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UNIVERSAL HEALTH INTERNATIONAL GROUP HOLDING LIMITED
大健康國際集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2211)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 30 JUNE 2022**

ANNUAL RESULTS HIGHLIGHTS				
	<i>Unit</i>	2022	2021	Change
Revenue	<i>RMB million</i>	1,273.6	1,185.2	+7.5%
Gross profit	<i>RMB million</i>	204.2	156.9	+30.1%
Operating loss	<i>RMB million</i>	(188.7)	(663.4)	+474.7 RMB million
Loss for the year	<i>RMB million</i>	(188.0)	(676.0)	+488.0 RMB million
Basic loss per share	<i>RMB cents</i>	(42.66)	(174.83)	+132.17 RMB cents
Gross margin	<i>%</i>	16.0	13.2	+2.8 pp
Operating loss margin	<i>%</i>	(14.8)	(56.0)	+41.2 pp
Net loss margin	<i>%</i>	(14.8)	(57.0)	+42.2 pp

The board (the “**Board**”) of directors (the “**Directors**”) of Universal Health International Group Holding Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 30 June 2022 (the “**Year**”) together with the comparative figures for the year ended 30 June 2021 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 30 June	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	1,273,572	1,185,168
Cost of sales	4	<u>(1,069,410)</u>	<u>(1,028,264)</u>
Gross profit		204,162	156,904
Selling and marketing expenses	4	(322,346)	(533,776)
Administrative expenses	4	(58,005)	(66,583)
Impairment loss on intangible assets	4	–	(313)
Impairment loss on property, plant and equipment	4	–	(3,972)
Impairment loss on right-of-use assets	4	–	(3,893)
Impairment loss on investment in an associate	4	(21,988)	(210,373)
Other income		7,270	2
Other gains (losses) – net		1,788	(1,495)
Change in fair value of biological assets		<u>409</u>	<u>90</u>
Operating loss		<u>(188,710)</u>	<u>(663,409)</u>
Finance income	5	3,642	1,253
Finance costs	5	<u>(1,320)</u>	<u>(11,868)</u>
Finance income (costs) – net	5	<u>2,322</u>	<u>(10,615)</u>
Share of post-tax results of joint ventures		–	9
Share of post-tax results of an associate		<u>(1,625)</u>	<u>3,211</u>
		<u>(1,625)</u>	<u>3,220</u>
Loss before income tax		(188,013)	(670,804)
Income tax expenses	6	<u>–</u>	<u>(5,203)</u>
Loss for the year		<u>(188,013)</u>	<u>(676,007)</u>

	Year ended 30 June	
	2022	2021
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other comprehensive income		
<i>Item that will not be reclassified to profit or loss</i>		
Fair value changes in equity instruments designated as at fair value through other comprehensive income	<u>2,499</u>	<u>(5,066)</u>
<i>Items that are or may be reclassified to profit or loss in subsequent periods</i>		
Release of other reserves upon deregistration of subsidiaries	379	1,862
Currency translation differences	<u>(1,965)</u>	<u>9,774</u>
	<u>(1,586)</u>	<u>11,636</u>
Other comprehensive income for the year	<u>913</u>	<u>6,570</u>
Total comprehensive loss for the year	<u>(187,100)</u>	<u>(669,437)</u>
Loss attributable to:		
– Owners of the Company	(187,647)	(675,396)
– Non-controlling interests	<u>(366)</u>	<u>(611)</u>
	<u>(188,013)</u>	<u>(676,007)</u>
Total comprehensive loss attributable to:		
– Owners of the Company	(186,734)	(668,826)
– Non-controlling interests	<u>(366)</u>	<u>(611)</u>
	<u>(187,100)</u>	<u>(669,437)</u>
Loss per share attributable to owners of the Company for the year (<i>RMB cents</i>)		
– Basic and diluted	7 <u>(42.66)</u>	<u>(174.83)</u>

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 30 June	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		222,392	241,611
Right-of-use assets		4,952	12,467
Intangible assets		–	–
Investments in joint ventures		–	–
Investment in an associate		87,526	111,139
Equity instruments designated as at fair value through other comprehensive income		12,056	9,265
Biological assets		98,161	97,752
		<u> </u>	<u> </u>
Total non-current assets		425,087	472,234
Current assets			
Trade and other receivables	9	128,918	137,477
Income tax recoverable		5,815	6,399
Inventories		190,973	273,916
Restricted cash		30,488	34,724
Cash and cash equivalents		57,795	33,091
		<u> </u>	<u> </u>
Total current assets		413,989	485,607
		<u> </u>	<u> </u>
Total assets		839,076	957,841
		<u> </u>	<u> </u>

		As at 30 June	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		35,943	24,833
Reserves		1,739,451	1,729,755
Accumulated losses		(1,367,263)	(1,179,616)
		<u>408,131</u>	<u>574,972</u>
Non-controlling interests		<u>579</u>	<u>945</u>
Total equity		<u>408,710</u>	<u>575,917</u>
LIABILITIES			
Non-current liabilities			
Borrowings		<u>40,000</u>	–
Total non-current liabilities		<u>40,000</u>	–
Current liabilities			
Trade and other payables	<i>10</i>	390,366	377,994
Lease liabilities		<u>–</u>	<u>3,930</u>
Total current liabilities		<u>390,366</u>	<u>381,924</u>
Total liabilities		<u>430,366</u>	<u>381,924</u>
Total equity and liabilities		<u><u>839,076</u></u>	<u><u>957,841</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both periods presented, unless otherwise stated.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), which collective term includes all applicable IFRSs, International Accounting Standards (“**IASs**”) and Interpretations issued by International Accounting Standards Board and the applicable disclosure requirements of the Companies Ordinance Cap. 622. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared under the historical cost convention, except for equity instruments designated as at fair value through other comprehensive income and biological assets which are measured at fair value.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) New and amended standards adopted by the Group

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021 consolidated financial statements except for the adoption of the following new/revised IFRSs that are relevant to the Group and effective from the current year:

Amendments to IAS 39, IFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “**Reform**”). The amendments complement those issued in September 2019 and relate to:

- changes to contractual cash flows – a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting – a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and
- disclosures – a company will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

(b) New and amended standards issued but not yet adopted by the Group

A number of new and amended standards are effective for annual periods beginning on or after 1 January 2022, and have not been applied in preparing these consolidated financial statements. The Group will apply the new and amended standards when they become effective. The Group is in the process of making an assessment of the impact of the new and amended standards and does not expect that the adoption of these new and amended standards will result in any material impact on the consolidated financial statements of the Group.

		Effective for annual years beginning on or after
Amendments to IAS 16	Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to IFRSs	2018-2020 Cycle	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a single Transaction	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IFRS 17	Initial Application of IFRS 17 and IFRS 9 - Comparative Information	1 January 2023
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2. REVENUE

The Group has recognised the following amounts relating to revenue in profit or loss:

	Year ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers (a)	<u>1,273,572</u>	<u>1,185,168</u>

(a) Disaggregation of revenue

	Year ended 30 June 2022		
	Distributions	Retails	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Major products			
Prescribed drugs	165,538	90,908	256,446
Non-prescribed drugs	709,373	239,517	948,890
Healthcare products	106,939	87,514	194,453
Other pharmaceutical products	<u>54,962</u>	<u>15,705</u>	<u>70,667</u>
	1,036,812	433,644	1,470,456
Eliminations	<u>(196,884)</u>	–	<u>(196,884)</u>
Revenue from external customers	<u>839,928</u>	<u>433,644</u>	<u>1,273,572</u>
Timing of revenue recognition:			
Products transferred at a point in time	<u>839,928</u>	<u>433,644</u>	<u>1,273,572</u>

	Year ended 30 June 2021		
	Distributions	Retails	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Major products			
Prescribed drugs	146,666	90,532	237,198
Non-prescribed drugs	624,102	290,169	914,271
Healthcare products	91,182	118,394	209,576
Other pharmaceutical products	<u>42,637</u>	<u>20,653</u>	<u>63,290</u>
	904,587	519,748	1,424,335
Eliminations	<u>(239,167)</u>	<u>–</u>	<u>(239,167)</u>
Revenue from external customers	<u>665,420</u>	<u>519,748</u>	<u>1,185,168</u>
Timing of revenue recognition:			
Products transferred at a point in time	<u>665,420</u>	<u>519,748</u>	<u>1,185,168</u>

3. SEGMENT INFORMATION

The Board of Directors is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance.

The Group is principally engaged in the distributions and retails of drugs and other pharmaceutical products in the northeastern region of the People's Republic of China (the "PRC").

Distributions, Retails and Others are presented to the Board of Directors to assess their performance and for making respective business decisions which are considered to be three segments in accordance with IFRS 8 "Operating Segment". The "Others" segment mainly comprises investment companies.

The Group's principal market is the northeastern region of the PRC. The Group has a large number of customers, which are widely dispersed within the northeastern region of the PRC, no single customer accounted for 10% or more of the Group's total revenues for the years ended 30 June 2022 and 2021. Accordingly, no geographical segment is presented.

Inter-segment sales are charged at cost. The revenue from external customers and the costs, the total assets and the total liabilities are measured in a manner consistent with that of the Group's consolidated financial statements.

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted loss before interests, tax, depreciation and amortisation ("**Adjusted EBITDA**"). The measurement basis of Adjusted EBITDA excludes the effect of share of post-tax results of joint ventures, share of post-tax results of an associate, impairment loss or if applicable its reversal on intangible assets, property, plant and equipment, right-of-use assets and investment in an associate.

The segment information for the year ended 30 June 2022 and as at 30 June 2022 is as follows:

	Year ended 30 June 2022			Total RMB'000
	Distributions RMB'000	Retails RMB'000	Others RMB'000	
Segment revenue	1,036,812	433,644	–	1,470,456
Inter-segment revenue	(196,884)	–	–	(196,884)
Revenue from external customers	<u>839,928</u>	<u>433,644</u>	<u>–</u>	<u>1,273,572</u>
Adjusted EBITDA	27,949	(160,139)	(8,477)	(140,667)
Impairment loss on investment in an associate	(21,988)	–	–	(21,988)
Depreciation and amortisation	(14,858)	(11,197)	–	(26,055)
Finance income	456	403	2,783	3,642
Finance costs	(1,024)	(294)	(2)	(1,320)
Share of post-tax results of an associate	(1,625)	–	–	(1,625)
Loss for the year	<u>(11,090)</u>	<u>(171,227)</u>	<u>(5,696)</u>	<u>(188,013)</u>
Additions of non-current assets (excluding financial assets)	<u>70</u>	<u>31</u>	<u>–</u>	<u>101</u>
	As at 30 June 2022			
	Distributions RMB'000	Retails RMB'000	Others RMB'000	Total RMB'000
Total assets before eliminations	1,411,178	610,820	1,400,900	3,422,898
Inter-segment assets	(778,918)	(422,939)	(1,381,965)	(2,583,822)
Total assets	<u>632,260</u>	<u>187,881</u>	<u>18,935</u>	<u>839,076</u>
Total liabilities before eliminations	1,235,694	900,135	11,041	2,146,870
Inter-segment liabilities	(879,063)	(827,650)	(9,791)	(1,716,504)
Total liabilities	<u>356,631</u>	<u>72,485</u>	<u>1,250</u>	<u>430,366</u>
Investment in an associate	<u>87,526</u>	<u>–</u>	<u>–</u>	<u>87,526</u>

The segment information for the year ended 30 June 2021 and as at 30 June 2021 is as follows:

	Year ended 30 June 2021			Total <i>RMB'000</i>
	Distributions <i>RMB'000</i>	Retails <i>RMB'000</i>	Others <i>RMB'000</i>	
Segment revenue	904,587	519,748	–	1,424,335
Inter-segment revenue	(239,167)	–	–	(239,167)
Revenue from external customers	<u>665,420</u>	<u>519,748</u>	<u>–</u>	<u>1,185,168</u>
Adjusted EBITDA	(60,206)	(268,701)	(7,031)	(335,938)
Impairment loss on intangible assets	(213)	(100)	–	(313)
Impairment loss on investment in an associate	(210,373)	–	–	(210,373)
Impairment loss on property, plant and equipment	(1,609)	(2,363)	–	(3,972)
Impairment loss on right-of-use assets	(229)	(3,664)	–	(3,893)
Depreciation and amortisation	(19,753)	(89,167)	–	(108,920)
Finance income	487	764	2	1,253
Finance costs	(108)	(1,123)	(10,637)	(11,868)
Share of post-tax results of joint ventures	–	9	–	9
Share of post-tax results of an associate	3,211	–	–	3,211
Income tax expenses	–	(5,203)	–	(5,203)
Loss for the year	<u>(288,793)</u>	<u>(369,548)</u>	<u>(17,666)</u>	<u>(676,007)</u>
Additions of non-current assets (excluding financial assets)	<u>228</u>	<u>1,696</u>	<u>–</u>	<u>1,924</u>
	As at 30 June 2021			Total <i>RMB'000</i>
	Distributions <i>RMB'000</i>	Retails <i>RMB'000</i>	Others <i>RMB'000</i>	
Total assets before eliminations	1,746,181	683,691	1,310,274	3,740,146
Inter-segment assets	(923,525)	(558,831)	(1,299,949)	(2,782,305)
Total assets	<u>822,656</u>	<u>124,860</u>	<u>10,325</u>	<u>957,841</u>
Total liabilities before eliminations	1,245,834	986,444	25,120	2,257,398
Inter-segment liabilities	(995,839)	(855,729)	(23,906)	(1,875,474)
Total liabilities	<u>249,995</u>	<u>130,715</u>	<u>1,214</u>	<u>381,924</u>
Investment in an associate	<u>111,139</u>	<u>–</u>	<u>–</u>	<u>111,139</u>

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of these consolidated financial statements. These assets are allocated based on the operations of the segment and the physical location of the assets.

4. EXPENSES BY NATURE

	Year ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Costs of inventories sold	1,065,963	1,026,006
Employee benefit expenses	245,533	316,511
Advertising and other marketing expenses	2,661	47,378
Impairment loss on intangible assets	–	313
Impairment loss on property, plant and equipment	–	3,972
Impairment loss on rights-of-use assets	–	3,893
Impairment loss on investment in an associate	21,988	210,373
Lease payments on short-term leases	65,237	76,383
Lease payments on low-value assets	–	88
Transportation and related charges	29,931	33,543
Depreciation of property, plant and equipment	18,540	97,141
Depreciation of right-of-use assets	7,515	11,504
Amortisation of intangible assets	–	275
Other tax expenses	5,620	3,866
Office and communication expenses	3,108	8,011
Auditor's remuneration	2,138	2,104
Electricity and other utility fees	1,839	1,950
Professional fees	1,270	597
Travelling and meeting expenses	280	901
Donations	–	780
Other expenses	126	1,585
	<u>1,471,749</u>	<u>1,847,174</u>

5. FINANCE INCOME AND COSTS – NET

	Year ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
Exchange gains - net	1,578	–
Interest income	2,064	1,253
	<u>3,642</u>	<u>1,253</u>
Finance costs		
Interest on lease liabilities	(276)	(1,065)
Interest on borrowings	(898)	–
Exchange losses – net	–	(10,681)
Other charges	(146)	(122)
	<u>(1,320)</u>	<u>(11,868)</u>
Finance income (costs) – net	<u>2,322</u>	<u>(10,615)</u>

6. INCOME TAX EXPENSES

	Year ended 30 June	
	2022	2021
	RMB'000	RMB'000
Deferred income tax	–	5,203
Total income tax expenses	<u>–</u>	<u>5,203</u>

Hong Kong profits tax has not been provided as there were no assessable profits subject to Hong Kong profits tax for the years ended 30 June 2022 and 2021. The subsidiaries of the Group in the PRC are subject to corporate income tax at a rate of 25% (2021: 25%) on its taxable income or deemed profit method as determined in accordance with the relevant PRC income tax rules and regulations.

7. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 30 June	
	2022	2021
Loss attributable to owners of the Company (RMB'000)	(187,647)	(675,396)
Weighted average number of ordinary shares in issue (thousands)	<u>439,825</u>	<u>386,313</u>
Basic loss per share (RMB cents)	<u>(42.66)</u>	<u>(174.83)</u>

The number of shares for the purpose of calculating basic loss per share for the Year has been adjusted to reflect the subscription shares issued during the Year.

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

As the effect of the assumed conversion of the potential ordinary shares from exercising the Company's share options is anti-dilutive, the basic loss per share are equal to diluted loss per share for the years ended 30 June 2022 and 2021.

8. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the Year (2021: Nil).

9. TRADE AND OTHER RECEIVABLES

	As at 30 June	
	2022	2021
	RMB'000	RMB'000
Trade receivables (<i>Note</i>)		
– From third parties	<u>97,838</u>	<u>85,794</u>
Prepayments		
– Prepayments to third parties	24,506	39,650
– Tax input credits – value added tax	<u>2,969</u>	<u>6,013</u>
	<u>27,475</u>	<u>45,663</u>
Other receivables		
– Deposits	832	896
– Others	<u>2,773</u>	<u>5,124</u>
	<u>3,605</u>	<u>6,020</u>
Total	<u><u>128,918</u></u>	<u><u>137,477</u></u>

The carrying amounts of trade and other receivables approximate their fair values.

Note: Retail sales at the Group's pharmacies are usually settled in cash or by debit or credit cards. For distribution sales, there is no concentration of credit risk with respect to trade receivables, as the majority of the Group's sales are settled upon delivery of goods. The trade receivables are with credit periods of not more than 90 days. The ageing analysis based on recognition date of the trade receivables is as follows:

	As at 30 June	
	2022	2021
	RMB'000	RMB'000
Up to 3 months	97,496	84,806
4 to 6 months	124	988
7 to 12 months	<u>218</u>	<u>–</u>
	<u><u>97,838</u></u>	<u><u>85,794</u></u>

10. TRADE AND OTHER PAYABLES

	As at 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (a)		
– To third parties	<u>313,928</u>	<u>269,666</u>
Notes payable (b)	29,583	34,724
Other payables	<u>46,855</u>	<u>73,604</u>
	<u>76,438</u>	<u>108,328</u>
Total	<u><u>390,366</u></u>	<u><u>377,994</u></u>

(a) Details of ageing analysis based on recognition date of trade payables are as follows:

	As at 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	288,388	231,277
4 to 6 months	20,148	30,771
7 to 12 months	5,392	6,550
1 year to 2 years	–	558
Over 2 years	<u>–</u>	<u>510</u>
	<u><u>313,928</u></u>	<u><u>269,666</u></u>

(b) As at 30 June 2022, the entire balance of notes payable was secured by restricted cash of RMB30,488,000 (2021: RMB34,724,000). As at 30 June 2022 and 2021, the notes payable is expected to be settled within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the past year, under the circumstances of complex and challenging international landscape, the world's economy growth rate saw a significant slowdown. The COVID-19 epidemic (the “**Epidemic**”) in China spread several times, which has impacted the stable operation of the economy. As an important part of the national economy for China, the pharmaceutical industry is closely related to the people's health. Although it has been impacted by the overall economy environment, its future is still hopeful.

According to the Chinese government's official website, the key economic indicators saw a significant decline due to the effect of unexpected factors in April 2022. With the overall improvement in the prevention and control of the Epidemic, the resumption of work and production by enterprises in an orderly manner and the effect of a series of policy and measures for maintaining economic growth, the economy in May stopped the decline in April and the key economic indicators stabilized and rebounded in June.

Based on production data, the value of large-scale industries demonstrated a year-on-year increase of 3.9% in June 2022, representing an increase of 3.2% as compared to the previous month. The index of service production also increased 1.3% from a decrease of 5.1% in the previous month. Based on the demands, the retailing consumer sales in June increased 3.1% from a decrease of 6.7% in the previous month.

In terms of the pharmaceutical industry policies, 2021 is the opening year of the “14th Five-Year” Plan, during which the pharmaceutical industry policies were intensively issued, with a significant increase in the policies as compared to last year. In the coming years, the development of the pharmaceutical industry will be significantly impacted by multiple policies. According to the classification of key policies, the policies for pharmaceuticals were most frequently announced, mainly involving policies related to drug registration and approval, APIs, drug patents, drug vigilance, traditional Chinese medicine and granule development, followed by medical policies, including long-term prescriptions, public hospital reform, hierarchical diagnosis, medical and health service reform and promotion of experience from the medical reform in Sanming city. The medical insurance policy mainly includes the adjustment and negotiation, payment method, urban and rural residents' medical insurance and others.

Looking back to the first half of 2022, each department of China has issued a number of outline policy documents and organized several important meetings to propose various requirements for the subsequent development of the pharmaceutical industry, mainly concentrating on bulk purchases, adjustment of medical insurance, reform of payment method for medical insurance, hierarchical diagnosis and others.

In particular, the bulk purchases is still a hot topic in the industry, and China has made numerous policy arrangements for bulk purchases, with a focus on speeding up the variety and expanding the scope of centralized procurement. Today, “bulk purchases” has become a major policy in the industry and is accelerating in speed and expanding in scope. According to a McKinsey report, the average price reduction of drugs included in bulk purchases has reached more than 50%. Among them, oral solid preparations, which are the most widely sold in pharmacies, are the most affected. It is expected that 70% of the pharmaceutical market will be covered within three years.

With the development of bulk purchase in China, low-end generic drugs will enter an era of low profitability, while generic drugs with high technical barriers and innovative drugs with broad prospects will become the research and development direction for pharmaceutical companies. The overall price war resulted in significant price reductions below the market equilibrium price, thus leaving significantly higher consumer surplus.

As China continuously introduces policies and reforms in the healthcare industry, there have been quite a few new trends, one of which is the new pharmaceutical retail. The new medical policies and emerging forces in the industry are forces driving new pharmaceutical retail to grow rapidly.

In recent years, a major trend in the new pharmaceutical retail is the prescriptions outflow. In addition, under the effects of the Epidemic and the wave of consumer interconnection, the Internet medical platform has been developing rapidly, but the proportion of medical needs undertaken is still relatively small and is in the early stage of development. However, Internet-based medical services and new pharmaceutical retail is becoming emerging forces in the pharmaceutical industry and will play a long-term role in taking over the overflow flow from hospitals and developing the potential of huge medical demand.

Looking forward to the second half of 2022, the risk of global economic stagflation is rising and there are still many uncertainties in the domestic economic recovery, but the basic characteristics of China’s strong economic resilience and high potential for long-term improvement remain unchanged. With the effect of implementation of a package of policies for maintaining the economic growth, the economic operation is expected to be gradually improve.

In addition, the scale of China’s pharmaceutical industry has been expanding in recent years with increasing health awareness and large aging population. Looking ahead, the outlook for China’s pharmaceutical industry is promising against the backdrop of an increasingly aging population.

BUSINESS REVIEW

Under the leadership of Mr. Jin Dongtao, the chairman (the “**Chairman**”) of the Board, and with the efforts of all employees, the Group anchors in and focuses on the pharmaceutical healthcare field, and has been actively promoting the development of traditional physical retail chain stores and distribution network while facing more intensive competition. Therefore, the Group has to look for new opportunities and explore new way of business and will make efforts in costs reduction and control in coming years. The employees of the Group’s retail chain stores stand fast on their posts to provide medicine sales services to local people. In some areas, telephone ordering for home delivery of medicine and/or mobile internet reservation for products were carried out to maintain business continuity and form a complementary online and offline operation model.

The Golden Rules (王道哲學)

The Golden Rules, an operation philosophy with strategic vision, is put forward by Mr. Jin Dongtao, the Chairman, of which “王” is embodied as “1+1=1, 1+1=11, 1+1=101, 1+1=王, 1+1=田”. The Golden Rules advocates “Team-work” cooperation spirit, “Platform” for multilateral cooperation, “Empathy” at multi-level and multi-dimension, “Sharing” win-win cooperation strategy and “Partnership” of seeking common development.

Chain Retail Business

During the Year, in order to minimise the impact on performance caused by the Epidemic, the Group had started to change its pricing strategies with a view to maintaining earnings of the Group. In the meantime, the Group has strengthened the construction of its O2O platform and formed an online and offline interactive operation system. At the end of the Year, the Group had a total of 395 stores (2021: 845 stores). However, the Group’s retail business is still suffering from the continuous downturn of regional real economy within the northeastern region of the PRC and the impact of the Epidemic. The Group recorded sales revenue for retail business of RMB433.7 million for the Year (2021: RMB519.8 million), representing a year-on-year decrease of 16.6%.

Nationwide Distribution Business

During the Year, the Group had approximately 1,750 distribution customers and five large-scale distribution logistics centers. The Group made appropriate promotion in its distribution system, continued to optimise screening and maintaining of high-quality customers. However, in this circumstance, the Group’s distribution business recorded sales revenue of RMB839.9 million (2021: RMB665.4 million), representing a year-on-year increase of 26.2%.

Direct-supply and Sales Model

The Group's direct-supply model effectively addressed the issue of traditional heavily overlapped sales process, as well as simplified the supply chain to improve sales efficiency and profitability and provided a higher profit margin from the high-margin products of the Group. Meanwhile, the marketing model advanced to accord with the "Two Invoices System" carried out by the Chinese government so as to reduce the effect of the policy change of the Group. During the Year, the Group's management took all necessary actions to safeguard the direct supply of branded products, and its direct-supply model of these branded products covered the provinces in China.

Branded Products Operation

The Group continued to maintain the operational pattern of the original branded products and adjusted the brand structure according to actual operational requirements to eliminate certain non-applicable products and add new products, so as to maintain the competitiveness of the original branded products, on the other hand, increase the influence of new branded products. During the Year, a net increase of 24 branded products was recorded. Hence, there were 703 branded products in total in operation for the benefit of the Group at the end of the Year.

Intelligent Warehouse Construction

The Group has set up five large-scale logistics distribution centers in Shijiazhuang, Shenyang, Changchun, Harbin and Jiamusi, and has established a high-quality distribution system radiating across the whole country and covering the northeastern region. During the Year, continuously leveraging on Warehouse Management Software System, an intelligent sorting software system, the Group has improved the labor productivity. At the same time, the Group has improved the working environment, the work feelings of employees and customers have been improved, which helps the Group's image upgrade, and lays a solid foundation for planning of the industrial upgrading and intelligent transformation of the logistics park.

Brand Image Promotion.

With traditional advantages in continuous brand promotion and marketing, the Group strengthened the influence and competitiveness of the Company, and mitigated the further decline in operating performance. During the Year, the Group further cut down its traditional media platforms, including televisions, broadcasts, newspapers, vehicle advertisement, billboards and leaflets, along with new media platforms including the internet and WeChat. In addition, the Group has participated in the public charity. Especially during the outbreak of the Epidemic, it carried out activities of free distribution of anti-epidemic supplies as a way to enhance the reputation of the Company and fulfill its corporate social responsibilities.

Institute School Training

According to the characteristics of new era, new economy, new technology and new retail, the Group continued to optimize the training activities of the institute and made best use of the business institute on the Group's business development, talent nurturing and public welfare promotion. Moreover, the Group took the advantage of its lead in establishing business institute in the industry, strengthened its cohesion as well as enhanced and transformed the mode of thinking of employees in response to the transformation and upgrade of the Company's business. During the Year, 13 online video internal trainings in total had been held by the Company due to the Epidemic.

Membership Service

During the Year, the Group had provided follow-up services and promotion benefits for approximately 1.5 million offline members, and provide online health knowledge, product knowledge and other dissemination services, enhancing the sense of affiliation and positivity of members while boosting their loyalty, and thus promoting a healthy image of the Company. Meanwhile, the Group had provided social value-added services in various aspects such as the supply of public toilets, cold shelters, lost children service centres and epidemic prevention station for courier; and continued to launch the public welfare activities, such as "Love China", with a view to building up its positive corporate image.

Industry Alliance

During the Year, the Company had proactively participated in the alliance activities. The Chairman, vice chairman and chief executive office had attended on behalf of the Group the tours and forums organised by the alliance to seize the theme of era development, keep abreast of the industry information, promote development of branded products, strengthen the Company's interaction, exchange with industry alliance and constantly enhance the Group's influence. Among them, Mr. Jin Dongtao, the chairman, won the "Special Contribution Award" of the China Pharmaceutical Resources Association; this year, Mr. Chu Chuanfu, the CEO, won the "China Pharmaceutical Retail Outstanding Person Award" by the West Lake Forum. Meanwhile, leveraging on the China's national strategic guidance of "Healthy China (健康中國)", "Beautiful China (美麗中國)", "Belt and Road (一帶一路)", "Guangdong-Hong Kong- Macao Greater Bay Area (粵港澳大灣區)" and "Hainan Free Trade Port (海南自由貿易港)", the Company gathered industry experience and focused on technological innovation to seek further transformation and upgrade of the Group's business.

FINANCIAL REVIEW

The Group recorded revenue of RMB1,273.6 million for the Year (2021: RMB1,185.2 million). Loss attributable to owners of the Company was RMB187.6 million for the Year (2021: RMB675.4 million). Loss per share for the Year was RMB42.66 cents (2021: RMB174.83 cents). The decrease in loss attributable to owners of the Company was mainly due to the continuous improvement of operating efficiency through implementing measures to tighten cost control over various operating expenses in order to enhance its profitability and to improve cash flow from its operations in future. During the Year, the Group closed a number of loss-making retail stores to minimise operating loss.

Revenue

For the Year, the Group recorded revenue of RMB1,273.6 million (2021: RMB1,185.2 million). With the adaptation of the epidemic and changes in the epidemic prevention policy during April to June 2022, the customer flow of the stores gradually increased, and the release of the epidemic-restricted products like the treatment of fever, cold, pharyngitis, antibiotics, etc., so the revenue rebounded quickly. In addition, sales increased rapidly due to many large-scale promotional activities were carried out in existing stores this Year.

Analysis of revenue by business segment

	Revenue (RMB million)			Percentage (%) of total revenue		
	Year ended 30 June			Year ended 30 June		
	2022	2021	Change	2022	2021	Change
Retails	433.7	519.8	-16.6%	34.1	43.9	-9.8pp
Distributions	839.9	665.4	+26.2%	65.9	56.1	+9.8pp
	1,273.6	1,185.2		100.0	100.0	

Retail Business Segment

As at 30 June 2022, the Group had 395 (2021: 845) retail pharmacies in total, of which 310 (2021: 650) located in Heilongjiang, 84 (2021: 127) in Liaoning, 0 (2021: 67) in Jilin and 1 (2021: 1) self-operated retail pharmacy in Hong Kong. In addition, the Group had no supermarket selling healthcare products and consumer goods in Shenyang as at 30 June 2022, while there was one in Shenyang as at 30 June 2021.

Distribution Business Segment

The Group adopted a prudent approach in running the distribution business and took appropriate actions to mitigate credit risks by strengthening the credit management of sales and minimising trade receivables in order to lower the risk of bad debts.

During the Year, the Group had a nationwide distribution network covering approximately 1,750 active customers (2021: 2,270), among which, approximately 1,050 pharmaceutical retailers, hospitals and clinics (2021: 1,410) and approximately 700 distributors (2021: 860).

Gross profit

Gross profit of the Group for the Year was RMB204.2 million (2021: RMB156.9 million). Overall gross margin increase from 13.2% to 16.0%. With the less impact of the Epidemic, the pricing level has been gradually increased, so the gross profit margin increased during the Year as compared with last year.

Analysis of gross profit by business segment

	Gross profit (RMB million)			Gross margin (%)		
	Year ended 30 June		Change	Year ended 30 June		Change
	2022	2021		2022	2021	
Retails	100.0	107.0	-6.5%	23.1	20.6	+2.5pp
Distributions	104.2	49.9	+108.8%	12.4	7.5	+4.9pp
	204.2	156.9				

Selling and marketing expenses

Selling and marketing expenses for the Year was RMB322.4 million (2021: RMB533.8 million) and accounted for 25.3% (2021: 45.0%) of the Group's revenue. The decrease in selling and marketing expenses was mainly due to the decrease in depreciation of property, plant and equipment, employee benefit expenses, advertising and other marketing expenses and rental expenses.

Administrative expenses

Administrative expenses for the Year was RMB58.0 million (2021: RMB66.6 million) and accounted for 4.6% (2021: 5.6%) of the Group's revenue. The decrease in administrative expenses was mainly due to the decrease in employee benefit expenses and depreciation of property, plant and equipment during the Year.

Finance income – net

Net finance income for the Year was RMB2.3 million (2021: Net finance costs RMB10.6 million). The net finance income as against the net finance costs was mainly due to the decrease in exchange losses.

Income tax expenses

Income tax expenses for the Year was nil (2021: RMB5.2 million). The decrease in income tax expenses was mainly due to no deferred tax expenses was recognised in the Year. The effective income tax rate for the Year was nil (2021: 0.8%).

LIQUIDITY AND CAPITAL RESOURCES

The Company's treasury function formulated financial risk management procedures, which are also subject to periodic review by the senior management of the Company.

This treasury function operates as a centralized service for managing financial risks, including interest rate and foreign exchange rate risks, reallocating surplus financial resources within the Group, procuring cost-efficient funding and targeting yield enhancement opportunities. The treasury function regularly and closely monitors its overall cash and debt positions, proactively reviews its funding costs and maturity profiles to facilitate timely refinancing, if appropriate.

As at 30 June 2022, the Group's unpledged cash and cash equivalents were RMB57.8 million in aggregate (2021: RMB33.1 million), and the Group's net current assets were RMB23.6 million (2021: RMB103.7 million).

During the Year, net cash flows used in operating activities amounted to RMB42.4 million (2021: RMB107.7 million). The decrease in cash flows used in operating activities was mainly attributable to the decrease in the Group's working capital.

During the Year, the Group had capital expenditure of RMB0.1 million (2021: RMB1.9 million).

Having considered the cash flow from operating activities and existing financial gearing, the management believes that the Group would replenish liquidity in a timely basis to fund its day-to-day operations, capital expenditures and prospective business development projects. The Board will continuously and closely monitor the Group's liquidity position and financial performance and implement measures to improve the Group's cash flows.

The Group mainly operates in the PRC, with most of its transactions denominated and settled in Renminbi. The Group's currency risk is insignificant and mainly arises from certain bank deposits that are denominated in Hong Kong dollars and United States dollars. As at 30 June 2022, the Group had cash and bank balances of RMB57.8 million, of which the equivalent of RMB1.3 million was denominated in Hong Kong dollars and United States dollars.

The Group did not use financial instruments for financial hedging purpose during the Year.

CAPITAL STRUCTURE

On 19 November 2021, the Company allotted and issued a total of 77,262,689 new shares of the Company (“**Share(s)**”) to four subscribers (the “**First Subscription**”), who are independent third parties, under general mandate at the subscription price of HKD0.135 per Share. The new Shares issued under the First Subscription represent approximately 16.7% of the total issued Shares as enlarged by the such new Shares. Net proceeds of approximately HKD10.2 million were raised under the First Subscription.

On 7 June 2022, the Company allotted and issued a total of 92,715,226 new Shares to four subscribers (the “**Second Subscription**”), who are independent third parties, under general mandate at the subscription price of HKD0.15 per Share. The new Shares issued under the Second Subscription represent approximately 20.0% of the total issued Shares as enlarged by such new Shares. Net proceeds of approximately HKD13.6 million were raised under the Second Subscription.

For details of the First Subscription and the Second Subscription, please refer to the announcements of the Company dated 29 October 2021, 23 May 2022 and 1 June 2022 respectively. As at 30 June 2022, 556,291,360 ordinary Shares of US\$0.01 were issued by the Company.

As at 30 June 2022, the Group had a borrowing from an associate carried an interest rate of 3% per annum (2021: Nil).

The gearing ratio of the Group as at 30 June 2022, calculated as net debt divided by sum of total equity and net debt, was N/A (2021: N/A).

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 30 June 2022, the Group had no significant contingent liabilities (2021: Nil).

As at 30 June 2022, notes payable by the Group was secured by the time deposits of the Group with net aggregate book value of RMB29.6 million (2021: RMB34.7 million).

HUMAN RESOURCES

As at 30 June 2022, the Group had 3,396 (2021: 5,586) full-time employees with total employee benefit expenses amounted to RMB245.5 million for the Year (2021: RMB316.5 million). Employees are paid according to their positions, performance, experience and prevailing market practices, and are provided with management and professional training. The Group has implemented a number of initiatives to enhance the productivity of its employees. In particular, the Group conducts periodic performance reviews on most of the employees, and their compensation is tied to their performance. Further, the Group's compensation structure is designed to incentivize its employees to perform well by linking a portion of their compensation to their performance and the overall performance of the Group. The performance-based compensation partly depends on the employee's job function and seniority. Employees in Hong Kong are provided with retirement benefits under the Mandatory Provident Fund scheme, as well as life insurance and medical insurance. Employees in the PRC are provided with basic social insurance and housing fund in compliance with the requirements of the laws of China. Meanwhile, the Group endeavours to provide its employees with a safe workplace and structured training programs.

FUTURE PLAN

Following the leadership of the Chairman in strategic plan and taking the Golden Rules as its guidelines, the management of the Group will adapt to the new situation, concentrate on universal health, focus on the pharmaceutical industry, and deeply cultivate the industry chain. On the basis of stabilizing and optimising the existing retail chain network and distribution system, it will further explore the structural transformation and digital upgrading of the "supply-side" reform with focus on the development of the following areas:

Firstly, "Specialization+" strategy is adopted to strengthen the service professionalism and improve the Company's operation quality. Taking licensed pharmacists as the core and leveraging on the advantages of the business institute, the Group aims to train employees of the new era, and improve the level of pharmacy services for the public from the aspects of corporate culture, pharmaceutical knowledge, service skills, new marketing methods, or introducing famous doctors, as a way to win customers and develop markets with professionalism, and to shape professional brands in retail chain pharmacies and distribution field.

Secondly, "Platform+" strategy is adopted to expand the value-added service items of stores to meet the growing demand of consumers. With the change in living environment, people pay more attention to health, resulting in increasing demand for prevention and treatment. In particular, the COVID-19 outbreak has further reminded the public of the importance of health care and immunity. The Group will adopt new technological methods according to the new situation, such as introducing AI intelligent diagnostic medical equipment, or introducing resources in the field of universal health in the form of partners, to enhance the service capabilities of terminal stores and with alert marketing model, implement franchise store promotion model as to adapt to the market needs in the new situation.

Thirdly, “Internet+” strategy is adopted to strengthen the linking capability of internet to physical stores, and promote online and offline connectivity and integration. According to the development trend of technology and the internet, the Group will make full use of the new situation of the popularization of mobile internet terminals, including development of applets, use of short videos and live commerce, moments promotion, group development and bonding members, to develop a network for physical stores, explore a new marketing ecosystem integrating “new business, new retail, and new technology”, and build a dynamic and leading competitiveness.

Therefore, by leveraging the network layout advantages of traditional industries and grafting the new economic model, introducing to partnership model, the Group will make efforts to facilitate the optimization and digital transformation of the Group’s operation structure, and make plans for a new development cycle with the wing of new engine for the Company, so as to maintain the Group as one of the industrial leaders in terms of the construction of industrial chain ecosystem and operation channel innovation.

EVENTS AFTER THE YEAR

No important event has occurred after 30 June 2022, being the end of the financial year under review, which would affect the Group.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the Year (2021: Nil).

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company will be held on Monday, 12 December 2022 (the “**2022 AGM**”).

The register of members of the Company will be closed from Wednesday, 7 December 2022, to Monday, 12 December 2022, both days inclusive, in order to determine the identity of the shareholders of the Company (the “**Shareholders**”) who are entitled to attend the 2022 AGM. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Tuesday, 6 December 2022.

CORPORATE GOVERNANCE

The Company 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 complied with all applicable code provisions under the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) throughout the Year, except for deviation from code provision C.2.1 of the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The positions of chairman and the chief executive officer of the Company were held by Mr. Jin Dongtao before 1 August 2021. The Board believes that despite the responsibilities of the chairman and the chief executive officer of the Company were vested in the same person before 1 August 2021, all major decisions were made in consultation with the Board.

For the sake of corporate governance of the Group, Mr. Jin Dongtao has resigned as the chief executive officer of the Company and Mr. Chu Chuanfu has been appointed as the chief executive officer of the Company with effective from 1 August 2021.

The Company has complied with all the code provisions as set out in the CG Code since 1 August 2021 and, where appropriate, the applicable recommended best practices of the CG Code.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. Zou Haiyan (chairman of the Audit Committee), Mr. Cheng Sheung Hing and Ms. Chiang Su Hui Susie. The main duties of the Audit Committee are to examine, review and monitor the financial data and financial reporting procedure of the Group, and overseeing the Group’s financial reporting system, risk management and internal control systems. The Audit Committee had reviewed the annual results of the Group for the Year.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group’s consolidated balance sheet, consolidated statement of comprehensive income, and the related notes thereto for the Year as set out in this annual results announcement have been agreed by the Group’s auditor, Mazars CPA Limited (“**Mazars**”), to the amounts set out in the Group’s draft audited consolidated financial statements for the Year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the preliminary results announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding directors’ securities transactions. Specific enquiries has been made with all the Directors and each of the Directors has confirmed that he/she has complied with the Model Code throughout the Year.

During the Year, the Company had also adopted its own code of conduct regarding employees’ securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company’s securities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

PUBLICATION OF THE ANNUAL RESULTS AND 2021/22 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This preliminary annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.uhighl.com). The 2021/22 annual report containing all the information required by the Listing Rules will be despatched to the Shareholders and made available on the abovementioned websites in due course.

By order of the Board
Universal Health International Group Holding Limited
Jin Dongtao
Chairman

Hong Kong, 27 September 2022

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Jin Dongtao, Mr. Jin Dongkun, Mr. Zhao Zehua and Mr. Chu Chuanfu and three independent non-executive Directors, namely Mr. Cheng Sheung Hing, Ms. Chiang Su Hui Susie and Mr. Zou Haiyan.