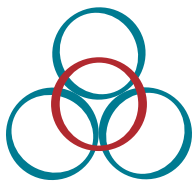


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四环医药
SihuanPharm

Sihuan Pharmaceutical Holdings Group Ltd.

四環醫藥控股集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 0460)

PROFIT WARNING

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

The board of directors of the Company (the “**Board**”) would like to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary assessment of the unaudited consolidated management accounts of the Company for the six months ended 30 June 2023 (the “**Period**”) and the information currently available to the Board, the Group is expected to record a total revenue of not less than RMB1 billion during the Period, representing a decrease of not more than 30% as compared to the same period in 2022, mainly due to the generic drug segment affected by the price reduction as a result of centralized procurement and the decline in sales volume of certain products as a result of being newly included in the key monitoring catalogue.

Among them, the generic drug segment achieved a revenue of not less than RMB800 million, representing a decrease of not more than 33% as compared to the same period in 2022, with a slight decrease in gross profit margin of not more than 1%. The decrease in the revenue of the generic drug segment was mainly attributable to the price reduction as a result of centralized procurement and the decline in both prices and sales volume of certain generic medicine as a result of certain products being newly included in the key monitoring catalogue. The medical aesthetic segment achieved a revenue of not less than RMB190 million, representing an increase of more than 95% as compared to the same period in 2022, with a gross profit margin of not less than 68%, representing a year-on-year decrease of not more than 10%, which remained broadly flat as compared with the gross profit margin of the medical aesthetic segment for the last year. The significant increase in revenue of the medical aesthetic segment was mainly due to the successful upgrade to the 3.0 marketing version by Beijing MeiYan Space Biomedical Co., Ltd. (“**MeiYan KongJian**”), a medical aesthetic platform of the Group, which led to a significant recovery in sales revenue of medical aesthetic segment. The decrease in gross profit margin of the medical aesthetic segment was mainly due to the increased brand promotion expenses of MeiYan KongJian in order to accelerate the sales volume and market share growth.

During the period, the Group continued to invest heavily in research and development (“**R&D**”) to create dozens of new product pipelines for medical aesthetics and biopharmaceuticals, and promote the progress of R&D of the Group’s product pipelines, accelerated the speed of commercialisation of the products, and progressively magnified its enterprise value. During the Period, the total R&D expenses were not less than RMB290 million, representing a significant decrease as compared to the same period in 2022, mainly due to the completion of phase III clinical trials of several products (including innovative drugs, biopharmaceutical drugs and generic drugs) independently developed by the Group, which are expected to be approved for commercialisation by the end of 2023.

Given the above, during the Period, the loss before tax from continuing operations of the Group is expected to not exceed RMB40 million, representing a year-on-year decrease of not more than RMB96 million as compared to the same period in 2022. The profit before tax from continuing operations of the Group for the same period in 2022 was RMB56 million.

Despite the substantial R&D investment and the drop in the revenue of the generic drug business that turned the Group’s interim results from operating profit to loss, the sustained R&D investment also led to a significant increase in the quantity and quality of the Group’s product R&D pipelines, which have strongly contributed to a significant improvement in the corporate value, financing capacity and brand awareness of the Group’s innovative drug platforms. Meanwhile, the successful equity financing of several subsidiaries of the Group has fully demonstrated the recognition of the R&D capabilities, product pipelines, management team, future industrialization and commercialization capabilities of the Group’s innovative drug platforms from the capital market, and also proved the high value of the product pipelines of the Group’s biopharmaceutical segment.

The Group persevered to maintain strong financial position. As of 30 June 2023, the Group's balances of cash and cash equivalents plus wealth management products amounted to approximately RMB4.51 billion. At the same time, the Group's debt to equity ratio (i.e. a percentage of borrowings divided by equity attributable to owners of the Company) remained low.

The Group believes that through the continuous implementation of the dual-wheel drive strategy of "Innovative Pharmaceuticals + Medical Aesthetics", focusing the management on the high-growth medical aesthetics business and high-value innovative drugs and biopharmaceuticals businesses, accelerating the transformation to medical aesthetics and innovative biopharmaceuticals, continuing to optimise and consolidate the generic pharmaceuticals business, and gradually divesting some of the generic pharmaceuticals and other non-core big healthcare businesses whose performance has failed to meet the expected results, the efficiency of the allocation of the resources of the Group and the medium-to-long-term financial performance will be further enhanced, and the Company's ability to navigate risks and corporate value will be enhanced accordingly.

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

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

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

Hong Kong, 2 August 2023

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