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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)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

#### INTERIM RESULTS HIGHLIGHTS

		(Unaudited)		
		Six months ended 31 December		
	Unit	2023	2022	Change
Revenue	RMB million	<b>591.3</b>	797.0	-25.8%
Gross profit	RMB million	<b>96.2</b>	133.6	-28.0%
Operating loss	RMB million	<b>(21.0)</b>	(41.8)	+20.8 RMB million
Loss for the period	RMB million	<b>(20.9)</b>	(44.3)	+23.4 RMB million
Adjusted EBITDA	RMB million	<b>(13.9)</b>	(22.5)	+8.6 RMB million
Basic loss per share	RMB cents	<b>(3.14)</b>	(7.95)	+4.81 RMB cents
Gross margin	%	<b>16.3</b>	16.8	-0.5 pp
Operating loss margin	%	<b>(3.6)</b>	(5.2)	+1.6 pp
Net loss margin	%	<b>(3.5)</b>	(5.6)	+2.1 pp

The board (the “**Board**”) of directors (the “**Directors**”) of Universal Health International Group Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited interim results of the Group for the six months ended 31 December 2023 (the “**Period**”) together with the comparative figures for the corresponding period in 2022 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited)	
		Six months ended 31 December	
		2023	2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	2	<b>591,339</b>	796,976
Cost of sales	4	<u>(495,157)</u>	<u>(663,376)</u>
<b>Gross profit</b>		<b>96,182</b>	133,600
Selling and marketing expenses	4	<b>(95,316)</b>	(137,248)
Administrative expenses	4	<b>(24,561)</b>	(28,712)
Impairment loss on investment in an associate		–	(10,433)
Other income		<b>1,638</b>	2,921
Other gains (losses) – net		<u><b>1,060</b></u>	<u>(1,927)</u>
<b>Operating loss</b>		<b>(20,997)</b>	(41,799)
Finance income	5	<b>365</b>	4,931
Finance costs	5	<u>(2,531)</u>	<u>(705)</u>
Finance (costs) income – net	5	<b>(2,166)</b>	4,226
Share of post-tax results of an associate		<u><b>662</b></u>	<u>(6,727)</u>
<b>Loss before income tax</b>		<b>(22,501)</b>	(44,300)
Income tax credit	6	<u><b>1,617</b></u>	<u>–</u>
<b>Loss for the period</b>		<u><b>(20,884)</b></u>	<u>(44,300)</u>

		(Unaudited)	
		Six months ended 31 December	
		2023	2022
Note		RMB'000	RMB'000
<b>Other comprehensive income (loss)</b>			
<i>Item that is or may be reclassified to profit or loss in subsequent periods</i>			
	Currency translation differences	<u>1,762</u>	<u>(4,298)</u>
<b>Other comprehensive income (loss) for the period</b>		<u>1,762</u>	<u>(4,298)</u>
<b>Total comprehensive loss for the period</b>		<u><u>(19,122)</u></u>	<u><u>(48,598)</u></u>
<b>Loss attributable to:</b>			
	– Owners of the Company	(20,929)	(44,231)
	– Non-controlling interests	<u>45</u>	<u>(69)</u>
		<u><u>(20,884)</u></u>	<u><u>(44,300)</u></u>
<b>Total comprehensive loss attributable to:</b>			
	– Owners of the Company	(19,167)	(48,529)
	– Non-controlling interests	<u>45</u>	<u>(69)</u>
		<u><u>(19,122)</u></u>	<u><u>(48,598)</u></u>
<b>Loss per share attributable to owners of the Company for the period</b>			
<i>(RMB cents)</i>			
	– Basic and diluted	7 <u><u>(3.14)</u></u>	<u><u>(7.95)</u></u>

## CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited) As at <b>31 December</b> <b>2023</b> <i>RMB'000</i>	(Audited) As at 30 June 2023 <i>RMB'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>199,807</b>	206,684
Right-of-use assets		<b>4,751</b>	5,406
Intangible assets		–	–
Investment in an associate		<b>83,064</b>	56,134
Equity instruments designated as at fair value through other comprehensive income		<b>13,381</b>	13,381
Biological assets		<b>98,496</b>	98,496
Deferred income tax assets		<b>7,607</b>	5,990
		<u>407,106</u>	<u>386,091</u>
<b>Total non-current assets</b>			
<b>Current assets</b>			
Trade and other receivables	9	<b>98,735</b>	103,169
Income tax recoverable		<b>2,713</b>	2,640
Inventories		<b>144,006</b>	164,128
Restricted cash		<b>34,194</b>	39,841
Cash and cash equivalents		<b>35,454</b>	42,995
		<u>315,102</u>	<u>352,773</u>
Assets classified as held for sale	11	<u>29,908</u>	–
		<u>345,010</u>	<u>352,773</u>
<b>Total current assets</b>			
		<u><b>752,116</b></u>	<u><b>738,864</b></u>
<b>Total assets</b>			

		(Unaudited) As at 31 December 2023 <i>RMB'000</i>	(Audited) As at 30 June 2023 <i>RMB'000</i>
	<i>Note</i>		
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		43,587	43,587
Reserves		1,771,831	1,743,801
Accumulated losses		<u>(1,493,589)</u>	<u>(1,472,660)</u>
		<u>321,829</u>	<u>314,728</u>
<b>Non-controlling interests</b>		<u>45</u>	<u>–</u>
<b>Total equity</b>		<u><b>321,874</b></u>	<u><b>314,728</b></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		–	40,000
Lease liabilities		<u>–</u>	<u>310</u>
<b>Total non-current liabilities</b>		<u>–</u>	<u>40,310</u>
<b>Current liabilities</b>			
Borrowings		40,000	–
Trade and other payables	<i>10</i>	378,128	383,517
Lease liabilities		<u>–</u>	<u>309</u>
		<u>418,128</u>	<u>383,826</u>
Liabilities associated with assets classified as held for sale	<i>11</i>	<u>12,114</u>	<u>–</u>
<b>Total current liabilities</b>		<u>430,242</u>	<u>383,826</u>
<b>Total liabilities</b>		<u>430,242</u>	<u>424,136</u>
<b>Total equity and liabilities</b>		<u><b>752,116</b></u>	<u><b>738,864</b></u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

### 1.1 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 31 December 2023 have been prepared in accordance with IAS Standards 34, “**Interim Financial Reporting**” issued by International Accounting Standards Board (“**IASB**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The preparation of these condensed consolidated interim financial statements for the six months ended 31 December 2023 in conformity with IAS Standards 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

These condensed consolidated interim financial statements for the six months ended 31 December 2023 include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 30 June 2023, and therefore, do not include all of the information required for full set of consolidated financial statements prepared in accordance with all applicable IFRS Accounting Standards issued by IASB. They shall be read in conjunction with the consolidated financial statements for the year ended 30 June 2023.

These condensed consolidated interim financial statements for the six months ended 31 December 2023 have been prepared on a historical cost convention, except for equity instruments designated as at fair value through other comprehensive income (“**FVOCI**”) and biological assets which are measured at fair value.

### 1.2 Going concern

During the six months ended 31 December 2023, the Group recorded a loss of approximately RMB22,501,000 (six months ended 31 December 2022: RMB44,300,000), which was primarily attributable to the challenges experienced in the retail market within the northeastern region of the PRC as well as decrease in the number of distributors in the distribution network. In addition, the Group recorded net cash outflow from operations of RMB9,488,000 for the six months ended 31 December 2023 and the net current liabilities of the Group increased by RMB31,053,000 to RMB85,232,000 as at 31 December 2023 which was mainly resulted from the reclassification of loan advanced from an associate with carrying amount of RMB40,000,000 from non-current liabilities to current liabilities.

The management of the Company has reviewed the current performance and cash flow forecast prepared by the management as part of their assessment of the Group’s ability to continue as a going concern, and after carefully considering the matters described below, the directors have a reasonable expectation that the Group is able to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations, as and when they fall due, having regard to the followings:

- (a) The Group continues to negotiate for external financing, including but not limited to, obtain further loan facilities renew or refinance the loan facilities upon maturity and various form of capital fund raising. As at 31 December 2023, the Group had available unutilized banking facility of RMB50,000,000 and subsequent to 31 December 2023, the Group successfully obtained an addition loan facility from the associate for an amount of RMB40,000,000;
- (b) The Group continues to improve operating efficiency by 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 six months ended 31 December 2023, the Group has further closed a number of loss-making retail stores to minimise operating cash outflows; and
- (c) The Group is actively exploring the opportunity of obtaining additional source of cash inflows from sales of its owned assets/investment. Subsequent to 31 December 2023, the Group has disposed its entire equity interest in a subsidiary, namely Shenyang Weishi Pharmaceutical Limited (“**Shenyang Weishi**”), a company incorporated in the PRC, at the cash consideration of RMB40,000,000.

Consequently, the directors have concluded that the Group has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group’s ability to continue as a going concern.

### 1.3. Accounting policies

The accounting policies adopted in preparing these condensed consolidated interim financial statements for the six months ended 31 December 2023 are consistent with those in the preparation of the Group’s consolidated financial statements for the year ended 30 June 2023, except for the adoption of the new/revised standard of IFRS Accounting Standards which are relevant to the Group’s operation and are effective for the Group’s financial year beginning on 1 July 2023 as described below.

Amendments to IAS Standards 1	Disclosure of Accounting Policies
Amendments to IAS Standards 8	Definition of Accounting Estimates
Amendments to IAS Standards 12	Deferred Tax related to Assets and Liabilities arising from a single Transaction
Amendments to IAS Standards 12	International Tax Reform – Pillar Two Model Rules
IFRS Accounting Standards 17	Insurance Contracts
Amendments to IFRS Accounting Standards 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information

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

## 2. REVENUE

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

	(Unaudited)	
	Six months ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers (a)	<u>591,339</u>	<u>796,976</u>

### (a) Disaggregation of revenue

	(Unaudited)		
	Six months ended 31 December 2023		
	Distributions	Retails	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Major products</b>			
Prescribed drugs	74,633	37,392	112,025
Non-prescribed drugs	336,723	93,190	429,913
Healthcare products	51,846	38,292	90,138
Other pharmaceutical products	<u>25,436</u>	<u>3,113</u>	<u>28,549</u>
	488,638	171,987	660,625
Eliminations	<u>(69,286)</u>	<u>–</u>	<u>(69,286)</u>
Revenue from external customers	<u>419,352</u>	<u>171,987</u>	<u>591,339</u>
<b>Timing of revenue recognition:</b>			
Products transferred at a point in time	<u>419,352</u>	<u>171,987</u>	<u>591,339</u>

	(Unaudited)		
	Six months ended 31 December 2022		
	Distributions	Retails	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Major products</b>			
Prescribed drugs	104,167	49,882	154,049
Non-prescribed drugs	452,523	131,328	583,851
Healthcare products	65,140	45,332	110,472
Other pharmaceutical products	<u>36,632</u>	<u>8,627</u>	<u>45,259</u>
	658,462	235,169	893,631
Eliminations	<u>(96,655)</u>	<u>–</u>	<u>(96,655)</u>
Revenue from external customers	<u>561,807</u>	<u>235,169</u>	<u>796,976</u>
<b>Timing of revenue recognition:</b>			
Products transferred at a point in time	<u>561,807</u>	<u>235,169</u>	<u>796,976</u>

### 3. SEGMENT INFORMATION

The Board is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board 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 PRC.

Distributions, Retails and Others are presented to the Board to assess their performance and for making respective business decisions. Distributions, Retails and Others are considered to be three segments in accordance with IFRS Accounting Standards 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 more than 10% of the Group's total revenues for the six months ended 31 December 2023 and 2022.

Inter-segment sales are charged at cost or cost plus a percentage mark-up. The revenue from external customers and the costs, the total assets and the total liabilities are measured in a manner consistent with that of these condensed consolidated interim financial statements.

The Board 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 an associate.

The segment information for the Period and as at 31 December 2023 is as follows:

	(Unaudited)			
	Six months ended 31 December 2023			
	Distributions	Retails	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	488,638	171,987	–	660,625
Inter-segment revenue	<u>(69,286)</u>	<u>–</u>	<u>–</u>	<u>(69,286)</u>
Revenue from external customers	<u>419,352</u>	<u>171,987</u>	<u>–</u>	<u>591,339</u>
Adjusted EBITDA	22,511	(34,461)	(1,940)	(13,890)
Depreciation and amortisation	(7,107)	–	–	(7,107)
Finance income	218	146	1	365
Finance costs	(663)	(137)	(1,731)	(2,531)
Share of post-tax results of an associate	662	–	–	662
Income tax credit	<u>1,617</u>	<u>–</u>	<u>–</u>	<u>1,617</u>
Profits (Loss) for the period	<u>17,238</u>	<u>(34,452)</u>	<u>(3,670)</u>	<u>(20,884)</u>
Additions of non-current assets (excluding financial instrument and deferred tax assets)	<u>10</u>	<u>–</u>	<u>–</u>	<u>10</u>
	(Unaudited)			
	As at 31 December 2023			
	Distributions	Retails	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets before eliminations	1,285,589	497,558	1,394,093	3,177,240
Inter-segment assets	<u>(689,739)</u>	<u>(356,222)</u>	<u>(1,379,163)</u>	<u>(2,425,124)</u>
Total assets	<u>595,850</u>	<u>141,336</u>	<u>14,930</u>	<u>752,116</u>
Total liabilities before eliminations	1,105,965	894,800	30,995	2,031,760
Inter-segment liabilities	<u>(817,544)</u>	<u>(754,242)</u>	<u>(29,732)</u>	<u>(1,601,518)</u>
Total liabilities	<u>288,421</u>	<u>140,558</u>	<u>1,263</u>	<u>430,242</u>
Investment in an associate	<u>83,064</u>	<u>–</u>	<u>–</u>	<u>83,064</u>

The segment information for the six months ended 31 December 2022 and as at 30 June 2023 is as follows:

	(Unaudited)			
	Six months ended 31 December 2022			
	Distributions <i>RMB'000</i>	Retails <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	658,462	235,169	–	893,631
Inter-segment revenue	<u>(96,655)</u>	<u>–</u>	<u>–</u>	<u>(96,655)</u>
Revenue from external customers	<u>561,807</u>	<u>235,169</u>	<u>–</u>	<u>796,976</u>
Adjusted EBITDA	32,814	(52,890)	(2,383)	(22,459)
Impairment loss on investment in an associate	(10,433)	–	–	(10,433)
Depreciation and amortisation	(8,831)	(76)	–	(8,907)
Finance income	272	176	4,483	4,931
Finance costs	(688)	(15)	(2)	(705)
Share of post-tax results of an associate	<u>(6,727)</u>	<u>–</u>	<u>–</u>	<u>(6,727)</u>
Profits (Loss) for the period	<u>6,407</u>	<u>(52,805)</u>	<u>2,098</u>	<u>(44,300)</u>
Additions of non-current assets (excluding financial instrument and deferred tax assets)	<u>950</u>	<u>–</u>	<u>–</u>	<u>950</u>
	(Audited)			
	As at 30 June 2023			
	Distributions <i>RMB'000</i>	Retails <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Total assets before eliminations	1,271,471	493,946	1,394,895	3,160,312
Inter-segment assets	<u>(698,303)</u>	<u>(343,885)</u>	<u>(1,379,260)</u>	<u>(2,421,448)</u>
Total assets	<u>573,168</u>	<u>150,061</u>	<u>15,635</u>	<u>738,864</u>
Total liabilities before eliminations	1,126,288	876,481	2,832	2,005,601
Inter-segment liabilities	<u>(837,081)</u>	<u>(742,940)</u>	<u>(1,444)</u>	<u>(1,581,465)</u>
Total liabilities	<u>289,207</u>	<u>133,541</u>	<u>1,388</u>	<u>424,136</u>
Investment in an associate	<u>56,134</u>	<u>–</u>	<u>–</u>	<u>56,134</u>

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

#### 4. EXPENSES BY NATURE

	(Unaudited)	
	Six months ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Costs of inventories sold	493,570	661,266
Employee benefit expenses	73,126	103,370
Lease payments on short-term leases	20,726	28,422
Transportation and related charges	13,286	17,802
Depreciation of property, plant and equipment	6,887	8,661
Other tax expenses	2,645	3,251
Office and communication expenses	1,597	2,339
Professional fees	1,313	1,142
Auditor's remuneration	676	482
Electricity and other utility fees	594	637
Advertising and other marketing expenses	226	1,172
Depreciation of right-of-use assets	220	246
Travelling and meeting expenses	125	518
Other expenses	43	28
Impairment loss on investment in an associate	–	10,433
	<u>615,034</u>	<u>839,769</u>
Total	<u><u>615,034</u></u>	<u><u>839,769</u></u>

#### 5. FINANCE INCOME AND COSTS

	(Unaudited)	
	Six months ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Finance income</b>		
Interest income	365	440
Exchange gains – net	–	4,491
	<u>365</u>	<u>4,931</u>
<b>Finance costs</b>		
Interest on lease liabilities	(22)	(41)
Interest on borrowings	(600)	(608)
Exchange losses – net	(1,763)	–
Other charges	(146)	(56)
	<u>(2,531)</u>	<u>(705)</u>
Finance (costs) income – net	<u><u>(2,166)</u></u>	<u><u>4,226</u></u>

## 6. INCOME TAX CREDIT

	(Unaudited)	
	Six months ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income tax	(1,617)	—
<b>Total income tax credit</b>	<b>(1,617)</b>	<b>—</b>

Hong Kong profits tax has not been provided as there were no assessable profits subject to Hong Kong profits tax for the six months ended 31 December 2023 and 2022.

The subsidiaries of the Group in the PRC are subject to corporate income tax at a rate of 25% (2022: 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 Period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Period.

	(Unaudited)	
	Six months ended 31 December	
	2023	2022
Loss attributable to owners of the Company ( <i>RMB'000</i> )	(20,929)	(44,231)
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	667,550	556,291
Basic loss per share ( <i>RMB cents</i> )	<b>(3.14)</b>	<b>(7.95)</b>

### (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 for the periods are equal to diluted loss per share for the six months ended 31 December 2023 and 2022.

## 8. DIVIDEND

No interim dividend was declared for the Period (2022: Nil).

## 9. TRADE AND OTHER RECEIVABLES

	(Unaudited) As at 31 December 2023 <i>RMB'000</i>	(Audited) As at 30 June 2023 <i>RMB'000</i>
Trade receivables (a)	83,014	80,115
Prepayments	9,358	19,341
Other receivables	<u>6,363</u>	<u>3,713</u>
Total	<u><u>98,735</u></u>	<u><u>103,169</u></u>

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

- (a) 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 ageing analysis based on recognition date of the trade receivables is as follows:

	(Unaudited) As at 31 December 2023 <i>RMB'000</i>	(Audited) As at 30 June 2023 <i>RMB'000</i>
Up to 3 months	81,849	74,264
4 to 6 months	460	5,851
7 to 12 months	<u>705</u>	<u>—</u>
	<u><u>83,014</u></u>	<u><u>80,115</u></u>

## 10. TRADE AND OTHER PAYABLES

	(Unaudited) As at 31 December 2023 RMB'000	(Audited) As at 30 June 2023 RMB'000
Trade payables (a)	317,004	306,436
Notes payables (b)	38,478	45,750
Other payables	<u>22,646</u>	<u>31,331</u>
Total	<u><u>378,128</u></u>	<u><u>383,517</u></u>

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

	(Unaudited) As at 31 December 2023 RMB'000	(Audited) As at 30 June 2023 RMB'000
Up to 3 months	234,342	212,621
4 to 6 months	77,649	87,736
7 to 12 months	<u>5,013</u>	<u>6,079</u>
	<u><u>317,004</u></u>	<u><u>306,436</u></u>

(b) As at 31 December 2023, the notes payables of RMB34,152,000 (as at 30 June 2023: RMB37,185,000) was secured by restricted cash of RMB34,194,000 (as at 30 June 2023: RMB39,841,000) and the remaining balance of RMB4,326,000 (as at 30 June 2023: RMB8,565,000) was secured by the buildings with carrying amount of RMB26,181,000 (as at 30 June 2023: RMB27,337,000). As at 31 December 2023 and 30 June 2023, the notes payables are expected to be settled within one year.

## 11. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 3 November 2023, the Group entered into an equity transfer agreement with an independent third party, to dispose of its entire equity interests in Shenyang Weishi for a cash consideration of RMB40,000,000 (the “Disposal”). Details of the Disposal have been disclosed in the Company’s announcement dated 3 November 2023 and the Company’s circular dated 12 January 2024.

The major assets of Shenyang Weishi were classified as assets held for sale in accordance with IFRS Accounting Standards 5 “**Non-current Assets Held for Sale and Discontinued Operations**”. The major classes of assets and liabilities of Shenyang Weishi are measured at the lower of carrying amount and fair value less costs to sell at the end of the reporting period.

As at the date of these condensed consolidated interim financial statements, the Disposal has not yet completed.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

Since 2023, with the lifting of the COVID-19 pandemic (the “**Pandemic**”) measures, China’s industries have been under pressure to make structural adjustments, and the overall downward pressure on the economy has increased, with GDP growth expected to be around 5.2%. In this regard, the PRC has established a new pattern to develop economic development of “accelerating the construction of new development patterns, promoting high-quality development, coordinating development and security, adhering to the principle of seeking progress amidst stability, promoting stability through progress, and making construction before destruction”; meanwhile, in the face of the complicated international situation, the PRC has continued to implement the concept of “intensifying reform and opening up, building a community with a shared future for mankind and constructing a better world”.

Focusing on medicine and medical treatment, the healthcare industry covers a series of healthcare areas from birth to death, such as healthy and smart elderly care, rehabilitation and physiotherapy, healthcare, and intelligent technology. Currently, as one of the pillar industries of the national economy, the pharmaceutical industry is directly related to people’s health and quality of life, and has a significant impact on the economy and society. As for the pharmaceutical industry, the added value of the industrial enterprises in 2023 increased by 9.8%, the main business increased by 9.1%, the profit increased by 12.2%, and the number of loss-making enterprises increased by 12.1% year-on-year, with the industrial layout being optimized. The emphasis on health management due to increasing incidence of chronic diseases with the arrival of the era of ageing population, as well as the continuous advancement in technology and the rise of emerging markets have had a far-reaching impact on the changes in the pattern of the pharmaceutical industry. Specifically, China has been promoting the high-quality development of the pharmaceutical industry through a series of measures such as structural adjustment of use of drugs via centralized procurement of medicines, the allocation of medical resources to the countryside, the outflow of prescriptions, support for innovation and medical anti-corruption.

The field of pharmaceutical circulation is also facing new opportunities and challenges. Healthcare reform is developing in depth, the management of pharmaceutical circulation has become more standardized, and more attention has been paid to fine services with more competitions in the industry. The layout of pharmaceutical circulation enterprises has been continuously optimized and is getting more consolidated. At the same time, pharmaceutical circulation enterprises have stepped up their efforts to combine online and offline, and intelligent management and digital marketing have become more popular after the Pandemic.

During the Period, China further promoted the standardized development of the industry by issuing rules at different levels. In July 2023, six departments, including the National Health Commission, jointly issued the Notice on the Publication of the Key Tasks for Deepening the Reform of Medical and Healthcare System for the Second Half of 2023 (《關於印發深化醫藥衛生體制改革二零二三年下半年重點工作任務的通知》), which deployed key works in several aspects, including expanding the availability of quality medical resources and ensuring they are evenly distributed among regions, deepening reform of public hospitals guided by public welfare, promoting the orderly linking up of medical insurance programs at different levels, advancing reform and innovative development in the field of medicine, improving the public health system, and building up the ranks of medical and healthcare personnel, pointing out the direction of the detailed arrangements for the corresponding areas in the second half of the year. In the same month, the Health Commission publicly issued the Notice on the Publication of Ten Core Knowledge for the Prevention and Control of Myopia in Children and Youth (《關於印發防控兒童青少年近視核心知識十條的通知》) and the Notice on the Organization and Launching of Publicity for World Population Day 2023 (《關於組織開展二零二三年世界人口日宣傳的通知》), and jointly issued the Notice on the Organization and Launching of National Elderly Health Promotion Week 2023 (《關於組織開展二零二三年全國老年健康宣傳周活動的通知》) with the General Administration of Sport of China and the National Administration of Traditional Chinese Medicine, which promote health knowledge for the children and youth groups, women and girls groups, and the elderly groups respectively. In July, the National Medical Products Administration also issued the Administrative Measures for Drug Standards (《藥品標準管理辦法》), a notice on matters relating to the amendment of certain provisions of the Administrative Measures for Drug Inspection (for Trial Implementation) (《藥品檢查管理辦法(試行)》), and the Regulations for the Administration of Labeling of Chinese Medicine Decoction Pieces (《中藥飲片標籤管理規定》), which regulate the conduct of the related fields. In September, the State Administration for Market Regulation issued the Measures for the Supervision and Administration of the Quality of Drug Operation and Use (《藥品經營和使用品質監督管理辦法》), which comprehensively regulates the behavior of drug wholesalers and retailers as well as the holders of marketing licenses for drugs and medical institutions in the PRC in respect of the purchase, storage, transportation and use of drugs, and the supervisory system, constituting an important collective industry rules. In November, the National Health Commission issued the Notice on Nine New Substances Including Codonopsis Pilosula that are Both Food and Chinese Herbal Medicines According to Tradition (《關於黨參等九種新增按照傳統既是食品又是中藥材的物質公告》) jointly with the State Administration for Market Regulation and the Notice on the Publication of the Guidelines on Integrated Home and Community-based Healthcare and Nutrition Services (for Trial Implementation) (《關於印發居家和社區醫養結合服務指南(試行)的通知》) jointly with National Administration of Traditional Chinese Medicine and National Disease Control and Prevention Administration, which regulate self-care and integrated healthcare and nutrition services in response to the trend of aging. In December, the National Health Commission together with other four departments issued the Notice on the Publication of the Implementation Plan for Saving Drug Resources and Curbing Drug Waste (《關於印發節約藥品資源遏制藥品浪費實施方案的通知》), which standardizes and guides the drug packaging, clinical drug use management, drug sales management and other aspects. A total of 12 departments, including the Ministry of Commerce and Health Commission, issued the Guiding Opinions on Accelerating the Digital Empowerment of Life Services (《關於加快生活服務數位化賦能的指導意見》), which involves the consumption promoted by integrating online and offline, the digital application and service for the elderly and the disabled, and

the digitization of the medical and healthcare field, providing policy support for the digital transformation and intelligent development of medical institutions and pharmaceutical enterprises.

In gist, despite facing some challenges, the pharmaceutical industry in China has generally maintained a growth momentum. New business models have continued to emerge, chemical medicine remained its dominance and innovative medicines such as biomedicine continued to rise, with traditional Chinese medicine showing an obvious trend of internationalization. At the same time, public awareness of self-care has been steadily increasing after the Pandemic. Additionally, the government's support for the industry has been consistently strengthened, providing a solid foundation for the industry's future development.

## **BUSINESS REVIEW**

During the Period, under the leadership of Mr. Chu Chuanfu, the chairman (the “**Chairman**”) of the Board, the senior management of the Company 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. Meanwhile, after taking into the account the impact of industry development trends and the national policy support guidance, the Group also endeavored to explore new business model.

After the Pandemic, as the public awareness of self-health management enhances, public demand for medicine consumption has risen which drove the relevant domestic industries began to recover. The employees of the Group's retail chain stores stand fast on their posts to provide medicine sales services to local people, actively organize the supply of goods and equip people with needed medicines and equipment. In some areas, telephone ordering for home delivery of medicine and/or mobile internet reservation for products had been carried out in order to maintain business continuity and form a complementary online and offline operation model.

## **Chain Retail Business**

During the Period, the Group held various promotion activities so as to enhancing the Group's presence in the regions and competitiveness of chain retail business. The Group actively explores digital transformation and builds the foundation for network development. In the meantime, the Group has strengthened its O2O platform, increased the online orders and formed an online and offline interactive operation system. In addition, the Group has also continued to explore and establish "DTP pharmacies" to better serve the public's health while improving the flexibility of the Group's operating mechanism and increasing profit growth points. As at the end of the Period, the Group had a total of 222 chain stores. The Group recorded sales revenue for retail business of RMB172.0 million for the Period (2022: RMB235.2 million) representing a period-on-period decrease of 26.9%.

## **Nationwide Distribution Business**

As at 31 December 2023, the Group had 1,244 distributors and 4 large-scale distribution logistics centers. The Group made appropriate promotion in its distribution system, and continued to optimise screening and maintaining of high-quality customers. However, in this circumstance, the Group's distribution business recorded sales revenue of RMB419.4 million (2022: RMB561.8 million), representing a decrease of 25.3% compared to the corresponding period in 2022.

## **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 PRC government so as to reduce the effect of the policy change of the Group. During the Period, 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 most 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 inappropriate products and add new products, so as to maintaining the competitiveness of the original branded products, whilst increasing the presence of new branded products. During the Period, a net decrease of 26 branded products was recorded. Hence, there were total 538 branded products in operation as at the end of the Period.

## **Intelligent Warehouse Construction**

The Group has set up four large-scale logistics distribution centers in Shijiazhuang, Shenyang, Harbin and Jiamusi respectively, and has established a high-quality distribution system across the whole country covering the northeastern region. During the Period, continuously leveraging on Warehouse Management Software System, an intelligent sorting software system, the Group's labour productivity had been improved. 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 the traditional advantages in continuous brand promotion and marketing, the Group strengthened its presence and competitiveness, and mitigated the further decline in operating performance. During the Period, promotional and marketing activities had been launched for product brands and enterprise brands by continuously leveraging on the internet, WeChat, and live platform. In addition, the Group has participated in the public charity and friendly community building 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 optimise 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 Period, 11 online video and offline internal trainings in total had been held by the Company.

## **Membership Service**

During the Period, the Group had provided follow-up services and promotion benefits for approximately 1.20 million offline members (corresponding period in 2022: 1.46 million), and provided online and offline 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 and lost children service centres; 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 Period, the Company had proactively participated in the alliance activities. The Chairman and vice chairman 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 presence. 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**

For the Period, the Group recorded overall revenue of RMB591.3 million, representing a decrease of 25.8% as compared with RMB797.0 million for the corresponding period in 2022. Loss attributable to owners of the Company for the Period was RMB20.9 million while loss attributable to owners of the Company was RMB44.3 million for the corresponding period in 2022. Loss per share for the Period was RMB3.14 cents (for the six months ended 31 December 2022: RMB7.95 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 Period, the Group closed a number of loss-making retail stores to minimise operating loss.

### **Revenue**

For the Period, the Group recorded overall revenue of RMB591.3 million, representing a decrease of RMB205.7 million or 25.8% as compared with RMB797.0 million for the corresponding period in 2022. Basically, with the benefit of the lifting of the Pandemic prevention and control, the customer flow of the physical stores should gradually increase. However, the outcome was not as expected due to the impact of national policies. The Group actively strives to build brand effects and develop new marketing strategies to maintain the Group's sales volume.

### *Analysis of revenue by business segment*

	<b>Revenue (RMB million)</b>			<b>Percentage (%) of total revenue</b>		
	<b>Six months ended 31 December</b>			<b>Six months ended 31 December</b>		
	<b>2023</b>	2022	Change (%)	<b>2023</b>	2022	Change
Retails	<b>172.0</b>	235.2	-26.9	<b>29.1</b>	29.5	-0.4 pp
Distributions	<b>419.3</b>	561.8	-25.4	<b>70.9</b>	70.5	+0.4 pp
	<b><u>591.3</u></b>	<u>797.0</u>		<b><u>100.0</u></b>	<u>100.0</u>	

### *Retail Business Segment*

As at 31 December 2023, the Group had 222 retail pharmacies in total (2022: 273), of which 160 located in Heilongjiang Province (2022: 188), 61 in Liaoning Province (2022: 84) and 1 self-operated retail pharmacy in Hong Kong (2022: 1).

### *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.

As at 31 December 2023, the Group had a nationwide distribution network covering approximately 1,244 active customers (2022: 1,363), among which approximately 867 were pharmaceutical retailers, hospitals and clinics (2022: 858) and approximately 377 were distributors (2022: 505).

### **Gross profit**

Gross profit of the Group for the Period was RMB96.2 million, representing a decrease of RMB37.4 million or 28.0% as compared with RMB133.6 million for the corresponding period in 2022. Overall gross margin decreased from 16.8% to 16.3%. The slight decrease in gross profit margin was mainly due to increase in procurement cost.

### *Analysis of gross profit by business segment*

	<b>Gross profit (RMB million)</b>			<b>Gross margin (%)</b>		
	<b>Six months ended</b>			<b>Six months ended</b>		
	<b>31 December</b>			<b>31 December</b>		
	<b>2023</b>	2022	Change (%)	<b>2023</b>	2022	Change
Retails	<b>47.5</b>	61.3	-22.5	<b>27.6</b>	26.1	+1.5 pp
Distributions	<b>48.7</b>	72.3	-32.6	<b>11.6</b>	12.9	-1.3 pp
	<b><u>96.2</u></b>	<u>133.6</u>				

### **Selling and marketing expenses**

Selling and marketing expenses for the Period was RMB95.3 million, representing a decrease of RMB41.9 million or 30.5% as compared with RMB137.2 million for the corresponding period in 2022 and accounting for 16.1% of the Group's revenue (for the six months ended 31 December 2022: 17.2%). The decrease in selling and marketing expenses was mainly due to the decrease in staff cost and rental expenses.

### **Administrative expenses**

Administrative expenses for the Period was RMB24.6 million, representing a decrease of RMB4.1 million or 14.3% as compared with RMB28.7 million for the corresponding period in 2022 and accounting for 4.2% of the Group's revenue (for the six months ended 31 December 2022: 3.6%). The decrease in administrative expenses was mainly due to the decrease in staff cost.

### **Finance costs – net**

Net finance costs for the Period was RMB2.2 million (for the six months ended 31 December 2022: net finance income of RMB4.2 million). The net finance cost as against the net finance income was mainly due to the increase in exchange losses.

### **Income tax credit**

Income tax credit for the Period was 1.6 million (for the six months ended 31 December 2022: Nil). The effective income tax rate for the Period was -7.2% (for the six months ended 31 December 2022: Nil).

## **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 31 December 2023, the Group's unpledged cash and cash equivalents totalled RMB35.5 million (as at 30 June 2023: RMB43.0 million), and the Group's net current liabilities were RMB85.2 million (as at 30 June 2023: RMB31.1 million).

During the Period, net cash flows used in operating activities amounted to RMB9.5 million (for the six months ended 31 December 2022: net cash flows from operating activities amounted to RMB13.6 million).

During the Period, the Group had capital expenditure of RMB10,000 (for the six months ended 31 December 2022: RMB1.0 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 arises from certain bank deposits that are denominated in Hong Kong dollars and United States dollars. As at 31 December 2023, the Group had RMB35.5 million in cash and bank balances of which the equivalent of RMB0.8 million was denominated in Hong Kong dollars and United States dollars.

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

## **CAPITAL STRUCTURE**

As at 31 December 2023, the Company had a total of 667,549,632 shares in issue.

As at 31 December 2023, the Group had a borrowing from an associate carrying an interest rate of 3% per annum in the sum of RMB40 million (as at 30 June 2023: a borrowing from an associate carrying an interest rate of 3% per annum in the sum of RMB40.0 million).

The gearing ratio of the Group as at 31 December 2023, calculated as net debt divided by sum of total equity and net debt, was N/A (as at 30 June 2023: N/A).

## **CONTINGENT LIABILITIES AND PLEDGE OF ASSETS**

As at 31 December 2023, the Group had no significant contingent liabilities (as at 30 June 2023: Nil).

As at 31 December 2023, the notes payables of RMB34.2 million (as at 30 June 2023: RMB37.2 million) was secured by restricted cash of RMB34.2 million (as at 30 June 2023: RMB39.8 million) and the notes payables of RMB4.3 million (as at 30 June 2023: RMB8.6 million) was secured by the buildings of the Group with carrying amount of RMB26.2 million (as at 30 June 2023: RMB27.3 million).

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES**

On 3 November 2023, the Group entered into an equity transfer agreement with an independent third party to dispose its entire equity interest in an indirect wholly owned subsidiary namely Shenyang Weishi Pharmaceutical Limited for a cash consideration of RMB40,000,000. As at the date of this announcement, the disposal has not yet completed. For details, please refer to note 11 to the condensed consolidated financial statements in this announcement.

## **HUMAN RESOURCES**

The Group recognises our employees as the key element that contributes to the Group's success. As at 31 December 2023, the Group had 1,617 (2022: 3,007) full-time employees in Hong Kong and China with total employee benefit expenses amounted to RMB73.1 million for the Period (2022: RMB103.4 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 performs 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.

## **ENVIRONMENTAL, GOVERNANCE AND SOCIAL RESPONSIBILITY**

The Group understands that it is important to maintain good relationship with its employees, business partners, suppliers, customers, shareholders, investors and bankers as well as the community to achieve its long-term business growth and sustainable development. The management of the Group reviews the policy implementation, monitors and measures progress, and ensures that the established goals are effectively achieved in terms of environment, working environment, operation management and community participation/social welfare, etc., in response to the national “carbon neutrality” strategy and global green and sustainable development demands.

### **FUTURE PLAN**

Following the leadership of the Chairman and the management of the Group in strategic plan and continuously adopting the Golden Rules as its guidelines, the Group will adapt to the new situation, concentrate on universal health, focus on the pharmaceutical industry, and timely divestiture of subsidiary industries other than the main business. With a view to 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 focusing 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. Meanwhile, taking advantage of industry trends, the Group increases efforts in the expansion of “DTP pharmacies” in a timely manner, 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 Pandemic 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, or introducing resources in the field of universal health in the form of partners, to enhance the service capabilities of terminal stores and 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 and carrying out changes in franchise methods, 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 main pharmaceutical business and operation channel innovation.

## **INTERIM DIVIDEND**

The Board has resolved not to declare the payment of an interim dividend for the Period (2022: Nil).

## **CORPORATE GOVERNANCE**

The Company had complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix C1 (formerly Appendix 14) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) throughout the Period except for a 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. During the Period, despite that the responsibilities of the chairman and the chief executive officer of the Company vested in Mr. Chu Chuanfu (the chairman of the Board, the chief executive officer and the chief operation officer), all major decisions are made in consultation with the Board. The Board considers that there is sufficient balance of power and the current corporate arrangement maintains a strong management position of the Company.

Save for the above, the Company had complied with all code provisions as set out in the CG Code throughout the Period and, where appropriate, the applicable recommended best practices of the CG Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 (formerly Appendix 10) to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she had complied with the required standards as set out in the Model Code throughout the Period.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

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

## **REVIEW OF THE INTERIM RESULTS BY AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) is comprised of 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 reporting procedures and financial reporting, risk management and internal control systems of the Company. The Audit Committee has reviewed the unaudited interim results of the Group for the Period.

## **PUBLICATION OF THE INTERIM RESULTS AND 2023/24 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This interim results announcement is published on the websites of the Stock Exchange and the Company, and the 2023/24 interim report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.uhighl.com](http://www.uhighl.com)) in due course.

By order of the Board  
**Universal Health International Group Holding Limited**  
**Chu Chuanfu**  
*Chairman*

Hong Kong, 27 February 2024

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