaries before 1 January 2024 and the profit resulted from intra-group sales transaction during the year ended 31 December 2024.

32 DEFERRED INCOME TAX *(Continued)*

Deferred income tax liabilities

	Withholding tax on undistributed earnings RMB'000	Unrealised fair value change RMB'000	Right-of-use assets RMB'000	Accelerated depreciation on property, plant and equipment RMB'000	Non-current assets identified in business combination RMB'000	Total RMB'000
At 1 January 2023	(7,752)	(652)	(2,395)	(15,195)	(23,665)	(49,659)
Disposal of subsidiaries	5,006	—	—	1,901	22,467	29,374
Credit/(charges) to profit or loss						
— Continuing operations	1,071	(460)	1,340	—	44	1,995
— Discontinued operations	1,675	—	395	13,294	978	16,342
At 31 December 2023	—	(1,112)	(660)	—	(176)	(1,948)
At 1 January 2024	**—**	**(1,112)**	**(660)**	**—**	**(176)**	**(1,948)**
Disposal of subsidiaries (Note 27(a))	**—**	**—**	**—**	**—**	**162**	**162**
Credit/(charges) to profit or loss						
— Continuing operations	**(703)**	**419**	**(195)**	**—**	**14**	**(465)**
At 31 December 2024	**(703)**	**(693)**	**(855)**	**—**	**—**	**(2,251)**

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

As at 31 December 2024, the Group had unused tax losses of approximately RMB606,074,000 (31 December 2023: RMB578,622,000) that can be carried forward against future taxable income. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future taxable income. The unused tax losses of the Group were mainly from the subsidiaries incorporated in Mainland China, where the accumulated tax losses will normally expire within 5 years.

(b) As at 31 December 2024, the Group has unrecognised deductible temporary differences (including the advertising expenses incurred in excess of the maximum deductible caps as accumulated for the tax financial years from 2012 to 2023) and other accrued expenses of approximately RMB9,306,000 (2023: RMB31,483,000).

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

33 TRADE AND BILLS PAYABLES

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

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
0–90 days	**3,087**	15,925
91–180 days	**—**	12
Over 180 days	**69**	610
	3,156	16,547

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

There is no bills payable as at 31 December 2024.

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

The trade and bill payables are all denominated in RMB.

34 OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Payroll and welfare payable	**8,459**	30,260
Accrued expenses	**7,013**	22,611
Accrued sales rebates	**5,336**	9,037
Taxes and surcharges payable	**6,623**	5,155
Payable to suppliers for:		
— purchases of e-commerce platform service	**16,465**	12,991
— purchases of property, plant and equipment	**4,890**	4,890
— advertisement	**—**	3,962
Deposits received from the disposal of a subsidiary	**—**	3,000
Others	**17,370**	28,098
	66,156	120,004

35 LEASE LIABILITIES

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Lease liabilities		
Current	**3,207**	3,239
Non-current	**2,474**	1,875
	5,681	5,114

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

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

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

	2024 RMB'000	2023 RMB'000
Depreciation of right-of-use assets (Note 17)	**4,124**	7,260
Interest expense (included in finance costs) (Note 11)	**228**	663
Total cash outflow for leases	**4,213**	8,708
Expense relating to short-term leases (included in cost of goods sold, selling expenses, administrative expenses and research and development expenses) (Note 7)	**2,127**	1,931
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in selling expenses, administrative expenses and research and development expenses) (Note 7)	**31**	22

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

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

The Group leases various offices, warehouses, and apartments. Rental contracts are typically made for fixed periods of 1 month to 5 years, but they might have extension options as described below.

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

36 CASH USED IN OPERATIONS

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

	2024 RMB'000	2023 RMB'000
Cash flows from operating activities		
Profit/(loss) before income tax (continuing operations)	**27,521**	(149,681)
Adjustments for:		
Depreciation of right-of-use assets	**4,520**	7,671
Amortisation of intangible assets	**376**	705
Depreciation of property, plant and equipment	**13,056**	15,235
Impairment losses on non-current assets	**—**	3,000
Finance costs	**228**	1,998
Interest income	**(6,734)**	(4,197)
Finance income	**(1,121)**	(1,634)
Net fair value gains on wealth management products and structured deposits measured at FVTPL	**(1,992)**	(2,864)
Net fair value gains on debt securities measured at FVTPL	**(415)**	(110)
Net fair value gains on investment in funds measured at FVTPL	**(314)**	—
Change in fair value of long-term investments measured at FVTPL	**1,749**	(391)
Net losses on disposals of property, plant and equipment	**39**	59
Net (gains)/losses on termination of lease	**(42)**	1,278
Recognition of deferred government grants	**(136)**	(136)
Provision for/(reversal of) impairment of trade receivables and other receivables	**1,699**	(20)
Write-off of inventories	**1,425**	—
Losses on disposal of subsidiaries	**326**	—
Foreign exchange losses/(gains)	**1,694**	(1,026)
Share of profit of investments accounted for using the equity method	**(5,077)**	(970)
Share-based payments	**3,970**	—
Operating cash flows before changes in working capital	**40,772**	(131,083)
(Increase)/decrease in inventories	**(4,371)**	21,636
Decrease in trade and bills receivable	**29,888**	47,110
Decrease in deposits, prepayments and other receivables	**9,971**	22,816
(Decrease)/increase in trade and bills payables	**(13,310)**	13,593
Decrease in other payables and accrued expenses	**(53,409)**	(1,049)
Increase/(decrease) in contract liabilities	**4,589**	(7,635)
Cash generated from/(used in) operations (continuing operations)	**14,130**	(34,612)

36 CASH USED IN OPERATIONS *(Continued)*

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

	2024 RMB'000	2023 RMB'000
Net book amount (Note 16, 17 and 18)	**2,647**	468
Net losses on disposals of property, plant and equipment and land use rights (Note 9)	**(39)**	(59)
Proceeds from disposals of property, plant and equipment and land use rights	**2,608**	409

(c) Net debt reconciliation

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

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Cash and cash equivalents	**134,155**	169,082
Short-term bank deposits	**—**	62,576
Debt securities measured at FVTPL	**—**	21,130
Lease liabilities	**(5,681)**	(5,114)
Net debt	**128,474**	247,674
Cash and liquid investments	**134,155**	252,788
Gross debt — fixed interest rates	**(5,681)**	(5,114)
Net debt	**128,474**	247,674

36 CASH USED IN OPERATIONS *(Continued)*

(c) Net debt reconciliation *(Continued)*

	Liabilities from financing activities		Other assets			
	Borrowings RMB'000	Lease liabilities RMB'000	Cash and cash equivalents RMB'000	Short-term bank deposits RMB'000	Short-term financial assets measured at FVTPL RMB'000	Total RMB'000
Net debt as at 31 December 2022	(177,571)	(17,316)	230,320	247,670	—	283,103
Cash flows						
— continuing operations	84,872	8,045	(61,159)	(51,028)	21,317	2,047
— discontinued operations	92,699	1,795	(1,579)	(134,066)	—	(41,151)
Changes of leases	—	2,362	—	—	—	2,362
Exchange losses on cash and cash equivalents	—	—	1,500	—	—	1,500
Non-cash movement	—	—	—	—	(187)	(187)
Net debt as at 31 December 2023	—	(5,114)	169,082	62,576	21,130	247,674
Cash flows						
— continuing operations	**—**	**3,985**	**(33,939)**	**(64,800)**	**(21,800)**	**(116,554)**
Changes of leases	**—**	**(4,552)**	**—**	**—**	**—**	**(4,552)**
Exchange losses on cash and cash equivalents	**—**	**—**	**(988)**	**—**	**—**	**(988)**
Non-cash movement	**—**	**—**	**—**	**2,224**	**670**	**2,894**
Net debt as at 31 December 2024	**—**	**(5,681)**	**134,155**	**—**	**—**	**128,474**

37 DIVIDENDS

	2024 **RMB'000**	2023 RMB'000
Interim dividend paid for the current year, of HK$0.9 (2023: Nil) per ordinary share	**99,624**	—

On 2 September 2024, the Board has declared a dividend of HK$0.9 per share, amounting to a total dividend of HK$110,039,000 (equivalent to approximately RMB99,624,000).

Pursuant to the board resolution on 31 March 2025, the Board has resolved to recommend for declaration and payment of a final dividend of HK10 cents per share (approximately HK$12,227,000 in aggregate) for the year ended 31 December 2024 subject to the approval by the shareholders of the Company at the forthcoming annual general meeting.

38 COMMITMENT

(a) Capital commitment

Capital expenditures contracted for at end of year but not yet incurred are as follows:

	2024	2023
	RMB'000	RMB'000
Property, plant and equipment	**213**	2,400

39 RELATED PARTY TRANSACTIONS

(a) Key management compensation

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

	2024	2023
	RMB'000	RMB'000
Salaries, bonus and other allowances	**8,431**	9,962
Share-based payments	**1,835**	—
Pension cost — defined contribution plan	**309**	330
	10,575	10,292

During the year ended 31 December 2024, no remuneration was paid by the Group as an inducement to the five highest paid individuals for joining or upon joining the Group (2023: Nil).

During the year ended 31 December 2024, no remuneration was paid by the Group as a compensation to the five highest paid individuals for loss of office (2023: Nil).

During the year ended 31 December 2024, no discretionary and performance-related bonuses was paid by the Group (2023: Nil).

39 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties

Other than related parties as mentioned in Note 13, the directors are of the view that the following parties are major other related parties:

Name	Relationship with the Group
Jiangxi Yide Trading Co., Ltd. (the "**Jiangxi Yide Trading**") 江西壹得商貿有限公司	Wholly owned subsidiary of a joint venture of the Group
Jiangxi Bishengyuan Health Food Sales Co., Ltd. (the "**Jiangxi Health Food**") 江西碧生源保健食品銷售有限公司	Wholly owned subsidiary of a joint venture of the Group
Guangzhou Bihan E-commerce Co., Ltd. (the "**Guangzhou Bihan E-commerce**") 廣州碧瀚電子商務有限公司	Wholly owned subsidiary of a joint venture of the Group
Hangzhou Bihan E-commerce Co., Ltd. (the "**Hangzhou Bihan E-commerce**") 杭州碧瀚電子商務有限公司	Wholly owned subsidiary of a joint venture of the Group
Hangzhou Biyu E-commerce Co., Ltd. (the "**Hangzhou Biyu E-commerce**") 杭州碧語電子商務有限公司	Wholly owned subsidiary of a joint venture of the Group
Hangzhou Bixing E-commerce Co., Ltd. (the "**Hangzhou Bixing E-commerce**") 杭州碧興電子商務有限公司	Wholly owned subsidiary of a joint venture of the Group
Hangzhou Biwan Network Technology Co., Ltd. (the "**Hangzhou Biwan Network**") 杭州碧萬網路科技有限公司	Wholly owned subsidiary of a joint venture of the Group
Beijing Biyu E-commerce Co., Ltd. (the "**Beijing Biyu E-commerce**") 北京碧語電子商務有限公司	Wholly owned subsidiary of a joint venture of the Group

39 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties *(Continued)*

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Sales of goods and services to:		
— Jiangxi Trading	**39,720**	1,414
— Jiangsu Trading	**32,191**	285
— Jiangxi Technology	**31,283**	1,836
— Jiangxi Biotechnology	**28,782**	627
— Jiangxi Yide Trading	**7,705**	—
— Jiangxi Health Food	**7,492**	—
— Others	**132**	—
	147,305	4,162
Purchases of goods and services from:		
— Hangzhou Bihan Network	**4,581**	1,800
— Beijing Bihan E-commerce	**4,473**	1,004
— Guangzhou Bihan Network	**4,763**	387
— Guangzhou Bihan E-commerce	**1,331**	—
— Hangzhou Bihan E-commerce	**4,697**	—
— Hangzhou Biyu E-commerce	**3,687**	—
— Hangzhou Bixing E-commerce	**4,471**	—
— Hangzhou Biwan Network	**2,337**	—
— Beijing Biyu E-commerce	**4,343**	—
— Zhongke Huikai Technology	**3,600**	—
— Others	**752**	—
	39,035	3,191

39 RELATED PARTY TRANSACTIONS *(Continued)*

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Balances due from related parties		
Accounts receivable from:		
— Jiangxi Trading	**—**	1,312
— Others	**95**	415
	95	1,727
Deposits from:		
— Others	**—**	2,400
	—	2,400
	95	4,127
Balances due to related parties		
Advance payment received from:		
— Others	**77**	360
Other payables from:		
— Hangzhou Bihan Network	**1,050**	—
— Others	**2,006**	—
	3,056	—
	3,133	360

As at 31 December 2024, there were no non-trade balances with related parties, and all balances with related parties were non-interest bearing and of a trade nature. Due to their short maturity period, their fair values approximate to their carrying amounts.

40 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of each director is set out below:

For the year ended 31 December 2024:

Name	Fees RMB'000	Salaries and other allowances RMB'000	Bonuses RMB'000	Share-based payments RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Total RMB'000
Executive directors:						
Zhao Yihong	276	2,711	—	36	49	3,072
Gao Yan	276	2,091	—	36	—	2,403
Yu Hongjiang	276	1,278	—	441	61	2,056
	828	6,080	—	513	110	7,531
Independent non-executive directors:						
He Yuanping	276	—	—	36	—	312
Shi Xiangxin	276	—	—	36	—	312
Feng Bing	276	—	—	36	—	312
	828	—	—	108	—	936
	1,656	6,080	—	621	110	8,467

40 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2023:

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

During the year ended 31 December 2024, no directors waived or agreed to waive any emoluments (2023: Nil).

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

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

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

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

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

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

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**316,869**	313,292
Financial assets measured at FVTPL	**17,971**	19,380
Property, plant and equipment	**2,888**	—
Loans to subsidiaries	**621,222**	679,102
	958,950	1,011,774
Current assets		
Deposits, prepayments and other receivables	**6,680**	6,818
Cash and cash equivalents	**526**	66,476
	7,206	73,294
Total assets	**966,156**	1,085,068
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	**288**	288
Share premium	**939,484**	1,039,108
Other reserves	**47,687**	43,489
(Accumulated deficit)/retained earnings	**(22,918)**	1,309
Total equity	**964,541**	1,084,194
LIABILITIES		
Current liabilities		
Other payable and accrued expenses	**874**	874
Loans from subsidiaries	**741**	—
Total liabilities	**1,615**	874
Total equity and liabilities	**966,156**	1,085,068

The balance sheet of the Company was approved by the Board of Directors on 31 March 2025 and was signed on its behalf.

Zhao Yihong
Director

Gao Yan
Director

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

Reserve movement of the Company

	Share premium RMB'000	Share-based payment reserve RMB'000	Capital redemption reserve RMB'000	Total other reserves RMB'000
At 1 January 2023	1,039,108	43,483	6	43,489
At 31 December 2023	1,039,108	43,483	6	43,489
At 1 January 2024	**1,039,108**	**43,483**	**6**	**43,489**
Share-based payments	—	**4,198**	—	**4,198**
Dividends	**(99,624)**	—	—	
At 31 December 2024	**939,484**	**47,681**	**6**	**47,687**

42 EVENT OCCURRING AFTER THE REPORTING PERIOD

As disclosed in Note 12(c) to the consolidated financial statements, the Company has invested HK$100 million (equivalent to approximately RMB91,747,000) in GOSP6 in October 2023. On 3 March 2025, the board of directors has revolved to authorize the Chairman and the CEO of the Company to execute early redemption of such investment in GOSP6, and to make every effort to ensure the collection of the investment principal and related returns.

On 26 March 2025, the Company has formally rendered a redemption notice to the Fund Manager, requesting the Fund Manager to return the underlying assets held by GOSP6 to the Company and disposal of the Company's interests in GOSP6 as follows:

(i) To return cash in bank balances held by GOSP6 amounting to HK$12,000,000 (equivalent to approximately RMB11,074,000) as cash redemption; and to transfer the Preferred Share Investment with initial investment cost of USD1,800,000 (equivalent to approximately RMB12,921,000) to the Company as redemption-in-kind; and

(ii) To arrange a third-party company ("**Buyer**") to acquire the interests in GOSP6, after the cash and redemption-in-kind stated under (i) above, from the Company at a consideration of HK$78,000,000 (equivalent to approximately RMB71,981,000), to be settled in certain equity shares in a third-party private company held by the Buyer with equivalent value.

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

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

43.1 Principles of consolidation and equity accounting

(a) Subsidiaries

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

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

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

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

(b) Associates

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

(c) Joint arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. For the year ended 31 December 2023 and 2024, the Group only had joint ventures.

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

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

(d) *Equity method*

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

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

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

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

(e) *Changes in ownership interests*

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

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

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

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

43.2 Segment reporting

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

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

43.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

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

43.3 Foreign currency translation *(Continued)*

(c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and
- all resulting exchange differences are recognised in OCI.

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

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

(d) Disposal of foreign operation and partial disposal

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

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

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

43.4 Property, plant and equipment

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

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

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

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

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

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

43.5 Intangible assets

(a) Goodwill

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

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

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

43.5 Intangible assets *(Continued)*

(b) Computer software

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

(c) Research and development costs

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

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

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

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

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

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

43.6 Impairment of non-financial assets

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

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

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

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

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

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

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

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

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

43.8 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following categories:

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

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

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

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

Debt instruments

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

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

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

43.8 Investments and other financial assets *(Continued)*

(c) Measurement (Continued)

Debt instruments (Continued)

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

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

(d) Impairment

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

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 20 for further details.

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

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

43.9 Offsetting financial assets and financial liabilities

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

43.10 Inventories

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

43.11 Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 20 for further information about the Group's accounting for trade receivables and Note 43.8 for a description of the Group's impairment policies.

43.12 Cash and cash equivalents

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

43.13 Share capital

Ordinary shares are classified as equity.

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

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

43.13 Share capital *(Continued)*

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

43.14 Trade and other payables

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

43.15 Borrowings

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

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

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

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

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

43.15 Borrowings *(Continued)*

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

43.16 Borrowing costs

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

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

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

43.17 Current and deferred income tax

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

(a) Current income tax

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

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

43.17 Current and deferred income tax *(Continued)*

(b) Deferred income tax

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

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

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

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

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

43.18 Employee benefits

(a) Short-term obligations

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

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

43.18 Employee benefits *(Continued)*

(a) Short-term obligations *(Continued)*

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

(b) Termination benefits

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

43.19 Share-based payments

Share-based compensation benefits are provided to employees via the Group employee share option scheme, the executive short-term incentive scheme and share appreciation. Information relating to these schemes is set out in Note 30.

Employee options

The fair value of options granted under the Group employee share option scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (such as the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (such as profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (such as the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. The entity recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

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

43.20 Provisions

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

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

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

43.21 Lease

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

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

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

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

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

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

43.21 Lease *(Continued)*

- lease payments to be made under an extension option if the Group is reasonably certain to exercise the option, and

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and

- makes adjustments specific to the lease, e.g. term, currency and security.

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

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

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

- the amount of the initial measurement of lease liability,

- any lease payments made at or before the commencement date less any lease incentives received,

- any initial direct costs, and

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

43.21 Lease *(Continued)*

- restoration costs.

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

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

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

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

43.22 Dividend distribution

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

Five-year Financial Summary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December				
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	**2024** **RMB'000**
Turnover	1,292,711	1,101,150	801,342	542,876	**484,301**
Gross profit	913,326	698,550	492,591	346,220	**325,842**
(Loss)/profit from operating	30,214	(90,964)	(37,110)	(150,651)	**22,770**
Gain/loss on disposal of subsidiaries	80,108	—	—	—	**(326)**
Impairment loss on intangible assets	—	—	—	—	**—**
Reversal of impairment of property, plant and equipment	—	—	—	—	**—**
Investment (loss)/profit accounted for using the equity method	4,736	240	(10,450)	970	**5,077**
Profit/(loss) before income tax	115,058	(90,724)	(47,560)	(149,681)	**27,521**
Profit/(loss) for the year from continuing operations and comprehensive income	130,859	(113,991)	(76,569)	(159,105)	**14,804**
(Loss) for the year from discontinued operations and comprehensive income	—	—	(27,820)	(198,409)	**—**
Other comprehensive loss/profit for the year from continuing operations	—	—	—	(1,124)	**2,028**
Total other comprehensive income/(loss) for the year from discontinued operations	130,859	(113,991)	(104,389)	(358,638)	**16,832**
Basic earnings/(loss) per share (RMB)					
— Continuing operations	1.14	(3.65)	(1.36)	(1.30)	**0.12**
— Discontinued operations	—	—	(0.40)	(1.15)	**—**
Diluted earnings/(loss) per share (RMB)					
— Continuing operations	1.14	(3.65)	(1.36)	(1.30)	**0.12**
— Discontinued operations	—	—	(0.40)	(1.15)	**—**
Earnings/(loss) per share (RMB)					
Basic	1.14	(3.65)	(1.76)	(2.45)	**0.12**
Diluted	1.14	(3.65)	(1.76)	(2.45)	**0.12**

CONSOLIDATED BALANCE SHEET

	As at 31 December				
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	**2024** **RMB'000**
Non-current assets	793,474	1,017,554	794,366	277,073	**325,331**
Net current assets	563,354	228,762	392,763	282,209	**155,977**
Total assets less current liabilities	1,356,828	1,246,316	1,187,129	559,282	**481,308**
Non-current liabilities	146,446	190,926	134,719	5,312	**5,932**
Net assets	1,210,382	1,055,390	1,052,410	553,970	**475,376**
Share capital	94	94	288	288	**288**
Reserves	1,014,137	827,423	854,049	553,682	**475,088**
	1,014,231	827,517	854,337	553,970	**475,376**
Non-controlling interests	196,151	227,873	198,073	—	**—**
Total equity	1,210,382	1,055,390	1,052,410	553,970	**475,376**

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