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四环医药
SihuanPharm

Sihuan Pharmaceutical Holdings Group Ltd.

四環醫藥控股集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 0460)

PROFIT WARNING

This announcement is issued by Sihuan Pharmaceutical Holdings Group Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) would like to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary assessment of the unaudited consolidated management accounts of the Company for the year ended 31 December 2022 (the “**Year**”) and the information currently available to the Board, the Group is expected to record a year-on-year decrease in the revenue of not less than 25% for the Year as compared with that of the year ended 31 December 2021. The decrease in the revenue of the Group was attributable to a combination of various factors, including primarily the impact of policy changes in the pharmaceutical industry on the Group’s sales of pharmaceutical products, macroeconomic downward pressures, disruptions in the supply chain as a result of global geopolitical conflicts, and the impact of the continuing COVID-19 epidemic and response measures on the Company’s production, operation and R&D projects. The Group expects to incur a loss of not more than RMB2,600 million for the Year.

The loss was mainly caused by the following reasons: the high R&D and other expenses incurred by two innovative drug platforms, namely Xuanzhu Biopharm and Huisheng Biopharm (in the amount of not less than RMB800 million in 2022), resulting from the transformation and upgrading of the Group to innovative drugs in recent years, and the adjustments in profit or loss for certain non-cash items which is expected to be not more than RMB2,300 million that the Group shall make. Such non-cash items mainly include but are not limited to: provision for impairment of assets and provision for impairment of goodwill expected to be made in part of the Group's generic drugs segment due to policy changes in the pharmaceutical industry in mainland China; interest costs of the repurchase rights resulted from the equity financing and spin-off listing of innovative drug subsidiary of the Group; employee share based compensation expenses incurred by the Group; and fair value loss of unlisted equity investments in the investees of the Group due to the impact of policies in the pharmaceutical industry, etc.

Despite the above financial impact and business challenges, with the gradual achievement of the Group's goals in transformation to R&D and innovation, medical aesthetics and other high-growth new business and the implementation of the strategy of carving-out certain generic drug business, the Company has focused its management and resources on business segments with higher growth and improved the operational efficiency of the Group. The management of the Company has strong confidence in the business fundamentals and prospects of the Group.

The Board reminds Shareholders and potential investors that the information contained in this announcement has not been reviewed or audited by the independent auditor or the audit committee of the Company and may be subject to adjustments. The actual results of the Company for the Year may differ from the information contained in this announcement. Detailed financial statements of the Company for the Year will be disclosed in the final results announcement of the Company, which is expected to be published before the end of March 2023.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Sihuan Pharmaceutical Holdings Group Ltd.
Dr. Che Fengsheng
Chairman and Executive Director

Hong Kong, 20 January 2023

As at the date of this announcement, the executive directors of the Company are Dr. Che Fengsheng (Chairman), Dr. Guo Weicheng (Deputy Chairman and Chief Executive Officer), Dr. Zhang Jionglong, Ms. Chen Yanling and Ms. Miao Guili; and the independent non-executive directors of the Company are Mr. Patrick Sun, Mr. Tsang Wah Kwong and Dr. Zhu Xun.