Sinco Pharmaceuticals Holdings Limited
兴科蓉医药控股有限公司
(Incorporated under the laws of the Cayman Islands with limited liability)
(Stock Code: 6833)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- Revenue of the Group increased by 12.2% or RMB247.4 million to RMB2,271.5 million for the Reporting Period (2021: RMB2,024.1 million), among which revenue from sales of human albumin solution increased by approximately RMB283.9 million, mainly benefited from the increase in sales volume.

- Gross profit of the Group decreased by RMB59.1 million to RMB305.9 million for the Reporting Period (2021: RMB365.0 million), while gross profit margin decreased from 18.0% in 2021 to 13.5% for the Reporting Period. The decrease in gross profit was mainly due to the increase in the purchasing costs which was as a result of the depreciation of the RMB exchange rate against the USD.

- Net profit of the Group decreased by 48.6% to RMB69.5 million for the Reporting Period (2021: RMB135.1 million), primarily due to the decrease in gross profit from sales of the Group.

- During the Reporting Period, net profit attributable to owners of the Company amounted to RMB69.5 million (2021: net profit RMB135.1 million), representing a decrease in net profit by RMB65.6 million.

- Basic and diluted earnings per share amounted to RMB0.03 for the Reporting Period (2021: basic and diluted earnings per share RMB0.08).

- The Board resolved to declare a final dividend in respect of the year ended 31 December 2022 of HK$0.98 cents (2021: final dividend in respect of the year ended 31 December 2021 of HK$ nil cents) per ordinary share, in an aggregate amount of HK$20,000,000 (2021: HK$nil), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting. The final dividend has been calculated by reference to the 2,032,890,585 issued shares outstanding as at the date of this Announcement.

The board (the "**Board**") of directors (the "**Directors**") of Sinco Pharmaceuticals Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") announces the audited consolidated results of the Group for the year ended 31 December 2022 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2021, which have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**") as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
REVENUE	*2*	**2,271,505**	2,024,055
Cost of sales		**(1,965,637)**	(1,659,105)
Gross profit		**305,868**	364,950
Other income and gains	*3*	**25,240**	10,951
Selling and distribution expenses		**(117,016)**	(105,375)
Administrative expenses		**(81,423)**	(66,001)
Provision for impairment loss on trade receivables	*5*	**(6,205)**	(1,020)
Reversal of impairment loss on financial assets included in prepayments, other receivables and other assets	*5*	**279**	164
Other expenses		**(6,485)**	(7,118)
Changes in fair value on financial liabilities at fair value through profit or loss	*22*	**(2,633)**	–
Finance costs	*4*	**(18,333)**	(29,164)
PROFIT BEFORE TAX	*5*	**99,292**	167,387
Income tax expense	*6*	**(29,830)**	(32,304)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**69,462**	135,083
Attributable to owners of the Company		**69,462**	135,083
Earnings per share attributable to owners of the Company:			
Basic			
– For profit for the year (RMB)	*8*	**0.034**	0.078
Diluted			
– For profit for the year (RMB)	*8*	**0.034**	0.078

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	**2022** **RMB'000**	2021 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**258,109**	207,867
Investment property	*10*	**6,319**	6,499
Right-of-use assets	*11*	**57,730**	48,394
Other intangible asset		**15,001**	–
Payments in advance		**231**	169
Goodwill	*21*	**66,536**	–
Deferred tax assets	*12*	**3,001**	860
Total non-current assets		**406,927**	263,789
CURRENT ASSETS			
Inventories	*13*	**88,148**	61,270
Trade and bills receivables	*14*	**351,268**	213,601
Prepayments, other receivables and other assets	*15*	**140,994**	313,039
Pledged deposits	*16*	**107,852**	55,015
Bank balances and cash	*16*	**329,144**	326,052
Total current assets		**1,017,406**	968,977
CURRENT LIABILITIES			
Trade and bills payables	*17*	**407,988**	422,933
Contract liabilities	*18*	**75,429**	27,749
Other payables and accruals	*19*	**117,927**	53,424
Bank and other borrowings	*20*	**180,806**	208,320
Tax payable		**5,437**	12,826
Lease liabilities	*11*	**2,998**	384
Total current liabilities		**790,585**	725,636
NET CURRENT ASSETS		**226,821**	243,341
TOTAL ASSETS LESS CURRENT LIABILITIES		**633,748**	507,130

	Notes	**2022**	2021
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Bank and other borrowings	*20*	**922**	132,244
Deferred tax liabilities	*12*	**2,250**	–
Financial liabilities at fair value through profit or loss	*22*	**19,078**	–
Lease liabilities	*11*	**7,686**	–
Total non-current liabilities		**29,936**	132,244
Net assets		**603,812**	374,886
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*23*	**164**	151
Reserves	*23*	**603,648**	374,735
Total equity		**603,812**	374,886

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**99,292**	167,387
Adjustments for:			
Depreciation of property, plant and equipment	5	**5,608**	4,957
Depreciation of investment property	5	**180**	180
Depreciation of right-of-use assets	5	**3,569**	1,540
Amortisation of other intangible assets	5	**1,999**	22
Unrealised foreign exchange (gains) losses, net		**(15,980)**	3,549
Interest income from financial assets at fair value through profit or loss	3	**(1,121)**	(795)
Finance costs	4	**18,333**	29,164
Bank interest income	3	**(1,301)**	(518)
Other income attributable to the receipt of donation of a vehicle		**–**	(30)
Provision for impairment loss on trade receivables	5	**6,205**	1,020
Reversal of impairment loss on financial assets included in prepayments, other receivables and other assets	5	**(279)**	(164)
Changes in fair value on financial liabilities at fair value through profit or loss	22	**2,633**	–
		119,138	206,312
(Increase) decrease in trade and bills receivables		**(133,872)**	364,066
Decrease (increase) in prepayments, other receivables and other assets		**136,846**	(34,259)
(Increase) decrease in inventories		**(26,878)**	181,291
(Increase) decrease in payments in advance		**(62)**	627
Decrease in trade and bills payables		**(21,196)**	(277,387)
Increase in amounts due from related parties		**–**	(11)
Decrease in other payables and accruals		**(8,216)**	(93,697)
Increase (decrease) in contract liabilities		**47,680**	(57)
Cash generated from operations		**113,440**	346,885
Interest received		**1,301**	518
Hong Kong tax paid		**(5,924)**	(20,542)
PRC tax paid		**(33,736)**	(21,149)
Net cash flows from operating activities		**75,081**	305,712

	Notes	**2022**	2021
		RMB'000	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(52,691)**	(23,522)
Purchase of wealth management products classified as financial assets at fair value through profit or loss		**(80,000)**	(366,136)
Redemption of wealth management products classified as financial assets at fair value through profit or loss		**80,000**	366,136
Interest income from financial assets at fair value through profit or loss	*3*	**1,121**	795
Proceeds for disposal of property, plant and equipment		**300**	–
Acquisition of subsidiaries		**(68,000)**	–
Net cash flows used in investing activities		**(119,270)**	(22,727)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments		**(2,612)**	(719)
Interest portion of lease payments	*11(b)*	**(433)**	(55)
Interest paid		**(17,900)**	(22,417)
Proceeds from bank and other borrowings		**180,000**	210,000
Repayment of bank and other borrowings		**(338,836)**	(77,937)
Increase (decrease) in other payables and accruals, net		**72,719**	(115,962)
Issue of new shares		**159,464**	69,806
Exercise of share options		**–**	5,568
Increase in pledged time deposits		**(52,837)**	(55,015)
Increase (decrease) in prepayments, other receivables and other assets, net		**35,478**	(110,377)
Net cash flows from (used in) financing activities		**35,043**	(97,108)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(9,146)**	185,877
Effect of foreign exchange rate changes, net		**12,238**	(3,590)
Cash and cash equivalents at beginning of year		**326,052**	143,765
CASH AND CASH EQUIVALENTS AT END OF YEAR		**329,144**	326,052
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	*16*	**329,144**	326,052
Cash and cash equivalents as stated in the consolidated statement of cash flows		**329,144**	326,052

NOTES TO FINANCIAL STATEMENTS

1.1 CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 16 March 2015. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal place of business in Hong Kong is located at Room 2403, Wing On Centre, 111 Connaught Road Central, Hong Kong with effect from 20 November 2020.

In the previous year, the Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in marketing, promotion and channel management services for improved human plasma-based pharmaceuticals, antibiotics and other pharmaceuticals focused on therapeutic areas and complementary to human plasmabased products and other fast-growing categories in Mainland China. During the year ended 31 December 2022, the Group's research and development of the polycaprolactone microsphere facial filler for injection is progressing smoothly and had started trial production for the research purpose in the second half of the current year, it was separately managed as the research and manufacturing of aesthetic medicine segment. Besides, the Group acquired Deyang Demei Medical Beauty Hospital Limited Company (德陽德美醫療美容醫院有限公司) ("**Demei Company**"), a medical beauty services provider (as further detailed in note 21), which was managed as the medical beauty services segment

In the opinion of the Directors, Risun Investments Limited ("**Risun**"), a company incorporated in the British Virgin Islands ("**BVI**"), is the parent and the ultimate holding company of the Company.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Starwell Group Holding Limited	26 November 2013 BVI	US$50,000	100	–	Investment holding
Bright Ritzy Limited	5 August 2016 BVI	US$1	100	–	Investment holding
Chengdu Sinco Pharmaceuticals Co., Ltd.(i)	17 February 2011 PRC/Mainland China	US$10,000,000	100	–	Sale of imported pharmaceutical products
Hong Kong Prosperous Group Holding Limited	20 December 2013 Hong Kong	HK$100	–	100	Sale of imported pharmaceutical products
Glorious Empire Limited	26 August 2016 Hong Kong	HK$1	–	100	Investment holding
Sichuan Sinco Pharmaceuticals Co., Ltd.(i)	1 April 2011 PRC/Mainland China	RMB100,000,000	–	100	Sale of imported pharmaceutical products
Sichuan Sinco Biological Technology Co., Ltd.(ii)	25 November 2013 PRC/Mainland China	RMB1,000,000	–	100	Research and development on pharmaceutical products

Name	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Chengdu Sinco Pharmaceutical Technology Co., Ltd.(ii)	26 February 2014 PRC/Mainland China	RMB22,000,000	–	100	Providing warehouse facilities for pharmaceutical products
Chengdu Hengsheng Ziguang Pharmaceutical Technology Co., Ltd. ("**Chengdu Hengsheng**")(ii)	4 March 2015 PRC/Mainland China	RMB100,000	–	100	Consultation on medical and biological technology
Xizang Linzhi Ziguang pharmaceutical Co., Ltd. ("**Linzhi Ziguang**")(ii)	17 November 2014 PRC/Mainland China	RMB10,000,000	–	100	Sale of imported pharmaceutical products
Sinco Shanghai Trading Co., Ltd.(i)	25 August 2016 PRC/Mainland China	RMB5,000,000	–	100	Sale of imported pharmaceutical products
Qingdao Yusheng Hengying Trading Co., Ltd.(i)	15 November 2016 PRC/Mainland China	RMB30,000,000	–	100	Investment holding
Qingdao Ruichi Pharmaceuticals Co., Ltd.(ii)	15 May 2007 PRC/Mainland China	RMB10,000,000	–	100	Sale of imported pharmaceutical products
Deyang Demei Medical Beauty Hospital Limited Company(ii)	10 May 2022 PRC/Mainland China	RMB3,000,000	100	–	Medical beauty services
XKR Prosperous Holding PTE. Ltd.(iii)	6 August 2020 Singapore	SGD10,000	–	100	Sale of imported pharmaceutical products
Macao Sinco Limited.(iv)	1 February 2021 Macau	MOP25,000	–	100	International trade
Beijing Sinco Biological Medical Technology Co., Ltd.(ii)	9 August 2021 PRC/Mainland China	RMB2,000,000	–	100	Market promotion
Haikou Sinco Biological Medical Technology Co., Ltd.(ii)	29 August 2021 PRC/Mainland China	RMB10,000,000	–	100	Market promotion
Sheenos Limited	30 November 2021 BVI	US$50,000	100	–	Investment holding

(i) Sichuan Sinco Pharmaceuticals Co., Ltd. ("**Sichuan Sinco Pharmaceuticals**"), Sinco Shanghai Trading Co., Ltd. ("**Sinco Shanghai**"), Qingdao Yusheng Hengying Trading Co., Ltd. ("**Qingdao Yusheng**") and Chengdu Sinco Pharmaceuticals Co., Ltd. ("**Chengdu Sinco Pharmaceuticals**") are registered as wholly-foreign-owned enterprises under the law of the People's Republic of China ("**the PRC**").

(ii) These subsidiaries are registered as domestic enterprises under PRC law.

(iii) The subsidiary is registered as a wholly-foreign-owned enterprise under the law of the Republic of Singapore.

(iv) The subsidiary is registered as a one-person limited liability company under the law of Macau.

1.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"), and International Accounting Standards ("**IASs**") and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain wealth management products which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

(a) has power over the investee;

(b) is exposed, or has rights, to variable returns from its involvement with the investee; and

(c) has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022,the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "**Conceptual Framework**") except for transactions and events within the scope of IAS 37 or IFRIC-Int 21, in which the Group applies IAS 37 or IFRIC-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

For reporting entities applying IFRS Standards:

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the Reporting Period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above),and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a Reporting Period, the cash-generating unit (or group of cash-generating units)to which goodwill has been allocated is tested for impairment before the end of that Reporting Period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to IAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Amendments to IFRSs	*Annual Improvements to IFRSs 2018-2020*

Except as described below, the application of the amendments to IFRSs and the Committee's agenda decision(s) in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to IFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after January 1, 2022. The amendments update a reference in IFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "**Conceptual Framework**") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010), add a requirement that, for transactions and events within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC-Int 21 Levies, an acquirer applies IAS 37 or IFRIC-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

1.4 ISSUED BUT NOT YET EFFECTIVE IFRSS

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17 (including the October 2020 and February 2022 Amendments to IFRS 17)	*Insurance Contracts*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[3]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*[1]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to IAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

2. REVENUE AND OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and products and has three (2021: one) reportable operating segments as follows:

(a) the sale of imported pharmaceutical products segment;

(b) the research and manufacturing of aesthetic medicine segment; and

(c) the medical beauty services segment.

In previous years, the board of directors considered that there were no reportable segments other than the sale of imported pharmaceutical products segment. During the year ended 31 December 2022, as the Group's research and development of the polycaprolactone microsphere facial filler for injection is progressing smoothly and had started trial production for the research purpose in the second half of this year, it was separately managed as the research and manufacturing of aesthetic medicine segment. Besides, the Group acquired Deyang Demei Medical Beauty Hospital Limited Company (德陽德美醫療美容醫院有限公司, "**Demei Company**"), a medical beauty services provider (as further detailed in note 21), which was managed as the medical beauty services segment. The Directors monitor the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Due to the changes in the composition of segment during the year ended 31 December 2022, the operating segment information for the year ended 31 December 2021 was also restated.

Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that other income and gains, other expenses, finance costs not related to lease and charges attributable to issue of letters of credit and corporate and other unallocated expenses are excluded from such measurement. Segment assets exclude deferred tax assets, pledged deposits, bank balances and cash and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings, deferred tax liabilities, tax payable and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

The following tables present revenue and profit (loss) information for the Group's operating segments for the years ended 31 December 2022 and 31 December 2021, respectively.

Year ended 31 December 2022

Segments	**Sale of imported pharmaceutical products** *RMB'000*	**Research and manufacturing of aesthetic medicine** *RMB'000*	**Medical beauty services** *RMB'000*	**Total** *RMB'000*
Segment revenue				
Sales to external customers	**2,259,313**	**–**	**12,192**	**2,271,505**
Segment results	**113,186**	**(14,106)**	**3,070**	**102,150**
Reconciliation:				
Corporate and other unallocated expenses				**(8,233)**
Other income and gains				**25,240**
Other expenses				**(6,485)**
Finance costs (other than interest on lease liabilities and finance charges attributable to issue of letters of credit)				**(13,380)**
Profit before tax				**99,292**

Year ended 31 December 2021

Segments	Sale of imported pharmaceutical products *RMB'000*	Research and manufacturing of aesthetic medicine *RMB'000*	Medical beauty services *RMB'000*	Total *RMB'000*
Segment revenue				
Sales to external customers	2,024,055	–	–	2,024,055
Segment results	197,892	–	–	197,892
Reconciliation:				
Corporate and other unallocated expenses				(6,370)
Other income and gains				10,951
Other expenses				(7,118)
Finance costs (other than interest on lease liabilities and finance charges attributable to issue of letters of credit)				(27,968)
Profit before tax				167,387

The following table presents information of assets and liabilities of the Group's operating segments as at 31 December 2022 and 31 December 2021.

As at 31 December 2022

Segments	**Sale of imported pharmaceutical products** *RMB'000*	**Research and manufacturing of aesthetic medicine** *RMB'000*	**Medical beauty services** *RMB'000*	**Total** *RMB'000*
Segment assets	**833,202**	**51,381**	**99,030**	**983,613**
Reconciliation:				
Corporate and other unallocated assets				**723**
Deferred tax assets				**3,001**
Bank balances and cash				**329,144**
Pledged deposits				**107,852**
Total assets				**1,424,333**
Segment liabilities	**596,059**	**5,753**	**29,232**	**631,044**
Reconciliation:				
Corporate and other unallocated liabilities				**62**
Bank and other borrowings				**181,728**
Tax payable				**5,437**
Deferred tax liabilities				**2,250**
Total liabilities				**820,521**

As at 31 December 2021

Segments	Sale of imported pharmaceutical products *RMB'000*	Research and manufacturing of aesthetic medicine *RMB'000*	Medical beauty services *RMB'000*	Total *RMB'000*
Segment assets	850,213	–	–	850,213
Reconciliation:				
Corporate and other unallocated assets				626
Deferred tax assets				860
Bank balances and cash				326,052
Pledged deposits				55,015
Total assets				1,232,766
Segment liabilities	504,427	–	–	504,427
Reconciliation:				
Corporate and other unallocated liabilities				63
Bank and other borrowings				340,564
Tax payable				12,826
Total liabilities				857,880

For the year ended 31 December 2022

	Sale of imported pharmaceutical products *RMB'000*	Research and manufacturing of aesthetic medicine *RMB'000*	Medical beauty services *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure*	**3,336**	**59,978**	**22,741**	**86,055**
Depreciation and amortisation	**6,941**	**1,641**	**2,774**	**11,356**
Provision for impairment loss on trade receivables	**6,205**	**–**	**–**	**6,205**
Reversal of impairment loss on financial assets included in prepayments, other receivables and other assets	**(279)**	**–**	**–**	**(279)**

For the year ended 31 December 2021

	Sale of imported pharmaceutical products *RMB'000*	Research and manufacturing of aesthetic medicine *RMB'000*	Medical beauty services *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure*	24,575	–	–	24,575
Depreciation and amortisation	6,699	–	–	6,699
Provision for impairment loss on trade receivables	1,020	–	–	1,020
Reversal of impairment loss on financial assets included in prepayments, other receivables and other assets	(164)	–	–	(164)

* Capital expenditure consists of additions to right-of-use assets, other intangible asset and property, plant and equipment

An analysis of revenue is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers:		
Sale of imported pharmaceutical products	**2,259,313**	2,024,055
Medical beauty services	**12,192**	–
	2,271,505	2,024,055

Revenue from contracts with customers

(i) Disaggregated revenue information for revenue from contracts with customers

For the year ended 31 December 2022

Segments	**Sale of imported pharmaceutical products**	**Medical beauty services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Types of goods or services			
Sale of imported pharmaceutical products	**2,259,313**	**–**	**2,259,313**
Medical beauty services	**–**	**12,192**	**12,192**
Total revenue from contracts with customers	**2,259,313**	**12,192**	**2,271,505**

For the year ended 31 December 2021

Segments	Sale of imported pharmaceutical products	Medical beauty services	Total
	RMB'000	*RMB'000*	*RMB'000*
Types of goods or services			
Sale of imported pharmaceutical products	2,024,055	–	2,024,055
Medical beauty services	–	–	–
Total revenue from contracts with customers	2,024,055	–	2,024,055

	2022	2021
	RMB'000	*RMB'000*
Types of pharmaceuticals		
Human albumin solution	**2,257,253**	1,973,223
Antibiotics (Axetine and Medocef)	**2,060**	50,832
Total revenue from contracts with customers	**2,259,313**	2,024,055

Geographical markets

All revenue from contracts with customers of the Group during each of the years ended 31 December 2022 and 2021 was attributable to customers located in Mainland China, the place of domicile of the Group's principal operating entities. The Group's non-current assets are all located in Mainland China.

Timing of revenue recognition

All revenue from contracts with customers of the Group during each of the years ended 31 December 2022 and 2021 was recognised when goods and services were transferred at a point in time.

The following table shows the amounts of revenue recognised in the current Reporting Period that were included in the contract liabilities at the beginning of the Reporting Period:

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the Reporting Period:		
Sale of imported pharmaceutical products *(note 18)*	**11,698**	27,732

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the total revenue, is set out below:

	2022	2021
	RMB'000	*RMB'000*
Customer A	**669,433**	566,149

(ii) Performance obligations

Information about the Group's performance obligations is summarized below:

Sale of imported pharmaceutical products

The performance obligation is satisfied upon delivery of the pharmaceuticals and payment is generally due within 90 to 180 days (2021: 90 to 180 days) from delivery, except for certain customers who make payments in advance prior to delivery of the pharmaceuticals.

Medical beauty services

The performance obligation is satisfied when the customer simultaneously receives and consumes the benefits provided by the Group.

3. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Bank interest income	**1,301**	518
Interest income from financial assets at fair value through profit or loss *(note 5)*	**1,121**	795
Government grants*	**42**	1,152
Net rental income from investment property *(notes 5, 10, 11)*	**624**	172
Service income	**6,168**	8,284
Exchange gain, net	**15,980**	–
Others	**4**	30
	25,240	10,951

* There were no unfulfilled conditions or contingencies relating to the government grants.

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Interest on bank and other borrowings	**13,380**	21,390
Interest on lease liabilities *(note 11)*	**433**	55
Finance charges attributable to issue of letters of credit	**4,520**	1,141
Unwinding of discount on long-term deposits received	**–**	6,578
	18,333	29,164

5. PROFIT BEFORE TAX

The Group's profit before tax was arrived at after charging/(crediting):

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold		**1,962,422**	1,659,105
Cost of services provided		**3,215**	–
Depreciation of property, plant and equipment	*9*	**5,608**	4,957
Depreciation of right-of-use assets	*11*	**3,569**	1,540
Depreciation of investment property	*10*	**180**	180
Amortisation of other intangible assets		**1,999**	22
Research and development expenses (included in administrative expenses)		**11,270**	26,160
Provision for (reversal of) impairment loss recognised on:			
Trade receivables	*14*	**6,205**	1,020
Financial assets included in prepayments, other receivables and other assets	*15*	**(279)**	(164)
Short-term lease payments	*11(c)*	**838**	1,000
Auditor's remuneration		**2,300**	2,850
Employee benefit expense (including directors' remuneration):			
Wages and salaries		**22,665**	13,731
Welfare and other benefits		**3,165**	1,366
Pension scheme contributions – Defined contribution fund		**4,154**	1,925
Housing fund – Defined contribution fund		**726**	551
Total employee benefit expense		**30,710**	17,573
Exchange (gain) loss, net		**(15,980)**	3,549
Interest income from financial assets at fair value through profit or loss	*3*	**(1,121)**	(795)
Net rental income from investment property	*3*	**(624)**	(172)

6. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. The assessable profits of the Group derived from Hong Kong are subject to a two-tiered profit tax rate regime. The first HK$2,000,000 (2021: HK$2,000,000) of assessable profits are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

Except for Demei Company. The provision for PRC CIT is based on the respective PRC CIT rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of Mainland China for the year. All subsidiaries domiciled in the PRC were subject to PRC CIT at a rate of 25% during the years ended 31 December 2022 and 2021.

According to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies (《關於深入實施西部大開發戰略有關稅收政策問題的通知》), Demei Company being a subsidiary located in Sichuan Province and engaged in the encouraged business is entitled to a preferential corporate income tax rate of 15% for the Reporting Period and until 31 December 2030.

Taxation in Singapore is calculated at the tax rate of 17% for the year ended 31 December 2022.

The major components of income tax expense are as follows:

	2022	2021
	RMB'000	*RMB'000*
Current – Hong Kong		
Charge for the year	**9,032**	12,121
Current – Mainland China		
Charge for the year	**19,469**	20,397
Current – Singapore		
Charge for the year	**3,770**	–
Deferred tax *(note 12)*	**(2,441)**	(214)
Total tax charge for the year	**29,830**	32,304

A reconciliation of the income tax expense applicable to profit before tax at the applicable tax rates for companies within the Group to the income tax expense at the effective tax rate is as follows:

	2022	2021
	RMB'000	*RMB'000*
Profit before tax	**99,292**	167,387
Tax at the respective statutory tax rates		
– PRC subsidiaries at 25%	**4,847**	20,585
– PRC subsidiaries at 15%	**769**	–
– the Company and Hong Kong subsidiary at 8.25%	**165**	141
– the Company and Hong Kong subsidiary at 16.5%	**8,703**	10,219
– the Singapore subsidiary at 17%	**3,770**	–
Differences previously not recognised	**(1,108)**	(2,137)
Expenses not deductible for tax *(Note a)*	**14,574**	3,199
Tax effect on deductible temporary differences not recognised	**(351)**	(924)
Effect of super deduction for search and development cost *(Note b)*	**(4,463)**	–
Income not subject to tax	**(2,291)**	(2)
Tax losses not recognised	**5,215**	1,223
	29,830	32,304

Notes:

(a) Expenses not deductible for tax for the years ended 31 December 2022 and 31 December 2021 mainly consisted of administrative expenses, change in fair value on financial liabilities at fair value through profit or loss, foreign exchange differences incurred by offshore companies and fees for not obtaining formal invoices. These expenses are not expected to be deductible for tax.

(b) Cai Shui [2018] No. 99 "Notice on Increasing the Pre-tax Deduction Ratio of Research and Development Expenses" ("**the Notice**") was released in August 2018. According to the Notice, a PRC subsidiary is entitled to an additional tax deduction on eligible research and development expenses incurred for the current year.

7. DIVIDENDS

Subsequent to the end of the Reporting Period, a final dividend in respect of the year ended 31 December 2022 of HK$0.98 cents (2021: final dividend in respect of the year ended 31 December 2021 of HK$ nil cents) per ordinary share, in an aggregate amount of HK$20,000,000 (2021: HK$nil), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting. The final dividend has been calculated by reference to the 2,032,890,585 issued shares outstanding as at the date of this Announcement.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the year ended 31 December 2022 of RMB69,462,000 (2021: RMB135,083,000), and the weighted average number of ordinary shares of 2,031,575,517 (2021:1,736,830,311) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the Company, adjusted to reflect the impact of a dilution as the exercise prices of the Company's outstanding share options were lower than the average market prices for the Company's shares during the year ended 31 December 2021. No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2022 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than average market prices for the Company's shares during the year.

The calculations of basic and diluted earnings per share are based on:

	2022	2021
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the Company	**69,462**	135,083

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,031,575,517**	1,736,830,311
Effect of dilution — weighted average number of ordinary shares	**–**	613,267
	2,031,575,517	1,737,443,578

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Machinery *RMB'000*	Leasehold improvements and office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2022						
Cost:						
At 31 December 2021 and 1 January 2022	197,313	1,509	11,082	18,549	33,495	261,948
Acquisition of subsidiaries *(note 21)*	–	3,459	–	–	–	3,459
Additions	–	589	217	796	51,089	52,691
Disposals	–	–	(106)	(1,958)	–	(2,064)
At 31 December 2022	**197,313**	**5,557**	**11,193**	**17,387**	**84,584**	**316,034**
Accumulated depreciation:						
At 31 December 2021 and 1 January 2022	26,417	534	9,535	17,595	–	54,081
Provided for the year *(note 5)*	3,700	1,269	532	107	–	5,608
Disposals	–	–	(100)	(1,664)	–	(1,764)
At 31 December 2022	**30,117**	**1,803**	**9,967**	**16,038**	**–**	**57,925**
Net carrying amount:						
At 31 December 2021	170,896	975	1,547	954	33,495	207,687
At 31 December 2022	**167,196**	**3,754**	**1,226**	**1,349**	**84,584**	**258,109**
31 December 2021						
Cost:						
At 31 December 2020 and 1 January 2021	175,163	1,509	10,946	18,518	31,237	237,373
Additions	22,150	–	136	31	2,258	24,575
At 31 December 2021	197,313	1,509	11,082	18,549	33,495	261,948
Accumulated depreciation:						
At 31 December 2020 and 1 January 2021	21,983	401	9,252	17,488	–	49,124
Provided for the year *(note 5)*	4,434	133	283	107	–	4,957
At 31 December 2021	26,417	534	9,535	17,595	–	54,081
Net carrying amount:						
At 31 December 2020	153,180	1,108	1,694	1,030	31,237	188,249
At 31 December 2021	170,896	975	1,547	954	33,495	207,867

As at 31 December 2022, the Group's certain buildings with a net carrying amount of RMB70,999,000 (2021: RMB57,159,000) were pledged to one bank (2021: two banks) to secure the Group's bank loans (note 20 (a)). As at 31 December 2022, the Group's certain buildings with a net carrying amount of RMB9,778,000 (2021: RMB9,967,000) were pledged to obtain bank facilities of RMB60,000,000 (2021: RMB60,000,000).

10. INVESTMENT PROPERTY

	2022	2021
	RMB'000	*RMB'000*
Carrying amount at 1 January	**6,499**	6,679
Depreciation provided for the year *(note 5)*	**(180)**	(180)
Carrying amount at 31 December	**6,319**	6,499

Notes:

(a) As at 31 December 2022, the fair value of the investment property was estimated to be approximately RMB8,292,000 (2021: RMB8,292,000). The valuation was performed in 2020 by Asia-Pacific Consulting and Appraisal Limited, an independent professionally qualified valuer. There is no significant change during the year and no revaluation has been carried out. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The valuation was estimated using discounted cash flow projections based on reliable estimates of future rental income or market rents for similar properties in the same location and condition, where appropriate. The fair value measurement hierarchy of the investment property requires certain significant unobservable inputs (Level 3).

(b) The Group's investment property is situated in Mainland China and held under medium lease terms.

(c) As at 31 December 2022 and 31 December 2021, the investment property was leased to a third party under operating leases.

(d) As at 31 December 2022, the Group's investment property with a net carrying amount of RMB6,319,000 (31 December 2021: RMB6,499,000) was pledged to obtain bank facilities of RMB180,000,000 (31 December 2021: RMB150,000,000) granted to the Group.

11. LEASES

The Group as a lessee

The Group has lease contracts for office premises and a warehouse used in its operations. The Group entered into certain long-term lease contracts for items of office premises. Lump sum payments were made upfront to acquire the leased land with lease periods of 50 years. Lump sum payments were made yearly upfront to acquire certain leased office premises with lease periods of five years, and no ongoing payments will be made under the terms of the leases after the payments. For other leases, payments were made monthly, quarterly and semi-annually. Leases of office premises have lease terms between 1 and 5 years. Leases of a warehouse have lease terms within five years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land *RMB'000*	**Office premises and a warehouse** *RMB'000*	**Total** *RMB'000*
As at 1 January 2021	49,032	902	49,934
Depreciation charge *(note 5)*	(982)	(558)	(1,540)
As at 31 December 2021 and 1 January 2022	48,050	344	48,394
Additions	–	12,905	12,905
Depreciation charge *(note 5)*	(982)	(2,587)	(3,569)
As at 31 December 2022	**47,068**	**10,662**	**57,730**

The Group's leasehold land included in right-of-use assets is situated in Mainland China and held under long lease terms.

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Carrying amount at 1 January	**384**	1,103
New leases	**12,905**	–
Accretion of interest recognised during the year *(note 4)*	**433**	55
Payments	**(3,038)**	(774)
Carrying amount at 31 December	**10,684**	384
Analysed into:		
Current portion	**2,998**	384
Non-current portion	**7,686**	–

The maturity analysis of lease liabilities is disclosed in the consolidated financial statements.

(c) *The amounts recognised in profit or loss in relation to leases are as follows:*

	2022	2021
	RMB'000	*RMB'000*
Interest on lease liabilities *(note 4)*	**433**	55
Depreciation charge of right-of-use assets *(note 5)*	**3,569**	1,540
Expense relating to short-term leases (included in administrative expenses) *(note 5)*	**838**	1,000
Total amount recognised in profit or loss	**4,840**	2,595

(d) The total cash outflow for leases is disclosed in the consolidated financial statements.

The Group as a lessor

The group leases its investment property consisting of one commercial property in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. The net rental income recognised by the group during the year was RMB624,000 (2021: RMB172,000) (note 3).

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022	2021
	RMB'000	*RMB'000*
Within one year	**511**	170
After one year but within two years	**149**	–
	660	170

12. DEFERRED TAX

The movements in deferred tax assets (liabilities) during the year are as follows:

	Fair value adjustment of financial liabilities at fair value through profit or loss *RMB'000*	Other intangible asset *RMB'000*	Expected credit loss provision *RMB'000*	Total *RMB'000*
At 1 January 2021	–	–	646	646
Deferred tax charged to profit or loss during the year *(note 6)*	–	–	214	214
At 31 December 2021 and 1 January 2022	**–**	**–**	**860**	**860**
Acquisition of subsidiaries *(note 21)*	**–**	**(2,550)**	**–**	**(2,550)**
Deferred tax charged to profit or loss during the year *(note 6)*	**659**	**300**	**1,482**	**2,441**
At 31 December 2022	**659**	**(2,250)**	**2,342**	**751**

Notes:

(a) As at 31 December 2022, the Group had accumulated tax losses arising in Mainland China of RMB21,273,000 (31 December 2021: RMB13,278,000) that would expire in one to five years. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which they can be utilised.

(b) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2022, no deferred tax liability has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future after their assessment based on factors which included the dividend policy, the level of working capital required for the Group's operations and the expansion of the Group's operations in Mainland China. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB126,511,000 (2021: RMB114,914,000).

13. INVENTORIES

At the end of the Reporting Period, all inventories represent purchased pharmaceutical products.

As at 31 December 2022, the Group's inventories with a carrying amount of RMB38,982,000 (2021: RMB56,339,000) were pledged to secure the Group's other payables in respect of import agent services as further detailed in consolidated financial statements.

14. TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables, gross	**359,478**	216,346
Less: Allowance for credit losses	**(9,316)**	(3,111)
Trade receivables, net of impairment	**350,162**	213,235
Bills receivables*	**1,106**	366
	351,268	213,601

* Bills receivables as at 31 December 2022 were classified as financial assets at fair value through profit or loss as they were held for the endorsement or discounted.

The Group granted credit terms ranging from 90 days to 180 days (2021: 90 days to 180 days) to customers after the delivery of goods, except for certain customers who were required to make payments in advance prior to the delivery of goods. The Group seeks to maintain strict control over the settlements of its outstanding receivables and has a credit control department to minimise credit risk. Trade receivables are non-interest-bearing. As at 31 December 2022, trade receivables of RMB319,381,000 (2021: RMB281,044,000) were covered by letters of credit.

An ageing analysis of the trade receivables as at the end of the Reporting Periods, based on the date of revenue recognised and net of loss allowance, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**349,742**	207,097
3 to 12 months	**420**	6,138
	350,162	213,235

The movements in the loss allowance for impairment of trade receivables are as follows:

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**3,111**	2,091
Provision for impairment loss *(note 5)*	**6,205**	1,020
At end of year	**9,316**	3,111

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit loss rate. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and coverage by other forms of insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

		Past due			
	Current	**1 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Expected credit loss rate	**8.41%**	**19%**	**100%**	**100%**	
Gross carrying amount (RMB'000)	**354,125**	**108**	**2,733**	**2,512**	**359,478**
Covered by letters of credit (RMB'000)	**(305,968)**	**–**	**–**	**–**	**(305,968)**
	48,157	**108**	**2,733**	**2,512**	**53,510**
Expected credit losses (RMB'000)	**4,050**	**21**	**2,733**	**2,512**	**9,316**

As at 31 December 2021

		Past due			
	Current	1 to 90 days	91 to 180 days	More than 180 days	Total
Expected credit loss rate	1.84%	8.56%	61.62%	100%	
Gross carrying amount (RMB'000)	207,793	6,701	28	1,824	216,346
Covered by letters of credit (RMB'000)	(169,862)	–	–	–	(169,862)
	37,931	6,701	28	1,824	46,484
Expected credit losses (RMB'000)	696	574	17	1,824	3,111

As at 31 December 2022, the Group endorsed certain bills receivable accepted by banks in Mainland China to certain import agents in order to settle other payables, with a carrying amount in aggregate of RMB25,821,000 (2021: RMB20,103,000) (collectively referred to as the "**Derecognised Bills**"). The Derecognised Bills had a maturity term from one to six months at the end of the Reporting Period. All the Derecognised Bills had been accepted by Banks which are reputable banks in the PRC and had a maturity of within six months at the end of the Reporting Period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated advances on discounting. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their face amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year, no gains or losses were derecognised from the Continuing Involvement, both during the years or cumulatively the endorsement has been made evenly throughout the year.

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022	2021
	RMB'000	*RMB'000*
Prepayments in respect of:		
– purchase of inventories	**1,436**	1,492
– consultation service fee	**–**	1,295
– others	**569**	800
Deposits in respect of:		
– issuance of letters of credit	**99,897**	135,375
– distribution rights	**–**	127,514
– others	**–**	35,118
Value-added tax recoverable	**34,730**	6,050
Amounts due from related parties	**11**	11
Other receivables in respect of:		
– staff advances	**1,355**	1,091
– others	**3,073**	4,649
	141,071	313,395
Less: Allowance for credit losses	**(77)**	(356)
	140,994	313,039

The movements in the loss allowance for impairment of financial assets in prepayments, other receivables and other assets are as follows:

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**356**	520
Reversal of impairment loss *(note 5)*	**(279)**	(164)
At end of year	**77**	356

An impairment analysis is performed at each reporting date by considering ECLs, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

In determining ECLs for financial assets included in prepayments, other receivables and other assets, the Directors have taken into account the historical default experience and the future prospects of the industries and/or considered various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the financial assets in prepayments, other receivables and other assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

16. BANK BALANCES AND CASH AND PLEDGED DEPOSITS

	2022	2021
	RMB'000	*RMB'000*
Cash and cash equivalents	**436,996**	381,067
Less: pledged deposits*	**(107,852)**	(55,015)
Bank balances and cash	**329,144**	326,052

* The balances as at 31 December 2022 and 31 December 2021 represented bank deposits with original maturity of less than three months when acquired which are pledged to banks to issue letters of credit for the purchase of pharmaceuticals.

The Group's bank balances and cash and pledged deposits at the end of the Reporting Period can be further analysed as follows:

	2022	2021
	RMB'000	*RMB'000*
Denominated in RMB	**284,759**	257,299
Denominated in US$*	**69,328**	74,138
Denominated in HK$*	**72,120**	47,887
Denominated in C$*	**–**	1,704
Denominated in S$	**10,789**	39
	436,996	381,067

* US$ stands for the United States dollar. HK$ stands for the Hong Kong dollar. C$ stands for the Canadian dollar. S$ stands for the Singapore dollar.

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for a period of three months and earn interest at the respective deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

17. TRADE AND BILLS PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**366,988**	422,933
Bills payables	**41,000**	–
	407,988	422,933

An ageing analysis of trade and bills payables as at the end of the Reporting Period, based on the issuance date of the pharmaceuticals' inspection report, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**407,988**	422,933

Trade and bills payables of the Group are normally settled within 120 to 180 days (2021:120 to 180 days).

The Group's bills payable as at 31 December 2022 was secured by the pledge of certain of the Group's deposits amounting to RMB41,000,000.

18. CONTRACT LIABILITIES

Contract liabilities consisted of short-term advances received from customers in relation to the sale of imported pharmaceuticals. Changes in contract liabilities during the year are as follows:

	2022	2021
	RMB'000	*RMB'000*
At the beginning of year	**27,749**	27,806
Revenue recognised that was included in the contract liabilities balance at the beginning of the year *(note 2)*	**(11,698)**	(27,732)
Net increase due to cash received, excluding amounts recognised as revenue during the year	**59,378**	27,675
At the end of year	**75,429**	27,749

19. OTHER PAYABLES AND ACCRUALS

	Notes	2022 RMB'000	2021 RMB'000
Current portion:			
Payables related to:			
Payroll and welfare payable		**4,399**	2,030
Deposits received	*(a)*	**21,513**	14,117
Consulting and professional fees		**3,324**	12,616
Other tax payables		**3,780**	845
Import agent services	*(b)*	**74,605**	1,886
Interest payable		**–**	114
Other payables		**10,306**	21,816
		117,927	53,424

Notes:

(a) The balance represented refundable deposits received from the Group's distributors according to distribution contracts in order to guarantee their performance under distribution contracts, which were unsecured and interest-free.

(b) The balance as at 31 December 2022 mainly represented the payables to three (2021: one) independent third party, which is principally engaged in import agent services, for their settlement of part of the purchase of pharmaceutical products on behalf of the Group together with the service charge for the import and logistics services. Such payables were non-interest-bearing and secured by inventories with a carrying amount of RMB38,982,000 (2021: RMB56,339,000) (note 13).

Other than the other payables mentioned above, all other payables of the Group are non-interest-bearing and unsecured.

20. BANK AND OTHER BORROWINGS

		2022			2021		
	Notes	**Effective interest rate (%)**	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current:							
Bank loan							
– Secured and guaranteed	*(a)*	**3.50–3.65**	**2023**	**180,000**	3.37–5.50	2022	80,000
Other borrowing							
– Unsecured	*(b)*	**–**	**–**	**–**	3.79	2022	127,514
Current portion of long term bank loan – guaranteed	*(a)*	**2.75**	**2023**	**806**	2.75	2022	806
				180,806			208,320
Non-current:							
Bank loan							
– Guaranteed	*(a)*	**2.75**	**2024-2025**	**922**	2.75	2023-2025	2,244
Other borrowing							
– Unsecured	*(c)*	**–**	**–**	**–**	10.68	2023	130,000
				922			132,244
				181,728			340,564

	2022 ***RMB'000***	2021 *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**180,806**	80,806
In the second year	**806**	806
In the third to fifth years, inclusive	**116**	1,438
	181,728	83,050
Other borrowings repayable:		
Within one year or on demand	**–**	127,514
In the second year	**–**	130,000
	–	257,514
	181,728	340,564

Notes:

(a) The Group's bank and other borrowings are secured and guaranteed as follows:

(i) As at 31 December 2022, the bank loan of RMB180,000,000 (2021: RMB80,000,000) was secured by the Group's certain buildings of RMB70,999,000 (2021: RMB57,159,000) and was jointly guaranteed by Mr. Huang Xiangbin, Chengdu Sinco Pharmaceutical Technology Co., Ltd. ("**Chengdu Sinco Technology**") and the Company.

(ii) As at 31 December 2022, the bank loan of RMB1,728,000 (2021: RMB3,050,000) was guaranteed by Mr. Huang Xiangbin.

(b) The balance as at 31 December 2021 represented the interest-bearing borrowing amounting to US$20.0 million granted by a third party. During the year ended 31 December 2021, the third party made a payment of US$20.0 million to the Group's supplier on behalf of the Group as the deposit for the relevant distribution rights granted. On 26 January 2022, the supplier repaid the deposit to the third party. Since the date of the repayment, the Group derecognised the interest-bearing borrowing of US$20.0 million due to the third party and the other receivables of US$20.0 million due from the supplier.

(c) The balance represented the interest-bearing borrowing amounting to RMB130.0 million granted by a third party as at 31 December 2021.

(d) As at 31 December 2022, except for the bank loan which was denominated in HK$ amounting to RMB1,728,000 (2021: RMB3,050,000), all bank loans were denominated in RMB.

21. BUSINESS COMBINATION

On 10 May 2022, Sichuan Sinco Biotech Limited Company (四川興科蓉生物科技有限公司) (an indirectly wholly-owned subsidiary of the Company) acquired 100% equity interest in Deyang Yisida Biotech Limited (德陽億思達生物科技有限公司, "**Deyang Yisida**"),which owns and controls 70% equity interest in Demei Company, at a consideration of up to RMB66.5million from Guanghan Fire Genie E-Commerce Co., Ltd. (廣漢火精靈電子商務有限責任公司, the "**Vendor A**"). On the same day, Mr. Huang Zhijian (the son of Mr. Huang Xiangbin who is the executive director, chairman of the board of directors and the substantial shareholder of the Company) acquired100%equity interest in Deyang Renshangren Pharmaceutical Technology Co., Ltd. (德陽仁尚仁醫藥技術有限公司, "**Renshangren**"), which owns the remaining 30% equity interest in Demei Company, at a consideration of up to RMB28.5 million from Guanghan Haozheng Trading Co., Ltd. (廣漢市浩正商貿有限責任公司, the "**Vendor B**"). The Vendor A and the Vendor B are collectively referred to as the "**Vendors**".

Upon the completion of the acquisition of Deyang Yisida, the Company indirectly held 70% equity interest in Demei Company. Through the entering into of a series of agreements constituting contractual arrangements (the "**Old VIE Contractual Arrangements**"), the Group is entitled to exercise effective control over both operational and financial matters and enjoy the economic benefits derived from the entire equity interest in Renshangren and the remaining 30% equity interest in Demei Company. The acquisition of Deyang Yisida and the acquisition of Renshangren are collectively referred to as the "Acquisition". Please refer to the announcements of the Company dated 22 March 2022 and 10 May 2022 for more details about the aforesaid acquisition and the Old VIE Contractual Arrangements.

The fair value of the identifiable assets and liabilities of Demei Company as at the date of the Acquisition are as follows:

	Fair value recognised on the Acquisition
	RMB'000
Property, plant and equipment *(note 9)*	**3,459**
Other intangible asset – Non-compete agreement	**17,000**
Deferred tax liabilities *(note 12)*	**(2,550)**
Total identifiable net assets at fair value	**17,909**
Goodwill on acquisition*	**66,536**
Purchase consideration transferred	**84,445**
Purchase consideration transferred satisfied by:	
Cash	**68,000**
Contingent consideration payable *(note 22)*	**16,445**
	84,445
An analysis of the cash flows in respect of the acquisition of the above subsidiaries is as follows:	
Net outflow of cash and cash equivalents included in cash flows used in investing activities during the year ended 31 December 2022	**68,000**

* The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Demei Company. The goodwill recognised is not expected to be deductible for income tax purposes.

Contribution to the Group's revenue and consolidated profit for the year ended 31 December 2022 since the acquisition date are as follows:

	RMB'000
Revenue	**12,192**
Consolidated profit	**4,341**

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would be:

	RMB'000
Revenue	**2,278,483**
Consolidated profit	**87,040**

Demei Company

For the purpose of impairment testing, goodwill arising from business combinations has been allocated to the CGU of Demei Company.

The basis of the recoverable amounts of Demei Company and its major underlying assumptions are summarised below:

At 31 December 2022, the recoverable amounts of this CGU had been determined based on a value in use calculation. That calculation uses cash flow projections covering a 5-year period, based on financial budgets approved by management and a discount rate of 19.29% per annum. Cash flows beyond the 5-year period are extrapolated with a 2.3% growth rate. This growth rate is based on the relevant industry growth rate forecast and does not exceed the average long-term growth rate of the relevant industry. No impairment loss is considered necessary for Demei Company.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budget sales and gross margin. Such estimation is based on the unit's past performance and management's expectations for the market development. The Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU of Demei Company to exceed the aggregate recoverable amount of this CGU.

22. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

As part of the series of agreements with the Vendors, a contingent consideration is payable, which is dependent on the profit of Demei Company of each year of the years ended 31 December 2022,2023 and 2024. At the acquisition date, the fair value of the initial amount recognised was estimated to be RMB16,445,000 which was determined using the scenario analysis method and is within Level 3 fair value measurement. As at 31 December 2022, the contingent consideration was remeasured as RMB19,078,000 at fair value. A significant increase/decrease in the profit of Demei Company would result in a significant change in the fair value of the contingent consideration. The contingent consideration is classified as financial liabilities at fair value through profit or loss. A reconciliation of fair value measurement of the contingent consideration liability is provided below:

	RMB'000
Arising on business combination *(note 21)*	**16,445**
Unrealised fair value change recognised in profit or loss	**2,633**
As at 31 December 2022	**19,078**

23. SHARE CAPITAL

Shares

	2022	2021
	RMB'000	*RMB'000*
Authorised:		
10,000,000,000 (2021: 10,000,000,000) ordinary shares of HK$0.0001 each	**822**	822
Issued and fully paid:		
2,032,890,585 (2021: 1,872,890,585) ordinary shares of HK$0.0001 each	**164**	151

A summary of movements in the Company's share capital is as follows:

	Notes	Number of share in issue	Share capital *RMB'000*
At 1 January 2021		**1,691,890,585**	**136**
Issue of new shares	*(a)*	**169,000,000**	**14**
Share options exercised	*(b)*	**12,000,000**	**1**
At 31 December 2021 and 1 January 2022		**1,872,890,585**	**151**
Issue of new shares	*(c)*	**160,000,000**	**13**
At 31 December 2022		**2,032,890,585**	**164**

Notes:

(a) On 23 July 2021, the Group entered into a subscription agreement with the subscribers, agreeing to allot and issue a total of 169,000,000 subscription shares at a subscription price of HK$0.5 per subscription share. On 28 September 2021, a total of 169,000,000 subscription shares were allotted and issued to the subscribers at the subscription price of HK$0.5 per subscription share, resulting in new share capital of HK$16,900 (before issue expenses).

(b) The 12,000,000 share options exercised during the year ended 31 December 2021 resulted in the issue of 12,000,000 ordinary shares of the Company and new share capital of HK$1,200 (before issue expenses).

(c) On 3 January 2022, a total of 160,000,000 placing shares were allocated and issued to the placees at the price of HK$1.29 per share, resulting new share capital of HK$16,000 (before issue expenses).

24. COMMITMENTS

The Group had the following capital commitments at the end of the Reporting Period:

	2022	2021
	RMB'000	*RMB'000*
Contracted, but not provided for:		
– Construction of a warehouse	**27,322**	83,008
– Furbishing of a property	**18,338**	2,256
	45,660	85,264

25. CONTINGENT LIABILITIES

At the end of the Reporting Period, the Group had no significant contingent liabilities.

26. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had the following material transactions with related parties:

	2022	2021
	RMB'000	*RMB'000*
Guaranteed by Mr. Huang Xiangbin		
Interest-bearing bank loan	**180,000**	80,000
Amount due from Risun	**11**	11

(b) Compensation of key management personnel of the Group

	2022	2021
	RMB'000	*RMB'000*
Short-term employee benefits	**5,558**	2,338
Pension scheme contributions	**213**	51
Total compensation paid to key management personnel	**5,771**	2,389

27. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

As disclosed in the announcements of the Company dated 26 September 2022, 30 September 2022, 24 October 2022, 8 December 2022, 13 December 2022, and 4 January 2023, the Company, on 15 September 2022, received the Letter from EY, being the then auditors of the Company, informing that there might be possible internal control irregularities ("**Incident**"), which involved transactions that took place in January 2022 with a sum equivalent to US$13 million (approximately HK$100 million).

On 17 September 2022, the Board resolved to establish the Independent Committee to review and investigate the Incident, which comprised of four independent non-executive Directors, namely Mr. Lau Ying Kit, Mr. Wang Qing, Mr. Liu Wenfang and Mr. Bai Zhizhong.

Having considered the current information and evidence available to the Company was insufficient and therefore a proper investigation of the Incident with the assistance of an external forensic accountant was necessary, on 21 December 2022, the Independent Committee appointed Grant Thornton Advisory Services Limited ("**Forensic Accountant**") as an independent forensic accountant to conduct an independent forensic investigation into the Incident ("**Forensic Investigation**") and produce a report on the findings of the Forensic Investigation to be presented to the Independent Committee.

On 15 March 2023, the Independent Committee received a draft forensic investigation report ("**Forensic Investigation Report**") from the Forensic Accountant, details of which were set out in the Company's announcement dated 21 March 2023.

As at the date hereof, the Independent Committee is in the process of engaging an internal control consultant to review the internal control system of the Group taking the recommendations from the Forensic Accountant. The Company will make further announcement to update investors and shareholders once the internal control review results are available.

Other than the above, the Board is not aware of any material event requiring disclosure, that has taken place subsequent to 31 December 2022 and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With extensive experience in the distribution of pharmaceutical imports, the Group provides comprehensive marketing, promotion and channel management (the "**MPCM**") services for small and medium-sized overseas pharmaceutical manufacturers. Meanwhile, the Group is the only MPCM services provider for imported blood products in the PRC, leveraging quality our quality product portfolio that focuses on blood products and nationwide marketing and promotion network. The Group's existing product portfolio encompasses many quality products produced by small and medium-sized overseas pharmaceutical manufacturers, covering multiple therapeutic areas such as anti-infective drugs and blood products, digestive system, and cardiovascular system digestive system. Included in such products and blood products (which are in short supply in the Chinese market) and prescription drugs which can meet the high demand for high-quality drugs with excellent clinical results among medical institutions and patients.

1. Core Products

Human Albumin Solution

Dating back to the early 1940s, blood products have undergone decades of fast development. Such products have grown from human albumin solution at the very beginning to the current 20-plus categories in three series, encompassing such sub-categories as human albumin solution, immune globulin and blood coagulation factors. Given the approval granted to new indications and an improved rate of diagnosis, the Plasma Protein Therapeutics Association (PPTA) predicts that the market demand for blood products will retain a high-speed growth around the globe. During the last two years, as many new plasma collection stations have been put into service, the amount of plasma collection increased every year and production capacity of domestic manufacturers also increased rapidly. As the largest sales category in the market of blood products in the PRC, Human Albumin is the only kind of blood product allowed to be imported at the present, and its batch release of imported and domestic categories maintains a rapid growth every year. In 2022, the annual batch release amounted to 67.7 million vials (2021: 63.7 million vials), among which the percentages of imported and domestic categories were 62.2% and 37.8% respectively. Manufactured by Octapharma, a global leading manufacturer of blood products, and included as a Category B product in the National Reimbursement Drug List (NRDL), the human albumin solution operated by the Group is used to remedy the shock caused by hypovolemia, remove edema and poisonous substances, and treat neonatal hyper-bilirubinemia. Based on the batch release of the human albumin solution in the PRC in 2022, the market share of the human albumin solution manufactured by Octapharma was approximately 11.2%.

2. Marketing Network Development

The Group provides its marketing service through its internal teams and their cooperation with third-party promoters. Hence, one of the Group's key development strategies is to continuously expand the marketing network and enhance distributor and promotor management. During the Reporting Period, the Group took "flexible, professional and efficient" as its objective, and strove to develop its marketing team in respect of the ability of quickly responding to market environment changes and executing operational plans with high efficiency. Furthermore, the Group sorted out its human resources in each division. The marketing team had its structure streamlined and its performance management further refined, with optimized allocation of sales resources that are invested in each product and higher efficiency of business operation.

At the same time, the implementation of "two-invoice system" took place at a faster pace in each province. To positively respond to such implementation, the existing structure of distributor network was comprehensively sorted out. Based on sufficient communication with its distributors, the Group has further extended its sales channels to end markets through the collaboration between its internal sales team and local distributors. Originally, promoters were allocated by region. Now, the promoters are matched with each hospital of the region concerned, which enables the Company's sales network to reach the end market. Besides, the coverage of the network has also been extended from large top Class-III hospitals to provincial, municipal and county hospitals, to keep improving market penetration, thereby establishing a precision management system that each hospital will have its respective promoters.

In addition, the Group has further improved the direct participation of its internal marketing team in product marketing activities. In this regard, approaches include regularly training third-party promoters on product knowledge, hosting or taking part in medical or pharmaceutical conferences, symposiums and product seminars to directly partake in the academic promotion activities of products, and extend the opinion leadership network for the main therapeutic areas of products. All the approaches serve to ensure accurate and timely delivery of product information to doctors. In addition to product promotion, the Group has taken the initiative to invite third party promoters from across the country to join a conference call to discuss and interpret the major impact of national policies, to increase the added value and attraction of the Group's training.

3. Cold Chain Storage Facility

Considering the future demand for business expansion and the significant demand for pharmaceutical cold chains in the storage and delivery of blood products and bio-products, the Group has constructed a cold chain storage facility in Shuangliu District, Chengdu, Sichuan Province. The Group has completed the first phase of its cold chain storage facility (15,000 square meters), which can satisfy the Group's storage demand and provide better control for the quality and safety of the blood products in our product portfolio. Additionally, the Company will be able to provide third parties with high quality pharmaceutical cold-chain storage services upon completing the second-phase construction, which will be a new business unit of the Group.

4. Research and Development

The Group entered into a collaboration agreement with the China Academy of Chinese Medical Sciences to develop "Sinco I", a new realgar-based chemical medicine for treating acute promyelocytic leukemia. The collaboration aims for the upstream extension of the Group's business and the future provision of a new medicine for patients in the therapeutic area. Currently it is in the pilot experiments.

In September 2021, the Group announced an investment of RMB88.5 million to cooperate with an independent third party, Beijing Nuokangda Pharmaceutical Technology Co., Ltd. (the "**Beijing Nuokangda**") to develop polycaprolactone microsphere facial fillers for injection, namely "Girl Needle". As at the date of this Report, the transformation of the pilot workshop and the installation, commissioning and verification of engineering equipment and related instruments have been completed. A pilot production workshop for PCL biomaterials, a workshop for PCL microsphere preparations, a central laboratory and a testing center have been built. Based on the above, the Company has satisfied and qualified the pilot production conditions for Class III medical devices. In November 2022, the Group entered into the Technology Development Agreement with Beijing Nuokangda, and once again cooperated in the research and development of secret needle and secret needle polycaprolactone filling materials, at a consideration of RMB53.0 million. The preliminary work of the project has started in an orderly manner.

FUTURE AND OUTLOOK

In 2022, the continuous outbreak of the covid epidemic and the continuous changes in epidemic prevention and control policies have caused great difficulties and challenges to all pharmaceutical companies including the Group. The Group has also mobilized resources from all parties to ensure the smooth development of business and achievement of annual business goals. At the end of 2022, there have been major adjustments to prevention and control policies, China has ushered in the reopening after the epidemic, and the operation of various industries has gradually returned to normal. Looking ahead to 2023, the corporate structure and product structure in the post-epidemic era will become more differentiated, industry integration will accelerate, and opportunities and challenges will coexist. Driven by factors such as population aging, increased health awareness, changes in the spectrum of diseases, and the application of emerging technologies, the rigid demand to promote the development of China's pharmaceutical industry will exist for a long time. As an important livelihood industry in China, the pharmaceutical and health industry still has strong growth momentum and huge rigid demand.

On the one hand, the epidemic in the past three years and the rapid outbreak of Omicron at the end of the year 2022 have profoundly affected the public's medical awareness. All regions of the country also ushered in the first wave of concentrated infections at the end of 2022, and people's demand for medical resources continued to increase. Due to the clinical necessity of human albumin and other blood products and the shortage of supply determined by the properties of their raw materials, there is no corresponding substitute product in the short term, and their demand is expected to remain strong for a long time.

On the other hand, the Girl Needle project in cooperation with Beijing Nuokangda is in the process of handover of process technology and analytical methods. It is expected to complete the pilot test and clinical drug production in March 2023, and complete the registration test, biological test and clinical registration and commence clinical research in the second half of 2023. In the meanwhile, the secret needle project, in relation to the research and development of the secret needle and the secret needle polycaprolactone filling material with Beijing Nuokangda, is also advancing in an orderly manner, and the material test has been completed so far. It is expected to complete small test, pilot test and pharmacological pre-test of the secret needle by the end of 2023.

In addition, Chengdu Hengmeisheng entered into a cooperation agreement with the School of Polymer Science and Engineering of Sichuan University ("**Sichuan University**") on the joint establishment of the "Chengdu Hengmeisheng Medical Polymer Materials Research and Development Center". Focusing on the Group's development strategy, Sichuan University provides the Group with technical support for the research of new polymer materials and continuous talent output, making the research and development center reach the domestic advanced level. In the future, the Group will, as always, adhere to the concept of comprehensive health, deeply cultivate technology research in the medical aesthetics industry, and continue to open up new prospects.

Apart from the above, the Group will continue to enhance the development of its internal control system and risk management, pay much attention to and fulfill its corporate social responsibilities throughout the Group's governance. The Group will offer its staff a great platform for career development, and keep working to create a greater value for the Shareholders.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of RMB2,271.5 million for the Reporting Period, representing an increase of RMB247.4 million, or 12.2% as compared to RMB2,024.1 million in 2021, which could be further analysed as follows:

		2022		2021	
		RMB million	***% of revenue***	*RMB million*	*% Of revenue*
Human albumin solution	*1)*	**2,257.2**	**99.4%**	1,973.3	97.5%
Antibiotics	*2)*	**2.1**	**0.1%**	50.8	2.5%
Medical beauty service	*3)*	**12.2**	**0.5%**	–	–
Total		**2,271.5**	**100.0**	2,024.1	100.0

1) During the Reporting Period, revenue of human albumin solution stood at RMB2,257.2 million, representing an increase of approximately 14.4% or RMB283.9 million as compared with 2021. Such increase in revenue mainly benefited from the increase in the supply volume and the sales volume of human albumin.

2) During the Reporting Period, revenue from sales of antibiotics further decreased to RMB2.1 million. Because the Group's antibiotics products were not included in the catalogue of centralized drugs, the sales declined sharply.

3) During the Reporting Period, revenue generated from medical beauty services amounted to RMB12.2 million, representing the revenue from Demei Company which was acquired by the Group during the Reporting Period.

Cost of sales

The Group recorded cost of sales of RMB1,965.6 million for the Reporting Period, representing an increase of RMB306.5 million, or 18.5% as compared with RMB1,659.1 million in 2021, which was in line with the increase in sales revenue.

Gross profit and gross profit margin

During the Reporting Period, the Group recorded gross profit of RMB305.9 million, representing a decrease of RMB59.1 million as compared with RMB365.0 million in 2021, in which the gross profit of the human albumin solution decreased by RMB64.5 million and the gross profit of the antibiotics decreased by RMB3.5 which partially offset by the increase of gross profit of medical beauty services of RMB8.9 million. The gross profit margin decreased from 18.0% in 2021 to 13.5% for the Reporting Period. The decrease was primarily caused by its increased purchase cost which was as a result of the depreciation of the RMB exchange rate against the USD.

Other income and gains

During the Reporting Period, other income and gains of the Group amounted to RMB25.2 million, representing an increase of RMB14.3 million as compared with the 2021, which was mainly caused by the increase in exchange gains of RMB16.0 million.

Selling and distribution expenses

During the Reporting Period, the Group's selling and distribution expenses amounted to approximately RMB117.0 million, representing an increase of RMB11.6 million as compared with the corresponding period of 2021. The increase was mainly due to the increase of marketing promotion expenses, which was in line with the increase in sales.

Administrative expenses

During the Reporting Period, the Group recorded administrative expenses of RMB81.4 million, representing an increase of RMB15.4 million as compared with the corresponding period of 2021. The increase was mainly due to the increase of staff cost.

Other expenses

During the Reporting Period, the Group recorded other expenses of RMB6.5 million, representing a decrease of RMB0.6 million as compared with the 2021, which was mainly due to the decrease in foreign exchange loss.

Finance costs

During the Reporting Period, the Group recorded finance costs of RMB18.3 million, representing a decrease of RMB10.8 million as compared with the 2021, which was mainly due to the repayment of the other interest-bearing loans by the Group and accordingly the relevant interest expense decreased by RMB8.0 million.

Income tax expense

During the Reporting Period, the income tax expense decreased by RMB2.5 million or 7.7% to RMB29.8 million as compared with the 2021. The decrease was mainly due to the decrease of the Group's gross profit.

Profit for the Reporting Period

As a result of the foregoing, the Group recorded the net profit of RMB69.5 million, which decreased by RMB65.6 million as compared with RMB135.1 million in 2021.

Inventories

Inventory balances amounted to RMB88.1 million as at 31 December 2022 (31 December 2021: RMB61.3 million), representing an increase of RMB26.8 million as compared with the year-end balance of 2021. Such increase was due to the increase in the inventory balance of human albumin solution.

Due to the increase of the sales volume during the Reporting Period, the Group's average inventory turnover days decreased by 19 days from 33 days in 2021 to 14 days for the Reporting Period.

Trade and bills receivables

The balance of trade receivables amounted to RMB350.2 million as at 31 December 2022 (31 December 2021: RMB213.2 million). The main reason for the increase of RMB137.0 million as compared with the year-end balance of 2021 was because with the increase of sales the Group granted the credit term to some major customers.

The balance of bills receivables as at 31 December 2022 was RMB1.1 million (31 December 2021: RMB0.4 million), representing an increase of RMB0.7 million as compared to the year-end balance of 2021. The increase was primarily resulted from the increase in sales of Human Albumin Solution.

Prepayments, deposits, other receivables and other assets

As at 31 December 2022, the prepayments, deposits, other receivables and other asset amounted to RMB141.0 million (31 December 2021: RMB313.0 million), representing a decrease of RMB172.0 million as compared with the year-end balance of 2021. The decrease was mainly due to the decrease of the prepayment of deposits for issuance of the letter of credit of RMB35.3 million and the decrease of the prepayment of the refundable deposit for distribution right of RMB127.5 million.

Trade and bills payables

As at 31 December 2022, trade and bills payables amounted to RMB408.0 million (31 December 2021: RMB422.9 million), representing a decrease of RMB14.9 million as compared with the year-end balance of 2021, which was mainly due to the decrease in payables for the purchase of Human Albumin Solution.

Other payables and accruals

As at 31 December 2022, other payables and accruals amounted to RMB117.9 million (31 December 2021: RMB53.4 million), representing an increase of RMB64.5 million as compared with the year-end balance of 2021. The increase was mainly due to the increase payables in relation to (i) the import agent services by RMB72.7 million; (ii) the deposits received from distributors by RMB7.4 million; (iii) the other tax payables by RMB2.9 million and (iv) the payroll and welfare payable by RMB2.4 million. The increase was partially offset by the decrease of (i) the payables of the consulting and professional fee by RMB9.3 million and (ii) the other miscellaneous payables by RMB11.5 million.

Borrowings

As at 31 December 2022, the Group has borrowings of RMB181.7 million in total, with details set out below:

	2022	2021
	RMB'000	*RMB'000*
Current:		
Bank loans	**180,806**	80,806
Other borrowings	**–**	127,514
Non-current:		
Bank loans	**922**	2,244
Other borrowings	**–**	130,000
Total	**181,728**	340,564

Gearing ratio

At the end of the Reporting Period, the Group's gearing ratio was calculated as follows:

	2022	2021
	RMB'000	*RMB'000*
Bank and other borrowings	**181,728**	340,564
Trade and bills payables	**407,988**	422,933
Other payables and accruals	**117,927**	53,424
Lease liabilities	**10,684**	384
Tax payables	**5,437**	12,826
Financial liabilities at fair value through profit or loss	**19,078**	–
Less: Bank balances and cash	**(329,144)**	(326,052)
Less: Pledged deposits	**(107,852)**	(55,015)
Net debt[(a)]	**305,846**	449,064
Equity	**603,812**	374,886
Equity and net debt[(b)]	**909,658**	823,950
Gearing ratio[(a/b)]	**33.6%**	54.5%

Liquidity and capital resources

The following table sets out a condensed summary of the Group's consolidated statement of cash flows during the Reporting Period:

	Notes	2022 RMB'000	2021 RMB'000
Net cash from operating activities	1)	**75,081**	305,712
Net cash used in investing activities	2)	**(119,270)**	(22,727)
Net cash from (used in) financing activities	3)	**35,043**	(97,108)
Net (decrease) increase in cash and cash equivalents		**(9,146)**	185,877
Effect of foreign exchange rate changes, net		**12,238**	(3,590)
Cash and cash equivalents at beginning of the year	4)	**326,052**	143,765
Cash and cash equivalents at end of the year	4)	**329,144**	326,052

Notes:

1) Net cash from operating activities

During the Reporting Period, the Group's net cash inflow generated from operating activities amounted to approximately RMB75.1 million (for the year 2021: net cash inflow of RMB305.7 million), which was mainly due to the increase in cash from sales and decrease in prepayments, other receivables and other assets during the Reporting Period as compared with prior year.

2) Net cash used in investing activities

During the Reporting Period, the Group's net cash used in investing activities amounted to approximately RMB119.3 million (for the year 2021: net cash outflow of RMB22.7 million), which was mainly due to the purchase of items of property, plant and equipment and acquisition of subsidiaries.

3) Net cash from financing activities

During the Reporting Period, the Group's net cash inflow from financing activities amounted to approximately RMB35.0 million (for the year 2021: net cash outflow of RMB97.1 million), which mainly due to the cash inflow from the proceeds of issue of new shares of RMB159.5 million.

4) The following table sets out the Group's cash and cash equivalents at the end of the Reporting Period:

	2022 RMB'000	2021 RMB'000
Denominated in RMB	**284,759**	257,299
Denominated in US$	**69,328**	74,138
Denominated in HK$	**72,120**	47,887
Denominated in C$	**–**	1,704
Denominated in S$	**10,789**	39
	436,996	381,067

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies. Substantial amounts of the Group's cash and cash equivalents are held in major financial institutions located in Mainland China. The Group seeks to maintain strict control over its outstanding receivables and the senior management of the Company reviews and assesses the creditworthiness of the Group's existing customers on an ongoing basis. To manage liquidity risk, the Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations. Cash and cash equivalents of the Group is mainly denominated in RMB.

Foreign currency risk

Most of the Group's assets and liabilities are denominated in RMB, except for certain items below:

- Certain bank balances are denominated in US$, HK$ and S$; and

- Purchase of products from overseas suppliers and relevant Trade and bills payables are denominated in US$.

The Group manages the potential fluctuation in foreign currencies by foreign currency forward and option contracts, and does not enter into any hedging transactions.

Future Plans for Material Investments and Capital Assets

As at the date of this report, the Group does not have any future plans for material capital assets.

THE ACQUISITION OF DEMEI COMPANY

On 20 January 2022, the Company (or its designated affiliate) entered into a letter of intent with all beneficial owners of Deyang Demei Medical Aesthetic Clinic (General Partnership)* ("**Demei Clinic**") in relation to potential acquisition of the equity interest in the target after Demei Clinic completes restructuring and conversion.

On 22 March 2022, Sichuan Sinco Biotech Limited Company* (a wholly-owned subsidiary of the Company) and Mr. Huang Zhijian (a connected person of the Company, being the son of Mr. Huang, an executive Director, chairman of the Board and substantial shareholder of the Company) entered into (i) each of the respective equity transfer agreements between Demei Company being the target after Demei Clinic completes restructuring and conversion, and other parties, and (ii) a loan agreement (with a set of VIE contractual arrangements to be entered into upon the completion under the said equity transfer agreements) for purpose of acquiring the entire equity interest in Demei Company.

On 10 May 2022, the completion under each of the equity transfer agreements took place, and a series of agreements under the VIE contractual arrangements were entered into. Accordingly, Sichuan Sinco Biotech Limited Company indirectly held 70% equity interest in the Demei Company and obtain, via the VIE contractual arrangements (under which Mr. Huang Zhijian was the registered owner of Renshangren at the relevant time and Renshangren directly held 30% equity interests in the Demei Company), control over and the economic benefits derived from the remaining 30% equity interest in the Demei Company.

For details, please refer to the announcements of the Company dated 20 January 2022, 22 March 2022 and 10 May 2022.

On 19 August 2022, the Group entered into a series of agreements for purpose of changing the registered holder of the entire equity interest in Renshangren from Mr. Huang Zhijian (a connected person of the Company) to Ms. Liu Keping. For details of the aforesaid change in registered holder of Renshangren, please refer to the announcement of the Company dated 22 August 2022.

Capital expenditure

The following table sets out the Group's capital expenditure for the periods indicated:

	2022	2021
	RMB'000	*RMB'000*
Purchase of property, plant and equipment	**52,691**	23,522
	52,691	23,522

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2022.

Pledge of assets

As at 31 December 2022, the carrying amounts of the Group's pledged assets were set out as follows:

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
For obtaining bank and other borrowings		
– Buildings	**70,999**	73,625
– Inventories	**38,982**	56,339
For issuance of letters of credit, billings and other		
– Bank balances	**107,852**	55,015

SIGNIFICANT FINANCING EVENT AND USE OF PROCEEDS

2022 Placing of new Shares under general mandate

In order to capture the market opportunities of medical aesthetic products and to develop its own center to develop, produce and sell medical aesthetic products gradually, the Company entered into a placing agreement (the "**2022 Placing**") with Silverbricks Securities Company Limited (the "**Placing Agent**") on 7 December 2021, pursuant to which the Company has conditionally agreed to issue an aggregate of 160,000,000 Shares (the "**Placing Shares**"), and the Placing Agent agreed to procure not less than six independent individuals, institutional or other professional investors (the "**Placees**") to subscribe for, on a best effort basis, an aggregate of 160,000,000 Placing Shares at the placing price of HK$1.29 per Placing Share, with an aggregate nominal value of HK$16,000. The Placing Price of HK$1.29 per Placing Share represents a discount of approximately 19.38% to the closing price of HK$1.60 per Share as quoted on the HKSE on 7 December 2021, being the date of the Placing Agreement.

The net proceeds from the 2022 Placing, after deduction of the commission for the placing and other related expenses, amounted to approximately HK$194.9 million, at a net price (which is calculated by dividing the net proceeds by the number of Placing Shares) of HK$1.22. The Company intends that as to:

(a) approximately 40% of the net proceeds of the 2022 Placing (approximately HK$78.0 million) will be used for relevant costs and expenses incurred for the development of polycaprolactone microsphere facial filler and its materials for injection, including but not limited to development of experimental workshop, research and development equipments and factories construction investment; and

(b) approximately 60% of the net proceeds of the 2022 Placing (approximately HK$116.9 million) will be used for the strategic acquisition/development of new projects/products in the field of medical aesthetic including but not limited to acquisition of medical aesthetic organisations or investing in medical aesthetic projects and development of new medical aesthetic products.

All the conditions precedent set out in the Placing Agreement (together with its supplemental agreement entered into between the Company and the Placing Agent on 30 December 2021) have been fulfilled and the completion under the Placing Agreement took place on 3 January 2022. For details, please refer to the announcement of the Company dated 7 December 2021, 30 December 2021 and 3 January 2022.

During the Reporting Period, approximately HK$105.3 million of the net proceeds from the 2022 Placing had been used in accordance with the intended use and the details are as follows:

	Approximate % of total net proceeds *(%)*	**Net proceeds from the 2022 placing** *HK$'(million)*	**Net proceeds utilised during the Reporting Period** *HK$'(million)*	**Unutilised net proceeds as at 31 December 2022** *HK$'(million)*	**Expected timeline for full utilization of the remaining net proceeds**
Development of polycaprolactone microsphere facial filler and its materials for injection, including but not limited to development of experimental workshop, research and development equipments and factories construction investment	40	78.0	53.6	24.4	12 months
Strategic acquisition/development of new projects/products in the field of medical aesthetic including but not limited to acquisition of medical aesthetic organisations or investing in medical aesthetic projects and development of new medical aesthetic products	60	116.9	79.5	37.4	24 months
Total	100	194.9	133.1	61.8	

Save as disclosed above, for the year ended December 31, 2022 and up to date of this announcement, there was no significant financial event affecting the Group.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2022, the Group had a total of 231 employees. For the Reporting Period, the total staff costs of the Group were RMB30.7 million (2021: RMB17.6 million).

The Group's employee remuneration policy is determined by factors such as remuneration in respect of the local market, the overall remuneration standard in the industry, the inflation level, corporate operating efficiency and employee performance. The Group conducts performance appraisals once a month for its employees, the results of which are applied in annual salary reviews and promotional assessments. The Group's employees are considered for annual bonuses according to certain performance criteria and appraisals results. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations.

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer service quality. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or suffer from any material labor dispute during the Reporting Period.

In addition, the Company adopted a share option scheme to recognize the contribution by certain employees of the Group, and to provide them with incentives in order to retain them for their continuing support in the operation and development of the Group.

RISK MANAGEMENT

The principal risks and uncertainties identified by the Company which may have material and adverse impact on the Company's performance or operation are summarized below. There may be other principal risks and uncertainties in addition to those set out below which are not known to the Company or which may not be material now but could turn out to be material in the future.

- Failure to maintain relationships with existing suppliers — The Group currently sources all the products in portfolio from limited suppliers, either directly or indirectly through their sales agents.

- Exchange rate fluctuation — The Group's purchase of products from the overseas suppliers is denominated in US$, and certain items of bank balances, other receivables, bank borrowings and bonds are mainly denominated in US$ and HK$.

- Decrease in profit margin due to increase in cost, decrease in selling price and intensified competition.

- Experiencing prolonged delays or significant disruptions to the supply of the products.

The Company believes that risk management is essential to the Group's efficient and effective operation. The Company's management assists the Board in evaluating material risk exposure to the Group's business, participates in formulating appropriate risk management and internal control measures, and ensures such measures are properly implemented in daily operational management.

RELATIONSHIP WITH KEY STAKEHOLDERS

Human resources is one of the most important assets of the Group. The Group strives to motivate its employees by providing them with a clear career path as well as comprehensive and professional training courses. In addition, the Group also offers competitive remuneration packages to its employees, including basic salary, certain benefits and other performance – based incentives.

The Group purchases imported pharmaceutical products from overseas suppliers, either directly or indirectly through their sales agents, and then generates revenue by on-selling them to hospitals and pharmacies through distributors and deliverers. Our suppliers or their sales agents have granted us the exclusive operating rights to market, promote and manage sales channels for their products in China. The Group maintains a stable and long-term relationship with its suppliers by providing them access to the growing Chinese market with steady sales growth.

The Group sells pharmaceutical products to distributors or deliverers, who on-sell the products to hospitals and pharmacies directly. The Group maintains stable and long-term relationship with its distributors or deliverers by providing them guidance, training and support to carry out more marketing and promotion activities in targeted fields.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is primarily engaged in MPCM for imported pharmaceutical products, a line of business that does not have material impact on the environment. The key environmental impact from the Group's operation is related to electricity, water and paper consumption. The Group is fully aware of the importance of sustainable environmental development, and has implemented the following measures to encourage environmental protection and energy conservation:

- Promoting paperless office

- Encouraging low-carbon commuting

- Ensuring reasonable energy consumption

During the Reporting Period, we did not incur any material cost of compliance with relevant environmental laws and regulations.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's business and operations are subject to related laws and regulations of the Cayman Islands, the British Virgin Islands, Hong Kong and the PRC. During the Reporting Period, the Group have complied with all related laws and regulations of the Cayman Islands, the British Virgin Islands, Hong Kong and the PRC, which would have significant impact on the Group.

FINAL DIVIDEND

The Board resolved to declare a final dividend in respect of the year ended 31 December 2022 of HK$ 0.98 cents (2021: final dividend in respect of the year ended 31 December 2021 of HK$ nil cents) per ordinary share, in an aggregate amount of HK$20,000,000 (2021: HK$nil), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting. The final dividend has been calculated by reference to the 2,032,890,585 issued shares outstanding as at the date of this Announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Monday, 29 May 2023. A notice convening the AGM will be published and despatched to the Shareholders in the manner required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in due course.

CLOSURE OF THE REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from Tuesday, 23 May 2023 to Monday, 29 May 2023, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the forthcoming AGM to be held on Monday, 29 May 2023. To be eligible for attending and voting at the AGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's relevant Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre,183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 22 May 2023.

CLOSURE OF THE REGISTER OF MEMBERS THE ENTITLEMENT OF FINAL DIVIDEND

The register of members will be closed from Friday, 2 June 2023 to Tuesday, 6 June 2023, both days inclusive, in order to qualify for entitlement to the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre,183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, 1 June 2023. Subject to the approval of shareholders of the Company at the forthcoming Annual General Meeting, the final dividend will be paid on or around Thursday, 15 June 2023.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the "Corporate Governance Code and the Corporate Governance Report" (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the Reporting Period, the Company has complied with all applicable code provisions in force under the CG Code and adopted most of the best practices set out therein except for the following provision:

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Mr. Huang was the Chairman of the Board and the co-chief executive officer of the Company ("**Co-CEO**") throughout the year ended 31 December 2022, with Mr. Huang Xiangbin's extensive experience in the pharmaceutical industry, the Board considers that vesting the roles of Chairman and Co-CEO in the same person is beneficial to the business prospects and management of the Group. The check and balance of power and authority are ensured by the operation of the senior management and the Board, which comprise experienced and high calibre individuals. Accordingly, the Board believes that this arrangement will not impact on the balance of power and authorizations between the Board and the management of the Company. On 29 March 2023, Mr. Huang has tendered to the Board his resignation as a Co-CEO of the Company. Upon Mr. Huang's resignation as a Co-CEO of the Company, the other Co-CEO of the Company, Mr. Jin Min, will become the chief executive officer of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable to those in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transaction by Directors of Listed Issuer" (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with the Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the Reporting Period.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

THE ACQUISITION OF DEMEI COMPANY

On 20 January 2022, the Company (or its designated affiliate) entered into a letter of intent with all beneficial owners of Deyang Demei Medical Aesthetic Clinic (General Partnership)* ("**Demei Clinic**") in relation to potential acquisition of the equity interest in the target after Demei Clinic completes restructuring and conversion.

On 22 March 2022, Sichuan Sinco Biotech Limited Company* (a wholly-owned subsidiary of the Company) and Mr. Huang Zhijian (a connected person of the Company, being the son of Mr. Huang, an executive Director, chairman of the Board and substantial shareholder of the Company) entered into (i) each of the respective equity transfer agreements between Deyang Demei Medical Beauty Hospital Limited Company* ("**Demei Company**"), being the target after Demei Clinic completes restructuring and conversion, and other parties, and (ii) a loan agreement (with a set of VIE contractual arrangements to be entered into upon the completion under the said equity transfer agreements) for purpose of acquiring the entire equity interest in Demei Company at an aggregate consideration of up to RMB95,000,000.

For details, please refer to the announcements of the Company dated 20 January 2022 and 22 March 2022.

SUBSEQUENT SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

As disclosed in the announcements of the Company dated 26 September 2022, 30 September 2022, 24 October 2022, 8 December 2022, 13 December 2022, and 4 January 2023, the Company, on 15 September 2022, received the Letter from Ernst & Young ("**EY**"), being the then auditors of the Company, informing that there might be possible internal control irregularities ("**Incident**"), which involved transactions that took place in January 2022 with a sum equivalent to US$13 million (approximately HK$100 million).

On 17 September 2022, the Board resolved to establish the Independent Committee to review and investigate the Incident, which comprised of four independent non-executive Directors, namely Mr. Lau Ying Kit, Mr. Wang Qing, Mr. Liu Wenfang and Mr. Bai Zhizhong.

Having considered the current information and evidence available to the Company was insufficient and therefore a proper investigation of the Incident with the assistance of an external forensic accountant was necessary, on 21 December 2022, the Independent Committee appointed Grant Thornton Advisory Services Limited ("**Forensic Accountant**") as an independent forensic accountant to conduct an independent forensic investigation into the Incident ("**Forensic Investigation**") and produce a report on the findings of the Forensic Investigation to be presented to the Independent Committee.

On 15 March 2023, the Independent Committee received a draft forensic investigation report ("**Forensic Investigation Report**") from the Forensic Accountant, details of which were set out in the Company's announcement dated 21 March 2023.

As at the date hereof, the Independent Committee is in the process of engaging an internal control consultant to review the internal control system of the Group taking the recommendations from the Forensic Accountant. The Company will make further announcement to update investors and shareholders once the internal control review results are available.

Other than the above, the Board is not aware of any material event requiring disclosure, that has taken place subsequent to 31 December 2022 and up to the date of this announcement.

AUDIT COMMITTEE

The principal duties of the audit committee of the Company ("**Audit Committee**") include the review and supervision of the Group's financial reporting system, the preparation of financial statements and internal control procedures. It also acts as an important link between the Board and the external auditor in matters within the scope of the group audit.

The Audit Committee currently comprises four members, namely Mr. Lau Ying Kit (chairman), Mr. Liu Wenfang, Mr. Wang Qing and Mr. Bai Zhizhong, all of them are independent non-executive Directors. The Audit Committee has reviewed the applicable accounting principles, standards and practices adopted by the Group as well as the consolidated financial statements of the Group for the year ended 31 December 2022 and the disclosure in this announcement.

AUDITOR

CL Partners CPA Limited ("**CL Partners**") has been appointed by the Board as the new auditor of the Company with effect from 13 December 2022 to fill the casual vacancy following the resignation of EY and to hold office until the conclusion of the next annual general meeting of the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (http://www.sinco-pharm.com). The annual report of the Company for the year ended 31 December 2022 containing all the information as required by the Listing Rules will be despatched to the Shareholders and made available for review on the same websites in due course.

By Order of the Board
Sinco Pharmaceuticals Holdings Limited
Huang Xiangbin
Chairman and Executive Director

Hong Kong, 29 March 2023

As at the date of this announcement, the executive Directors are Mr. Huang Xiangbin and Mr. Lei Shifeng; and the independent non-executive Directors are Mr. Lau Ying Kit, Mr. Wang Qing, Mr. Liu Wenfang and Mr. Bai Zhizhong.